The Change of Historical Character of Anglo-Chinese Joint Firms in Late Qing and Early Republican China, 1860 to 1927

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Since the 1970s, researchers of Chinese socio-economic history in English-speaking countries and Japan have concentrated on negating the power of British firms under the extra-territorial system in the late Qing and early Republican periods. They emphasized that British mercantile firms or banks could not control the Chinese economy in such a way as to earn much profit for them. The major opponents of British firms were various Chinese merchants' groups with the same local origins or professions supported by the Qing local governments.¹

However, researchers completely changed their viewpoint in the 1990s. Assuming that the impact of Western imperialism became dominant only after the Sino-Japanese War, they sought a new image of the late Qing and early Republican periods from the Chinese perspective. One of their typical concerns, especially before the Sino-Japanese War, was the socio-economic functions of Chinese merchants' groups of the same local origins or professions.²

However, as researchers widened their view, they faced several new questions. While British mercantile firms and banks in the middle of the nineteenth century claimed the cohesion of Chinese merchants' groups with the same local origins or professions, the Qing central government officials claimed that Chinese merchants lacked solidarity in the early twentieth century, especially after the Boxer Uprising. What actually took place, then, in Chinese merchants' groups of the same local origins or professions in this century?³

Seeking the answer to this question not only reveals the limit of the power of Chinese merchants' groups of the same local origins and professions, but also the inevitability of their reorganization into Chinese chambers of commerce in the early twentieth century. This process was by no means brought about with the development of Chinese capitalism, as historians in PRC assumed.⁴ The bona fide cause of this change was the emergence of Chinese who were not obedient to the discipline of Chinese merchants' groups of the same local

²Goodman [1995], Rankin [1993], Rowe [1993], Wakeman Jr. [1993].
³Only several Japanese historians raised this question, but none of them succeeded in accounting for the reason. See 金子 [1997],曾田 [1991],帆刈 [1994a] [1994b]
⁴徐鼎新・钱小明[1991], 虞和平[1993]
origins or professions. They were recorded as “English-speaking Chinese” in English documents.\(^5\)

Having been to Britain or America, or having been educated in mission schools or through some other circumstance in Hong Kong and other treaty ports, they could speak and write English fluently. Through a close relationship with British mercantile firms as their compradors, they could arrange their Western commercial partners to be their sureties without reporting that they had done so, and they could invest their money in British companies’ stocks. Through these activities, English-speaking Chinese became indispensable partners for the British mercantile firms in China. They could wield great influence on the Chinese economy, using the names of their British business partners or employers. Due to such behaviors, however, English-speaking Chinese were a double-edged sword for both the British and the Chinese. As commercial activities by the English-speaking Chinese became prominent in treaty port society, various conflicts arose between British mercantile groups and major Chinese merchants’ groups of the same local origins or professions.

Analyzing typical Anglo-Chinese commercial conflicts in Shanghai and its surrounding districts, I plan to reveal that the traditional Chinese socio-economic order could not be maintained after the 1880s due to the increase of English-speaking Chinese who tried to protect their commercial income and property with an extra-territorial system. I also plan to reveal not only the Qing government’s but also the British government’s response to the situation. Finally, I propose revisions of the former image of the process by which the traditional Chinese society collapsed during the late Qing period.\(^6\)

1. Coexistence of Anglo and Chinese Commercial Orders, 1860-80

As many previous studies have exemplified, by the end of the 1860s British mercantile interests were contained within foreign concessions in the treaty ports. Their attempts to break the inland market monopoly of Chinese


\(^6\)This paper is based upon my previous two monographs and recent one Japanese article. In full detail, see Motono [2000][2004a][2004b].
merchants' groups, who were supported by the Qing local government officials, ended in failure in the 1870s. Therefore, British merchants had to compromise with Chinese merchants. As stable import and export trade settlement systems were established between the 1880s and the 1890s, British merchants in China no longer openly criticized Chinese merchants' groups.\(^7\)

The outcome of Anglo-Chinese commercial conflicts at this stage was not important for this paper because they consistently ended with Chinese victory. More important were the agendas of disagreement between the parties. Since the 1830s, British merchants in China had been complaining that they could not carry out transactions with anyone except certain prominent Chinese merchants or members of prominent groups of the same local origins. In order to eliminate the monopoly system, the British diplomats did not hesitate to instigate war against the Qing central government twice before 1860. Even after these wars, however, the Qing local government officials did not respect the British commercial order, free trade, and tried to rebuild the monopoly of certain merchants' groups. Their attitude irritated the British so much that a British consul claimed to a Qing local government official that "free trade" was an economic principle that made it possible to buy in the cheapest market and sell in the dearest market, thereby supplying the wants of one district or country from the superfluity of another, to the great advantage of both parties.\(^8\)

The British also demanded that the Qing central government abolish various inland dues or *lijin* [釐金] taxes collected by prominent Chinese merchants' groups on behalf of the Qing local governments. Since British merchants and diplomats assumed that any tax or dues were imposed upon individual income or property, they fiercely insisted that inland dues and *lijin* taxes should be unified into import and export tariff collected by the Imperial Maritime Customs. The British party did not abandon this demand until the Nationalist government period.

It was apparent that the British did not understand the economic system and state finance of Qing China. Inland dues and *lijin* taxes were devices for disciplining Chinese groups with the same local origins or professions. In return for granting their monopoly to carry out certain economic activities in

\(^7\)本野 [2004] 第Ⅱ、Ⅲ部。

\(^8\)Great Britain Foreign Office Archives, Embassy and Consular Archives, China (hereafter recorded as FO228), FO228//514 Enclosure No. 5 in Mr. Davenport's No. 4 of 3 February 1872; FO228/945 Despatch No. 6 of 1872.
certain districts, Qing local government officials received inland dues or *lijin* tax incomes collected from only members of such groups. Inland dues and *lijin* taxes were obviously not imposed upon individual income or property; they were imposed upon the right to monopolize certain economic activities.

Taking this system for granted, the Qing government officials regarded free trade as impermissible. As a result of the negotiations between the British and the Qing central government just after the Arrow War, the one-half duty [*子口半税*] privilege was established in order to settle the redundant tariff and dues question. British merchants were not required to pay inland dues and *lijin* taxes as long as they were transporting import goods or native produce for export between inland districts and treaty ports under inward or outward duty certificates, the rate of which was one half of the import or export tariffs (*5% ad valorem*). In return, British merchants had no right to oppose any charge on native goods or import goods that were in the hands of the Chinese.

Both British and Chinese merchants were eager to obtain one-half duty certificates. Since the rate (*2.5% ad valorem*) was much lower than ordinary inland dues and *lijin* taxes, such certificates were a good device for them to evade transit dues and *lijin* tax. British merchants had to distribute one-half duty certificates to Chinese merchants for their own interests. Often they could not sell British cotton goods and meet their debt to Chinese merchants unless they procured one-half duty certificates.

The prevalence of one-half duty privilege certificates among Chinese merchants seriously undermined the solidarity of Chinese merchants groups whose cohesion was maintained by collecting transit dues and *lijin* tax exclusively from their members. Therefore, it was quite natural that Qing local government officials tried to regulate illegal sales of one-half duty certificates by imposing several rules in the 1870s. However, while the Qing central government succeeded in framing satisfactory rules to regulate the illegal sales of import one-half duty privilege certificates, they failed to frame rules for export one-half duty privileges.

The reason for the failure was a controversy between the Western ministers led by the Prussian minister, Maximilian August Scipio von Brandt, and the Zongli Yamen [*総理衙門*] as to whether or not Western merchants could purchase native produce, such as silk cocoons or raw cotton, under one-half duty certificates. Since Western merchants and ministers assumed the one-half export duty was imposed upon raw materials, they intended to use this
privilege for running their factories in treaty ports to purchase raw materials at minimum cost. According to the Zongli Yamen, however, the one-half export duty was to be imposed upon the foreigners' privilege for bringing native produce for export from the interior districts to treaty ports. Therefore, they stubbornly opposed the Western ministers' proposal.

This controversy between von Brandt and the Zongli Yamen finally escalated to include foreigners' right to engage in manufacturing enterprises at the ports. Using Article 7 of the Chinese-French Treaty of Tianjin, Article 6 of the Chinese-Prussian Treaty of Tianjin, Article 11 of the Chinese-Belgian Treaty of Beijing and Article 8 of the Chinese-Austrian-Hungarian Treaty of Beijing as the bases for their argument, von Brandt and other Western ministers claimed that foreigners had the right to engage in manufacturing enterprises at treaty ports.

The Chinese interpretation of these treaty articles was totally different from that of the Westerners. Applying the Chinese text of the terms "industrier" or "Industrie" to the above articles of French or German texts, the Zongli Yamen insisted that these articles were merely statements permitting Chinese and foreigners to engage themselves as laborers and workmen and to carry out sundry work; they had nothing to do with permission for a manufacturing industry or manufactured goods. The Western ministers and the Zongli Yamen could not reach an agreement; their negotiation ended in failure in April 1882.9

While diplomatic negotiations were occurring in Beijing, the illegal sales of export one-half duty certificates in Shanghai were causing greater conflict there.

2. Birth of a British Firm to Draw Chinese, 1881-1904

The other side of the Chinese commercial order was the lack of any legal system or institution to protect individual merchants' property. Proprietors of a Chinese traditional firm, a joint-share company [合股企業], had unlimited responsibility for paying debts to creditors if their enterprises fell into liquidation. Therefore, these proprietors avoided any business risk that might result in the loss of all their property.

After the economic crisis of 1866, British merchants were aware of the danger of conducting business in China where no legal system existed to protect their income or property from commercial risk. From the end of the 1870s, they

pressed the British government to introduce a system of commercial law into the International Settlements in Shanghai. According to Arthur Davenport, a British consul, the completely undefined liability of shareholders of British companies in China posed an insurmountable obstacle to the establishment of British companies and associations in China: proprietors would be obliged to risk sums larger than their paid-up capital. If a foreign joint-stock company in China went bankrupt with huge debts, shareholders of the bankrupted company were exposed to the risk of guaranteeing the debt until they lost all their property.

In response to a petition from British merchants in China, the British government seriously considered the possibility of extending the English Joint Stock Company Act of 1862, which included a provision of shareholders' limited liability since the end of the 1860s. However, due to strong opposition by law officers of the Crown, who feared extending the provision of limited liability to non-British people, the British government decided to turn down the petition from Shanghai in March 1883. Thus, proprietors of British companies in China had no choice but to register their companies under the companies' ordinance in Hong Kong or the Company Registration Act in Britain.

The controversy between the British government and law officers of the Crown had not come to an end. However, the North-China Herald, a weekly English magazine in Shanghai, erroneously reported that the British government had issued an additional Order in Council to extend the British Joint Companies Act of 1862 and to establish a registration system for public companies in the British Supreme Court in Shanghai in June 1881. This incorrect information greatly influenced English partners of the Shanghai branch of Jardine, Matheson & Co. Since 1881, they had been considering a proposal of the Chinese man “Te San” to re-establish the Ewo Filature [怡和絲廠], which had failed in liquidation in the 1860s. From unknown sources, Te San must have seen the development of silk filature in Guangzhou [広州]. Unfortunately, he did not have the necessary technology, commercial information, or sufficient capital to establish silk filature, so he asked the Shanghai branch of Jardine, Matheson & Co. for help, in return for cooperation in re-establishing the Ewo Filature. However, the English partners of the Shanghai branch of Jardine, Matheson & Co. did not trust him at first. Experiencing a civil case, E-kee v. Jardine, Matheson & Co. in 1867, which had resulted in their paying Tls. 80,000 to the creditors of their bankrupted
comprador,\textsuperscript{10} they knew how dangerous it was to depend on a Chinese business partner. At that time, the British Supreme Court of Shanghai defined compradors as employees of British merchants. Therefore, the Shanghai branch of Jardine, Matheson & Co. was responsible for guaranteeing the whole debt of their new Chinese business partner, Te San, whether it arose from their business or his private business.

Receiving the inaccurate news issued by the \textit{North-China Herald}, English partners of the Shanghai branch of Jardine, Matheson & Co. mistakenly thought they could begin re-establishing the Ewo Filature as a joint enterprise with Te San and his Chinese friends under the protection of the English Joint-Stock Company Act, which secured the limited liability of both British and Chinese shareholders. The importance of this erroneous news for Te San and English partners of the Shanghai branch of Jardine, Matheson & Co. was evident by the fact that they arranged seven Chinese shareholders, as shown in Table 1. According to Sections 6 to 9 and 38 of the English-Joint Stock Company Act of 1862, unless seven or more persons were associated for a lawful purpose, such a company could not be regarded as an incorporated company with limited liability. Since they clearly knew the contents of the English-Joint Stock Company Act of 1862, they hurriedly sought six additional Chinese proprietors.

\begin{table}[h]
\centering
\begin{tabular}{llr}
\hline
Date & Name & Amount (Sycee) \\
\hline
February 1882 & Property a/c & 11,061.34 \\
March 1882 & Capital a/c & \\
& Nien How & 5 & 5,000 \\
& Yang Wee cha & 5 & 5,000 \\
& Hung Wo & 5 & 5,000 \\
& Te San (sic)[徐鴻盛] & 5 & 5,000 \\
& Koo Yung chang & 5 & 5,000 \\
April 1882 & Sun Kiew & 3 & 3,000 \\
& Sow E Kee & 1 & 1,000 \\
\hline
Total & & 29 & 40,061.34 \\
\hline
\end{tabular}
\caption{List of Chinese Shareholders of the Ewo Steam Silk Filature and its Property Account in 1882}
\end{table}

Source: Ewo Steam Silk Filature Account Book (Jardine Matheson Archives A7/553).

\textsuperscript{10}Full analysis of the civil case, see Motono [2004a], pp. 22-42.
Due to the British government’s decision in March 1883, British merchants in China, including the Shanghai branch of Jardine, Matheson & Co., had no choice but to register their companies under the companies’ ordinance in Hong Kong or the Company Registration Act in Britain. Such registration had a serious effect. British limited companies registered in Hong Kong or Britain carried on their business in Shanghai or other treaty ports, which were clearly outside the jurisdiction of Hong Kong and England. Once such a company fell into liquidation with huge debt, there was no guarantee that the British Supreme Court in Shanghai would enforce winding-up orders or any other judgment by the Supreme Court in Hong Kong or England against prompters, shareholders, debtors, and officers of such a company, under the companies’ ordinance in Hong Kong or the Company Registration Act in Britain. Moreover, such a defective legal system could not force Chinese shareholders of British limited companies to guarantee payment of the firm’s debt even within the value of the shares to which they subscribed. However, few people were aware of this defect in the British company registration system in China at that time.

In addition to the limited liability of British companies’ shareholders, the utilization of export one-half duty privilege certificates attracted Chinese merchants to British companies.

Te San was the first Chinese whose activities were recorded in existing documents in the Jardine Matheson Company archives in the Cambridge University Library. His real name was Xu Hongkui [徐鴻逵]. Since his courtesy name was “Disian [棣山],” he appeared as “Tesan,” “Tee San,” or “Tah Sung” in the Jardine Matheson Archives. In order to obtain the export one-half duty certificates and to be the limited liability of British companies’ shareholders, he played an active role in re-establishing and managing the Ewo Filature. In addition to finding a suitable piece of land and six other Chinese proprietors, Xu succeeded in organizing a cocoon-purchasing network with landlords in Jiangsu [江蘇] Province, especially Wuxi [無錫] and Liyang [慄陽] Counties. For fear of repeating the interference they had experienced before the 1870s, Xu and the Shanghai branch of Jardine, Matheson & Co. had avoided purchasing silk cocoons in Zhejiang [浙江] Province.

Xu preferred Wuxi and Liyang Counties because the landlords in these counties had produced dried cocoons by themselves since the late 1870s. As long as Xu Hongkui purchased dried cocoons from the landlords in the Jiangsu silk-producing districts, he did not need to hire others to produce dried cocoons
and could thereby avoid interference from prominent landlords and local
government officials in Fuyang County [富陽縣], Zhejiang Province.\textsuperscript{11}

Meanwhile, for the landlords of the Jiangsu silk-producing districts, trade
with Xu Hongkui was beneficial. Since he also acted as a comprador of the
Shanghai branch of Jardine, Matheson & Co., he could use export one-half duty
privilege certificates. As long as they sold dried cocoons to Xu Hongkui or other
compradors, they could receive surplus export one-half duty privilege
certificates, which protected their other commercial profits from various inland
dues and \textit{lijin} taxes. Landlords and gentry who did business with Xu Hongkui
included Xue Nanming [薛南溟], a son of Xue Fucheng [薛福成], who was a
secretary of Li Hongshang [李鴻章] and a founder of the first dry
cocoon-dealing house in Wuxi, \textit{Qijun jianhang} [基均廈行].

Huang Zongxian [黃宗憲], a comprador of Iveson & Co. [公和洋行], and Gu
Mianfu [顧勉夫], a comprador of Russell & Co. [旗昌洋行], also started
purchasing silk cocoons in Wuxi and Changzhou [常州] districts in 1882. They
had their own cococon business partners in Wuxi County. Of the three cococon
sales networks, only Xu Honkui's commerce was recorded in the \textit{Ewo Filature
Account Book} in the Jardine Matheson Archives, as Table 2 reveals.

<table>
<thead>
<tr>
<th>Year</th>
<th>Wuxi</th>
<th>Xiangyang</th>
<th>Euh Hong</th>
<th>Suzhou</th>
<th>Aze (sic)</th>
<th>Xu Jia (sic)</th>
<th>Unknown</th>
</tr>
</thead>
<tbody>
<tr>
<td>1885</td>
<td>27,500</td>
<td>8,687.50</td>
<td>25,000</td>
<td>n. a.</td>
<td>n. a.</td>
<td>500</td>
<td>9,882.50</td>
</tr>
<tr>
<td>1886</td>
<td>30,000</td>
<td>7,500.00</td>
<td>n. a.</td>
<td>19,000</td>
<td>4,000</td>
<td>500</td>
<td>n. a.</td>
</tr>
<tr>
<td>1887</td>
<td>42,000</td>
<td>27,000.00</td>
<td>n. a.</td>
<td>17,000</td>
<td>n. a.</td>
<td>500</td>
<td>n. a.</td>
</tr>
<tr>
<td>1888</td>
<td>52,000</td>
<td>2,000.00</td>
<td>2,000</td>
<td>n. a.</td>
<td>n. a.</td>
<td>n. a.</td>
<td>31,000.00</td>
</tr>
<tr>
<td>1889</td>
<td>80,000</td>
<td>30,000.00</td>
<td>27,000</td>
<td>n. a.</td>
<td>n. a.</td>
<td>2,000</td>
<td>16,000.00</td>
</tr>
<tr>
<td>1890</td>
<td>90,500</td>
<td>42,500.00</td>
<td>n. a.</td>
<td>21,000</td>
<td>1,000</td>
<td>2,000</td>
<td>n. a.</td>
</tr>
<tr>
<td>1891</td>
<td>70,000</td>
<td>n. a.</td>
<td>n. a.</td>
<td>17,000</td>
<td>16,000</td>
<td>n. a.</td>
<td>1,000.00</td>
</tr>
<tr>
<td>1892</td>
<td>102,000</td>
<td>n. a.</td>
<td>n. a.</td>
<td>25,000</td>
<td>8,000</td>
<td>n. a.</td>
<td>5,941.36</td>
</tr>
<tr>
<td>1893</td>
<td>104,000</td>
<td>n. a.</td>
<td>n. a.</td>
<td>19,000</td>
<td>19,000</td>
<td>n. a.</td>
<td>n. a.</td>
</tr>
<tr>
<td>1894</td>
<td>150,000</td>
<td>n. a.</td>
<td>n. a.</td>
<td>18,000</td>
<td>18,000</td>
<td>n. a.</td>
<td>n. a.</td>
</tr>
</tbody>
</table>

Source: Ewo Steam Silk Filature Account Book (Jardine Matheson Archives A7/553).

\textsuperscript{11} Motono [2000], pp. 57-64.
As the cocoon business between Anglo-American silk filatures' compradors and Jiangsu landlords progressed, the export one-half duty privilege certificates were disseminated among Chinese merchants and landlords not only in Jiangsu but also in Zhejiang silk-producing districts, as Table 3 indicates. Since this policy undermined the discipline of Chinese merchants' groups of the same local origins or the same professions, the Qing government officials could not leave it untouched.

Table 3  Value of native produce purchased and brought under outward transit passes from the interior districts, 1888-1904 (Haiguan Taels)

<table>
<thead>
<tr>
<th></th>
<th>蒸 (Silk Cocoon Whole)</th>
<th>合計</th>
</tr>
</thead>
<tbody>
<tr>
<td>1888</td>
<td>254,274</td>
<td>911,985</td>
</tr>
<tr>
<td>1889</td>
<td>292,144</td>
<td>1,359,924</td>
</tr>
<tr>
<td>1890</td>
<td>625,377</td>
<td>1,971,331</td>
</tr>
<tr>
<td>1891</td>
<td>254,281</td>
<td>1,116,851</td>
</tr>
<tr>
<td>1892</td>
<td>398,054</td>
<td>1,153,161</td>
</tr>
<tr>
<td>1893</td>
<td>762,824</td>
<td>1,770,399</td>
</tr>
<tr>
<td>1894</td>
<td>1,194,178</td>
<td>2,311,301</td>
</tr>
<tr>
<td>1895</td>
<td>3,386,231</td>
<td>3,207,541</td>
</tr>
<tr>
<td>1896</td>
<td>4,054,133</td>
<td>5,181,127</td>
</tr>
<tr>
<td>1897</td>
<td>1,979,582</td>
<td>2,918,085</td>
</tr>
<tr>
<td>1898</td>
<td>1,848,343</td>
<td>2,843,181</td>
</tr>
<tr>
<td>1899</td>
<td>3,199,158</td>
<td>4,514,125</td>
</tr>
<tr>
<td>1900</td>
<td>2,926,666</td>
<td>4,269,868</td>
</tr>
<tr>
<td>1901</td>
<td>3,455,905</td>
<td>5,265,149</td>
</tr>
<tr>
<td>1902</td>
<td>5,653,236</td>
<td>7,749,928</td>
</tr>
<tr>
<td>1903</td>
<td>8,395,496</td>
<td>11,018,560</td>
</tr>
<tr>
<td>1904</td>
<td>3,770,867</td>
<td>5,013,767</td>
</tr>
</tbody>
</table>

Source: Imperial Maritime Customs Returns, Returns of Trade and Trade Reports, Shanghai, 1888-1904.


Like British merchants in China, the Qing government officials were aware of the importance of limited liability of shareholders since the end of the 1870s. Several times they tried but failed to introduce an effective corporation control
system. As a result, the official supervision and merchant-management firms (guandu shangban qiye [官督商辦企業] became infamous for their corrupt management, and were very unreliable investment risks for Chinese merchants and landlords. They therefore began to invest in British firms in China, as Xu Hongkui and the other six Chinese proprietors did with the Ewo Filature.

Cooperation between the Chinese merchants and landlords and the British and other Western firms meant the illegal sales of export one-half duty privilege certificates to them, undermining the mutual relationship between the Qing local governments and prominent Chinese merchants groups tied with the inland dues or the lijin tax collection system. Thus, the Qing local government officials took every opportunity to break the Anglo-Chinese joint commercial businesses tied with limited liability of shareholders and export one-half duty privilege. Their first attempt was to prohibit the two silk filatures of Iveson & Co. and Russell & Co., which also purchased dried cocoons in Wuxi County through their compradors. They also targeted the Shanghai Silk Manufacturing Company (youheng zhichou gongsi [有恆織绸公司]; yingshang zhizao yangzhuang chouling gongsi [英商織造洋莊紗綢公司]) and the Anglo-American Cotton Yarn Company (fengxiang fangsha gongsi [豐祥紗紗公司]) for interference because both companies were inviting numerous Chinese shareholders. Their prohibition provoked anger within the Western society in Shanghai, because of their claim that the right to establish a manufacturing factory in China had been stipulated in Western languages texts of various treaty articles since the 1870s. Western consuls protested the prohibition by the Shanghai local authorities, led by Zuo Zongtang [左宗棠]. Their protest was rejected, and a diplomatic issue between Anglo-American ministers and the Zongli Yamen ensued.

In fact, Zuo Zongtang and other local government officials seem to have arranged for the Anglo-American diplomats to transfer negotiations on the issue of Westerners’ right to establish a manufacturing factory in China from Shanghai to Beijing. They anticipated political revenge by Xue Nanming through his father, Xue Fucheng, if they openly prohibited the commercial activities of the Ewo Filature. Therefore, they carefully left the Ewo Filature and the commercial connection between Xu Hongkui and Xue Nanming untouched, because it had been preparing to open at that time. Instead, they prohibited the other two filatures and the two manufacturing factories, claiming that these

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12 李玉 [2002]
factories violated the monopoly of the Shanghai Cotton Cloth Mill Company (*Shanghai jiqi zhibu* [上海機器織布局]) over the cotton industry for ten years.

Xue Fucheng dealt with the issue on behalf of Li Hongzhang. When he considered the outline of the issue, he must have immediately realized the hidden message of Zuo Zongtang and other local government officials in the negotiation. In his reply to the Shanghai Daotai, Shao Youlian [邵友濂], in October 1882, he ostensibly praised the interference and the prohibition placed on the Anglo-American cotton-spinning factory, the Shanghai Silk Manufacturing Company, and the two silk filatures of Iveson & Co. and Russell & Co. At the same time, by proposing the two steam silk filatures as exceptions, he implied that the two prohibited silk filatures should be allowed, as well as the Ewo Filature, which had remained untouched. His real aim was to warn the local government officials not to touch the Ewo Filature and his son’s business.13

As a result of Xue Fucheng’s order, the three silk filatures, including the Ewo Filature, were allowed to carry on their business as exceptions. However, the local government officials tried to prevent their business by imposing a higher *lijin* tax upon dried cocoons before the compradors of the three silk filatures purchased them. Their efforts had no effect. On the contrary, British and other Western merchants had clearly become aware of the hazards of the export one-half duty certificates and the limited liability of shareholders on the Chinese merchants’ groups of the same local origins or professions in 1888. Since that time, the two Anglo-Japanese cotton ginning factories and the three silk filatures had played a key role in undermining the solidarity of Chinese merchants’ groups by distributing the export one-half duty certificates among Chinese merchants or calling for them to be shareholders of these factories.14

The Qing government made several attempts to prevent the growth of Anglo-Chinese or other Foreign-Chinese joint firms, in which British or other Western merchants and Chinese merchants were tied with the export one-half duty certificate and limited liability of shareholders. They prohibited foreigners from importing machinery that was hazardous to the life or earnings of Chinese common people, and they denied the right of Chinese to become shareholders of foreign enterprises in China. Neither effort, however, had any effect. The

13Motono [2000], chapter 3.
prohibition of importing machinery, which became a diplomatic issue in the early 1890s, was nullified because the Shimonoseki Treaty stipulated the foreigners' right to establish a manufacturing factory in China. Also, the right of Chinese to be shareholders of a British company in China under the relevant British law was stipulated in Article 4 of the Mackay Treaty in 1902.\(^{15}\)

Finally, the Qing government officials sought to protect the Chinese merchants' groups of the same local origin or professions by reorganizing them into chambers of commerce; they attempted to protect individual merchants' property by introducing a new commercial code system. They succeeded in nullifying the effect of export one-half duty certificates by placing Chinese factories in raw material-producing districts and evading inland dues or the lijin taxes upon the manufactured goods. However, they failed to nullify the limited liability of registered British companies in China. Their attempt to introduce a bankruptcy code, to protect debtors' property rather than that of creditors, was forced to be withdrawn in 1906. No other effective method was left for the Qing government officials to protect the property of Chinese merchants who tried to establish a manufacturing enterprise by joint-share companies.\(^{16}\)

From then until the Nanjing government period, Chinese merchants could no longer expect any system or institution to protect their property or sales profit from their government. For them, cooperation with foreign merchants, especially with the British, seemed to be the only reliable means of protecting their property. However, with the outbreak of the financial panic of 1910, they became clearly aware that they could no longer expect British merchants to play such a role. Together with the Qing local government officials or the revolutionary government officials, British merchants and banks were quite eager to collect their own loans from bankrupted Chinese merchants and native bank proprietors [錢莊股東]. Claiming an equitable lien of their loans on the bankrupted Chinese, which were stipulated only in the British law of security, British merchants and bankers refused to respect charges by Chinese creditors.

\(^{15}\)本野 [2004a], pp. 166-172, 186-209.

\(^{16}\)Motono [2000], pp. 157-165; 本野 [2004a], pp. 173-185.

In retrospect, the export one-half duty privilege and the limited liability had a very limited effect on protecting the property of English-speaking Chinese. The former was applied to the transportation of native produce from the purchasing place to treaty ports; the latter involved Hong Kong or foreign settlements. Therefore, the export one-half duty privilege did not protect the profit of Chinese dealers generated by selling native produce to British merchants. Furthermore, the limited liability of shareholders was ineffective for the Anglo-Chinese joint enterprise conducting business outside treaty ports. The decline of the Chinese tea industry in the 1880s exemplifies the ineffectiveness of the policy. Despite the apprehension of the Qing central government officials, neither British nor Chinese merchants dared to establish an enterprise to produce tea for export, which would have competed with Indian and Ceylon tea in Britain.\(^{17}\)

The export one-half duty privilege became less effective after the success of the Dasheng cotton factory [大生紗廠] established by Zhang Jian [張謇]. Considering his success, the Qing government officials must have been aware that a Chinese manufacturing industry could compete with the foreign manufacturing industry within treaty ports if they became established in the raw-material-producing districts and evaded the inland dues or lijin tax imposed on manufactured goods. Therefore, from the early twentieth century, they did not allow compradors or Chinese employees of foreign companies to open warehouses in cotton- or silk-producing districts for purchasing raw cotton or silk cocoons with the export one-half duty certificates. Moreover, they endeavored to reduce the rate of inland dues or lijin tax so that the one-half duty privilege became ineffective after the Republican period.\(^{18}\) As a result, English-speaking Chinese could cooperate with British merchants only on the condition that they could expect to utilize the limited liability. Like non-British foreign merchants, they did not hesitate to take over British companies registered in Hong Kong, and they even established pseudo-British companies in order to protect their remaining property from creditors, in case their

\(^{17}\)本野 [2004a] Chapter13, Motono [2004b]

enterprise fell into liquidation and lost their invested money. Such pseudo-British companies were not uncommon in treaty ports (see Table 4).

Pseudo-British companies were advantageous to non-British merchants, due to the extra-territorial system. When Chinese or non-British foreign merchants established a pseudo-British inland navigation company, they gained the right to harbor their ships within the British foreign concessions at various treaty ports. Moreover, they could evade being arrested by the Chinese authorities even when they openly transported opium into the inland districts, claiming that they were employees of “British” companies. Furthermore, when a pseudo company fell into liquidation and Chinese creditors sued it in order to collect debts, British Consular Courts or Supreme Courts in Shanghai or Hong Kong were in a difficult position. Even if judgment was for the plaintiffs, the defendants claimed limited liability or rejected the judgment due to their non-British nationality. They hid their remaining property outside the jurisdiction of British Consular Courts or Supreme Courts in Hong Kong or Shanghai. Meanwhile, judgment favoring the defendants aroused anger and anti-British sentiment among the plaintiffs, and escalated anti-British nationalism.\(^{19}\)

The primary reason for malpractice was that the management directors of pseudo-British companies could hide the accounting condition of their companies by evading annual Hong Kong government inspections. They simply moved their central business office to Shanghai or other treaty ports, leaving an agency office in Hong Kong.

In order to eliminate pseudo-British companies, Lord Salisbury directed the British diplomats in China that unless more than half of the management directors and shareholders were British, no company should be registered and treated as a British company as of 1898. However, even if less than half of the management directors and shareholders were British, a company could be allowed to register as a British shipping company in Hong Kong, according to Section I (d) of the British Merchant Shipping Act (1894). Thus, Lord Salisbury’s directive could not be implemented, and pseudo-British companies openly registered in Hong Kong and carried on their business in treaty ports where the order of the Hong Kong Supreme Court could not be enforced.

\(^{19}\) Such a case really happened as *Tientsin Horse Basar case*. See 本野[2004a], pp. 292-3.
The defects of the British company registration system became apparent when the Chief Judge of the Hong Kong Supreme Court sentenced judgment upon the Dallas Horse Repository Company, Ltd., Case in 1910. In this civil case, he denied the limited liability of British companies that were conducting business in Shanghai and other mainland districts in China after registration in Hong Kong. The British government then had to deal with the problem. Based upon the draft drawn by the two judges of the British Supreme Court in Shanghai, in 1915 the British government issued an order in council, which enlarged the company registration system into Shanghai, with mutual cooperation between the British Supreme Courts in Shanghai and in Hong Kong. This order in council endowed the British Supreme Court in Shanghai equal jurisdiction over the British companies registered in Shanghai.

With revisions in 1919 and 1925, the British government redefined stricter qualifications for British companies deserving to be registered. These new restrictions stipulated that more than half of shareholders and management directors had to be British, and that the management directors of British companies had to live within the jurisdiction of either the Supreme Court in Shanghai or that in Hong Kong. Furthermore, the registered bona fide British companies were ordered to put “British” or “英商” at the top of their companies’ names, with the exception of such well-known companies as Jardine Matheson & Co.

These stricter requirements of the British company registration system brought about two sub-effects. First, English-speaking Chinese no longer regarded British companies in China as their reliable patrons or Britain’s registration system as an effective device for protecting their property. As they lost their attraction in the eyes of English-speaking Chinese, British merchants could not rely upon their cooperation. As recent case studies reveal, the comprador system lost its effectiveness in the 1920s. Secondly, British merchants could no longer expect cooperation from Japanese and American firms. Since they could not register their companies as British companies in

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20 本野 [2004a], pp. 302-4.
21 本野 [2004a], pp. 305-9.
22 本野 [2004b]
23 Chan Kai-yiu [陳計堯] [2001]; Sherman Cochran [2000]; Howard Cox, Huang Biao and Stuart Metcalfe [2003].
Hong Kong or Shanghai, Japanese and American companies were forced to reorganize their management. Typical examples were the Shanghai Cotton Manufacturing Co., Ltd. [上海紡織会社], the British American Tobacco (China) Co. [英美煙公司], and the China Import and Export Lumber Co., Ltd. [祥泰木行有限公司]. By forcing the reorganization of Anglo-American joint companies, the revised British company registration system angered the American government and the American merchants in China.

Reacting to the rapid growth of U.S.-China trade during the First World War and seeking to survive tough competition with Japanese and other European firms in China after the war, the American government stipulated its own company registration system with the China Trade Act in 1922. However, due to its strict qualifications, neither American merchants in China nor English-speaking Chinese could fulfill the qualifications for company registration under this. It required that more than five management directors of an American company be American citizens, at least one of whom must live in Washington, DC. Moreover, at least 25% of the company’s capital had to be in cash. Furthermore, registered American companies were prohibited from carrying on financial business in China.

As a result, only one-seventh of American companies in China registered under this act. Clearly, British merchants who had attracted English-speaking Chinese for the two unequal treaty privileges lost their influence on Chinese merchants in the 1920s. The well-known “Christmas Message” by the British government should be regarded as merely a confirmation that British merchants in China no longer had any influence on Chinese society. Therefore, the British government yielded to the Nationalist government.

Conclusion

The rise and fall of Anglo-Chinese joint firms in the late Qing and early Republican China offer effective evidence to reconsider the presence of western imperialism in China and the collapse of the traditional socio-economic order. The collapse of the traditional Chinese socio-economic order did not start with the defeat of the Sino-Japanese war in 1895; instead, its real start goes back to the early 1880s. Considering the influence of the two unequal treaty privileges, we cannot deny the impact of the presence of British imperialism in China. At

least from the end of the 1880s until the outbreak of the First World War, British imperialism wielded great influence upon Chinese society by undermining the mutual relationship between the Chinese merchant groups of the same local origins and the local government officials. This influence might well be termed the "Western Impact."

The Western Impact, the essence of which was the socio-economic order of British society based upon individual property rights since the medieval era, was not brought about by the British or Americans, as previous scholars have assumed. It was introduced and woven into the Chinese society via English-speaking Chinese who had a close relationship with British mercantile people. The impact of English-speaking Chinese was not novel in Chinese history. Just as many poor common people begged Chinese bureaucrats or local gentry to employ them as bond servants [奴僕] or secretaries [幕友, 長隨] to protect their property, English-speaking Chinese approached British mercantile firms. 25 The relationship between British mercantile firms and English-speaking Chinese should be regarded as a new type of patron-client relationship, similar to that between the dynastic government officials or gentry and their bond servants or secretaries. Although the close relationship between British mercantile firms and English-speaking Chinese based on the export one-half duty privilege and the limited liability was strictly limited, it produced a major impact by undermining the solidarity of Chinese merchants' groups of the same local origins or professions.

Contrary to the assumption of the former image of British imperialism in China, the British government did not acknowledge the English-speaking Chinese who made every effort to take advantage of the relationship with British merchants in China. Due to the change in the company registration system from 1915 to 1927 and the effort of the Chinese governments to nullify the export one-half duty privilege, joint Anglo-Chinese firms lost their influence on the Chinese commercial order. The revival of the Chinese chambers of commerce in the early Republican period is evidence of their loss of influence. 26

However, this does not mean that there was a system or institution to guarantee the safety of individual Chinese merchants' property. Seeking a new patron, the English-speaking Chinese approached the Nanjing government,
Americans, and even Japanese in the 1930s. Their activities, which are the theme of my future research, complicated the character of Chinese history after the 1930s.

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出典: F0228/2206 Enclosure in E. H. Fraser to F. H. May, Governor of Hong Kong, May 10, 1915