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British business in China, 1860s–1950s

Jürgen Osterhammel

7.1 Introduction

The historical role of foreign business in any comparatively less developed country can be analysed from at least four different points of view. From a *global* perspective that takes 'international society' or the 'modern world-system' as its principal unit of reference, foreign business is one among several mechanisms which contribute to the integration of 'peripheral' societies into universal political, economic and cultural structures as they have been shaped by Europe from the early modern period onwards. In this view, foreign business is a vehicle of general processes of system-building; its overall effects can alternatively be interpreted as inculcating modernity and occidental rationality into non-Western civilisations or as incorporating the agrarian societies of the East and South into the world-system in positions of inferiority and dependency. An *imperial* perspective adopts a more narrow focus. It looks out into the world from one of the dynamic capitalist centres and examines business operations in terms of the projection of metropolitan resources (people, technology, commodities, capital, etc.) into areas of the globe that have been linked up with a particular imperial system either through direct rule ('formal empire') or through indirect control ('informal empire'). In business history, this corresponds to a view from headquarters and to an analysis in terms of entrepreneurial strategies. By contrast, an *expatriate* perspective shifts the angle of observation to foreign enterprise 'on the spot'; it tells the story of Western firms and businessmen operating in non-capitalist or semi-capitalist economic environments and non-Western cultures. Finally, the *indigenous* (or host country) perspective poses the most difficult question of all, that of the 'impact' of the West on 'Third World' economies and societies. In particular it examines the ways in which various indigenous groups and classes respond to intrusion from abroad.

Of course, these four approaches are by no means mutually exclusive. On the contrary, it is a challenge to historical interpretation to try to connect the different levels and perspectives in a manner that combines empirical richness and theoretical subtlety.[1] This chapter pursues a much more modest aim. It takes up the expatriate perspective, with occasional glances at the imperial and the indigenous side, and attempts a bird's-eye view of the activities of British business in China over roughly a century from the opening of China's interior in 1860 to the final winding-up of British business there in the mid-1950s.

7.2 The nineteenth century: the age of trade

In the nineteenth century, the Asian empires east of India were one by one opened up by the force of Western arms. Their military might was broken; their rulers were humbled; they had to accede to the diplomatic conventions of the European powers such as the stationing of permanent representatives abroad, the establishment of Ministries of Foreign Affairs and finally the acceptance of the standards of international law as they had emerged in early modern Europe;[2] treaties were imposed upon them that granted privileges to Western traders and travellers, soldiers and missionaries; native political and administrative institutions, especially those connected with the collection of revenue, were subjected to varying degrees of foreign control; eventually, spheres of influence were carved out, protectorates declared and territories brought under colonial rule. By 1910, Burma, the principalities and kingdoms of Malaya and Indochina, the Philippines, Korea, large areas in Central Asia, one Chinese province in its entirety (Taiwan), and parts of the province of Shandong had been absorbed into the colonial empires of Britain, France, the United States, Japan, Russia and Germany. They joined the old Dutch empire in the East Indies. China, of course, escaped partition and wholesale occupation. In this, however, it was not unique, Japan and Siam sharing the same good fortune. China's uniqueness lies in the fact that it had been connected with the international economy long before it was incorporated, from 1842 onwards, into the international political system. In a sense, this was also true for Japan: until about 1680, European merchants regarded Japan as a more promising trading partner than China.[3] But Japan strictly enforced its own seclusion,[4] whereas China allowed maritime trade along its south-eastern littoral, increasingly concentrated on the port of Canton (Guangzhou), to grow into one of the most important sub-systems of the international economy in the eighteenth century.

By 1715 the commercial mechanisms of the Canton trade had been established in their basic form.[5] On the Chinese side foreign trade was conducted as 'administered' trade – in the words of a modern historian, 'perhaps the most efficient mechanism for exchange between societies that differed in economic assumptions but were not prepared to press their case against each other too vigorously'.[6] On the Western side, chartered

companies predominated, chief among them the British East India Company (EIC). The EIC stood at the centre of a vast intercontinental trading network; it was a huge and complex organisation by the standards of the time and operated in the manner of a 'pre-modern multinational organization'.[7] The EIC lost its India monopoly in 1813, but retained its monopoly of the China trade for another twenty years.[8] Yet, from the late 1780s onwards, the predominance of the EIC was increasingly eroded by two new factors in Far Eastern business. One factor was the American private traders who had firmly entrenched themselves in the Canton trade by the 1820s.[9] The second factor was British agency houses extending their activities from Bengal to the China coast. They soon became indispensable to the Company as, among other things, the main suppliers to the Chinese market of opium and cotton goods, thus financing the EIC's export of tea from Canton.[10]

A number of agency houses fell victim to a series of crises that affected the fragile credit basis of the 'private' China trade.'[11] But when Britain sealed its victory in the first Opium War with the Treaty of Nanjing (1842), several British firms were ready to exploit the new opportunities offered by a system of limited free trade that included the opening of five 'treaty ports' (among them Shanghai), the cession of Hong Kong, the abolition of the Chinese monopoly, the establishment of consular representation, and the fixation of a uniform and 'moderate' tariff. However, the more extravagant hopes were soon dashed. While the illegal opium trade continued to grow, Western legal trade, especially that in British cotton goods, came up against Chinese resistance in various forms: a simple lack of demand for Western commodities, the resilience of indigenous trading networks, high taxation of imported goods outside the treaty ports, and a general defensive reaction which the British were quick to denounce as Chinese 'xenophobia'. A second treaty settlement was imposed on China in 1858 and 1860: another twelve treaty ports were opened (at least on paper) to commerce; extraterritoriality was extended; the entire interior of China was made accessible to foreign travellers; above all, foreign shipping was now allowed to enter the river Yangzi – China's main artery for traffic between the coast and the interior.

The years from 1860 to 1895 saw the rise of Sino–Western commercial capitalism in and around the major treaty ports.[12] There was little change in the composition of foreign trade, opium from India continuing to be the leading import item until 1890, with tea and silk contributing the bulk of China's exports. The import of cotton piece goods increased considerably, but the allegedly limitless potential of the Chinese market for the sale of European manufactured goods was still not realised. By 1896 China absorbed (in value terms) little more than about 8% of the exports of the British cotton industry compared to 27% for India.[13] Still, the entire foreign trade of China was handled by foreign firms, and the most important of them were British. Throughout the 1860s opium was the mainstay of their business.[14] In the 1870s, the largest firms reduced their dependence on opium and began their transformation into managing agencies increasingly concerned with auxiliary services – shipping, insurance, banking and treaty port utilities.[15] The buying and selling of commodities was downgraded to one of several lines of business; it was increasingly done on commission rather than on the firm's own account. When large companies, such as the old opium traders Jardine Matheson & Co. and Dent & Co., decided to diversify, this was partly in response to growing competition in the old lines of trade. The improvement of overseas communication, especially after the introduction of the telegraph in the 1870s,[16] and the easier availability of credit due, among other factors, to the founding of 'local' banks, above all the Hongkong and Shanghai Banking Corporation (1866),[17] attracted a multitude of adventurous businessmen. In the 1890s there were about 400 British firms in the treaty ports.[18] Only a handful of them, however, extended their activities beyond Shanghai and Hong Kong and engaged in mass distribution of goods; the majority catered to the needs of Europeans and wealthy Chinese in the treaty ports.

Even those British firms which, in the nineteenth century, established agencies outside Shanghai and Hong Kong seldom managed to assume direct control of 'up-country' trade for any length of time. The distribution of cotton imports remained firmly in Chinese hands,[19] and the foreign exporters of tea and silk received the finished product through long chains of indigenous middlemen.[20] The China market not only proved remarkably resistant to penetration by foreign business organisations, but the Chinese also quickly learned to seize the new opportunities. From the very beginning of treaty port trade, Western merchants had to rely on the expertise and the business connections of their Chinese *compradores*. These *compradores* and their associates soon began to invest in foreign firms, thus benefiting, among other things, from extraterritorial protection. A considerable number of small British companies virtually subsisted on Chinese credit and most of the large multi-functional China houses took Chinese capital into partnership.[21]

Several of the early industrial ventures initiated by foreigners were also supported by Chinese investors. For example, Jardine Matheson's 'Ewo Silk Filature', opened in Shanghai in 1882, was financed 40% by foreign and 60% by Chinese capital.[22] In general, there was little foreign industrial investment before 1895, and the shipyards, silk filatures and brick tea factories (the latter in Russian ownership) that had been established in Shanghai, Hankou and elsewhere[23] were justly regarded as illegal by the Chinese. The most spectacular industrial enterprises of the

period were those sponsored by high Chinese officials as part of their programme of 'self-strengthening';[24] they relied heavily on imported machinery and raw materials and on the highly paid services of Western experts – some of them of dubious qualifications.[25] Western firms did not regard these official ventures as serious competition. They rather sought to cooperate with those factions within the Chinese bureaucracy that were inclined towards development and modernisation, sometimes, as in the case of Jardine Matheson, eager to attain the position of a 'special agent to the Chinese government'.[26]

By the mid-1890s the structural foundations had been laid for the further expansion of British business in China: the legal framework of the unequal treaties had been worked out; the instruments of foreign influence and coercion, ranging from consular networks to gunboat fleets, had been deployed; a few old-established British firms had managed to transform themselves from opium-trading agency houses to widely diversified managing agents and were ready to take the next step towards being fully developed investment groups;[27] several other large companies had entered China after 1860, most prominent among them Butterfield & Swire (1867); banking and insurance requirements could be met by facilities specifically tailored to local needs. Cooperation at various levels with Chinese merchants had been practised and routinised to the extent of the emergence of a kind of symbiotic Sino-foreign commercial capitalism; the Imperial Maritime Customs had been thoroughly reorganised from 1861 onwards by the energetic Ulsterman, Sir Robert Hart;[28] the main shipping routes in ocean traffic as well as in Chinese coastal and inland waters had been explored and were now regularly used by steamships under the British flag;[29] finally, Shanghai had outstripped all the other treaty ports and had evolved into a second centre, next to Hong Kong, of the British mercantile system in China. However the disproportionate growth of the expatriate communities of Shanghai, and the increasing concentration of foreign business there at the expense of treaty ports like Hankou or Fuzhou, was a symptom of the difficulties in penetrating or replacing the commercial institutions of a tightly organised pre-modern society.

7.3 Completing the system, 1895–1914

Imperialism in China was never the unchallenged domain of any one great power. From its very beginning in 1842, the treaty system, with the most-favoured-nation clause as an essential component, was a multinational instrument. Even so, there can be no doubt that Britain predominated among the foreign powers in China – in political-military as well as in economic terms – until the last decade of the nineteenth century.

7.1 The Shanghai manager of the Hongkong and Shanghai Bank (A. G. Stephen, who became Chief Manager of the Bank in 1920) poses seated, around 1910, with his compradore *standing behind him.*

Thereafter, new powers appeared on the scene and others increased their aggressive policies. Against these late-comers, Britain found itself in a basically defensive position; this became apparent, at the latest, with the conclusion of the Anglo-Japanese Alliance in 1902. It is, however, easy to exaggerate the importance of the numerous 'scrambles' and diplomatic rows over China between the European and American powers around the

turn of the century. Below the level of high diplomacy, cooperation between the representatives of civilisation (including the Japanese who had been promoted to the status of 'honorary whites', especially after their victory over Russia in 1905)[30] in a 'semi-barbarian' environment characterised the daily routine of foreign preponderance. Moreover, the dramatic struggles between the powers during the period 1895–1905 soon gave way to a new unanimity and fairly clear demarcation of interests. On the eve of the First World War the governments of the major powers and the heads of East Asian big business were looking back at two decades of largely successful joint subjugation and *mise en valeur* of China.

During that period the emphasis shifted from trade to investment. Investment in sectors of the economy not immediately connected with foreign trade became the most promising form of expansion for British business in China. Investment in turn stimulated various new lines of trade. An increasing proportion of imports comprised equipment for the railways, factories and mines that now appeared in China. British investments in China in 1914 have been estimated at around US$600 million (equivalent of around £120 million), two-thirds of which were direct investments and one-third obligations of the Chinese government.[31] The total was the equivalent of about one-third of British investments in India and Ceylon. Among non-colonial recipients of British investments in Asia, Africa and Latin America, China (including the Crown Colony of Hong Kong) ranked third after Argentina (US$1,550 million) and Brazil (US$700 million), and before Japan and Mexico (US$500 million each).[32] In other words, China received more British capital than any other Asian country except India.

According to C. F. Remer's estimates, about US$100 million, that is, one-fourth of total British business investments in China, went into manufacturing.[33] The establishment of manufacturing industry in the treaty ports was legalised by the Treaty of Shimonoseki in 1895. A great variety of small industrial enterprises sprang up, but only very few large-scale British plants were constructed. Significantly, the early attempts to gain a foothold in the silk reeling industry had to be abandoned and were never again revived. From around the turn of the century, the silk industry was almost exclusively developed by Chinese capital, although the export of silk remained entirely in foreign hands.[34] By far the most important industrial newcomer to China was the British American Tobacco Corporation (BAT). Soon after the foundation of BAT in 1902 as a result of an alliance between the American Tobacco Company and the Imperial Tobacco Company of England, the new firm applied its innovative recipe – the integration of mass cigarette production with mass cigarette consumption[35] – to China, taking over two existing

7.2 *A sampling crew and advertising placard bearers for British American Tobacco's Swallow brand at Kirin, central Manchuria.*

Western-owned cigarette factories in 1902 and building new plants in Shanghai, Hankou, Mukden (Shenyang) and Harbin. By 1915, these factories employed 13,000 workers – more than any other Chinese or Western industrial enterprise in China. In the same year BAT valued its China branch at US$16.6 million.[36] The majority of BAT's capital was in American hands until at least 1915 and an American, James B. Duke, was Chairman of BAT's board until 1923.[37] Its history as a British-based multinational should therefore properly be told in the next section of this chapter.

The other major industrial enterprises were initiated by the two leading general-purpose investment groups – Jardine Matheson & Co. ('Ewo') and John Swire & Sons who were represented in China by the partnership of Butterfield & Swire ('Taikoo').[38] Swires never went into large-scale manufacturing in the treaty ports, preferring investment in Hong Kong, where the Taikoo Sugar Refinery was opened in 1884. Originally it was intended to supply sugar to Japan, Australia and the United States, but from 1898 China was its principal market.[39] A smaller sugar factory had already been established by Jardine Matheson in 1876. Both companies also possessed huge dockyards in Hong Kong: Jardine Matheson owned the Hongkong and Whampoa Dock Company Ltd (established in 1865) and Swires the Taikoo Dockyard (founded in 1908). In 1895 Jardine

Matheson opened a cotton mill in Shanghai; a second mill was added in 1914. In contrast to the mass manufacture of cigarettes, industrial cotton spinning and weaving was not entirely new to China. The foreigners entered a field that had already been pioneered by Chinese officials and entrepreneurs.[40] By 1913, Western-owned factories, among which the Ewo mills were the largest, accounted for some 27% of spindles installed in the whole of China.[41]

A second field of investment that was effectively closed to foreigners during the nineteenth century was mining. Although the Treaty of Shimonoseki did not explicitly permit foreign investment in mining, the example of manufacturing industry proved to be contagious. Moreover, mining interests also profited from China's reduced ability to withstand the invasion of foreign capital. Foreigners who wished to open a mine in China were still required to obtain a licence from the Chinese government, but such licences were now often granted, sometimes in response to direct pressure exercised by foreign diplomats, sometimes because the Chinese government – desperate to raise funds in order to be able to pay the indemnity to Japan – was hoping for revenue from increased mineral taxes.[42]

In 1898–9, the golden years for concession hunters, British subjects obtained five concessions and licences for exploiting coal deposits.[43] However, several of the concessionaires lacked the financial resources actually to open and work coal mines; moreover, from 1903 the Chinese leaders in the capital and in the provinces implemented a defiant policy of withholding new permits and recovering alienated mining rights. On the eve of the Revolution of 1911 which toppled the monarchy, four out of five concessions had been redeemed or had proved to be unenforceable in the face of local opposition.[44] The only concession that was actually worked was that granted to the Pekin Syndicate, an Anglo–Italian combination, for the exploitation of coalfields in Henan province. The Syndicate produced its first coal in 1907. In 1914 its annual output amounted to 482,000 tons.[45] Opposition from a rival Chinese mining company was overcome when, in 1915, a joint sales organisation was established.[46] The main effect of this arrangement was political: the Pekin Syndicate became largely immune to pressure from the Henan provincial government.

British control of China's most important modern coal mine, Kaiping in Hebei province (North China), did not derive from any concession. The Kaiping mines had been established in 1878 as a semi-official company; in the early 1880s they were a 'going concern'.[47] Production expanded during the 1890s; simultaneously the mine fell increasingly under foreign financial control.[48] An outright foreign take-over was made possible in 1900 when during the rebellion of the Yihetuan (the 'Boxers') Kaiping's

Chinese management sought protection under the British flag. Clever manoeuvering on the part of two 'advisers' to the Chinese government, the German Gustav Detring and the American Herbert Hoover, ensured that within months ownership of Kaiping had passed into the hands of the newly formed Chinese Engineering and Mining Co. Ltd, an Anglo–Belgian syndicate based in London.[49] To counter the further expansion of the British Kaiping mines, Yuan Shikai, the Governor-General of Zhili (Hebei) established the Luanzhou Mining Co. Ltd in an adjacent area. In 1912, a joint organisation was formed under the name of Kailuan Mining Administration (KMA) to be responsible for mining operations and the selling of coal. In other respects, the two partners remained independent, but *de facto* control rested with the foreign side and in particular with the almost omnipotent British General Manager.[50] Throughout the first half of the twentieth century, the KMA continued to be the largest and most modern coal mine in China outside Manchuria. Among many British contemporaries it enjoyed the reputation of being 'an outstanding example of successful co-operation between Chinese and foreign interests',[51] while Chinese authors complained about the continuous usurpation of Chinese rights by the British partners.[52]

Remer estimated British investment in Chinese coal mining at US$15 million in 1914.[53] This is much less than investment in each of the categories of manufacturing, import–export, banking and finance, and real estate holdings at Shanghai (no less than US$87 million!) and elsewhere. The KMA was a powerful company with an enormous impact on the history of mining in China, but on the whole coal mining was only of subordinate importance within the system of British economic interests in China. Most importantly, the KMA and, to a much lesser extent, the smaller Pekin Syndicate were integrated into this system as suppliers of fuel to steamers and railways, power stations and steam-powered factories. Both exported only a fraction of their output, and although foreign-produced coal was not exclusively consumed by expatriate customers, coal mining certainly fulfilled an important function in relation to other British business interests.[54]

In several ways, mining and railways were closely connected. Railways were indispensable for the transportation of coal; in turn, they were one of its major consumers. Also, the development of railways as well as that of mines required concessionary permission from the host government since both fields were considered closely related to the question of national sovereignty. There were a number of 'colonial railways' in early twentieth-century China: the Russian Chinese Eastern Railway, the Japanese South-Manchurian Railway and the French Yunnan Railway. These lines were fully owned and politically controlled by foreigners. The British possessed only a small section of this kind: that part of the Canton–

Kowloon Railway, opened to traffic in 1910–11, that crossed the territory leased in 1898 and ended at the southern tip of Kowloon peninsula. British interests in Chinese railways were financial and ought to be classified as portfolio investments. In other words, British capital was invested alongside and in various combinations with funds from other capital-exporting countries in the construction of railways which remained under the at least nominal ownership and under the operational control of the Chinese authorities. In contrast, for example, to Argentina there were no major British-run railways in China. Of course, profitable opportunities existed for British bondholders and British financial middlemen, the most important of whom was the British and Chinese Corporation, established in 1898 as a joint venture of the Hongkong and Shanghai Banking Corporation and Jardine Matheson & Co. The Corporation was a major factor in the financing of China's railways: 'Between the Sino–Japanese War [1895] and World War I, the Chinese signed contracts for foreign railway loans that totalled about £75,000,000. Of this sum, at least £16,000,000 consisted of loans arranged exclusively by the British and Chinese Corporation, while another £22,000,000 consisted of loans in which the corporation shared in the syndication.'[55] Providing funds for the construction of railways, however, did not automatically lead to a comparable volume of sales of railway materials. On the contrary, competitive bidding for construction was the rule. As a result Britain, which was by far the leading source of railway loans to the Chinese government during the period 1898–1912, only came fourth behind Belgium, the United States and Germany as a supplier of rails and rolling stock.[56]

Financial railway concessions differed in the terms of control obtained by the foreign leaders. The differences were mainly in control of construction, control of expenditure and control of receipts. The outcome of bargaining depended in each individual case on a number of factors: availability of capital from alternative sources, cooperation or competition between different foreign interests, policy and scope of action of the Chinese side (which comprised the central government as well as provincial elite groups), diplomatic support by representatives of the foreign powers, etc.[57] Much more than any other field of British economic interests in China, the financing of Chinese railways was a matter of international diplomacy, top-level negotiations with the Chinese authorities, and cooperation between the British government and private companies, above all the Hongkong and Shanghai Banking Corporation.[58] Railway questions were debated at the highest echelons where the more mundane interests of merchants and manufacturers were seldom attended to. Yet ultimately the era of fully fledged railway imperialism (apart from the special case of Manchuria) was little more than a spectacular interlude that did not survive beyond the First World War. By 1911, 2,488 miles of line built under foreign financial concessions had been opened to traffic; between 1912 and 1927 only 1,083 miles of this type of railway were added.[59] When China declined into the turmoils of military factionalism and internal war from the late 1910s onwards, the railways suffered enormously. Those railway loans that were mainly secured on current earnings went into default, and by 1930 hardly any railway loan was serviced at all.[60] An adjustment of China's railway debts was negotiated between 1933 and 1937. This was the condition for China's renewed ability to raise loans in international capital markets.[61] After 1911, China's railway development proceeded comparatively slowly. By 1928, its railway mileage (including Manchuria, not including Taiwan) was less than one-sixth that of British India and roughly equivalent to the mileage of Bavaria and Saxony put together.[62] After about 1914 foreign financiers of China's railways were primarily occupied with limiting and recovering their losses rather than with plans for new expansion.

7.4 Holding the line, 1914 to 1937

Writing two years after the Japanese attack on Pearl Harbor, E. Manico Gull, the experienced Secretary to the London-based China Association, characterised the years from 1842 to 1914 as 'our cock-of-the-walk period in China'.[63] During the inter-war period the British position in China declined when seen in relation to the rapid expansion of Japanese investment in China and to the rise of the United States and, in the early 1930s, Germany as the most dynamic trading nations in China. The international economic situation was more unstable than before 1914, a harsher commercial climate prevailed in the Far East, and the political consensus among the foreign powers that had been the hallmark of the imperialist *belle époque* was seriously impaired during the First World War and ultimately collapsed in the Manchurian Crisis of 1931–2. Still, it is easy to paint too gloomy a picture and to assume from the decline of British business elsewhere in Asia that a similar trend occurred in China. In fact, it may be argued that British business coped fairly well in circumstances that were dominated by the growth of indigenous and third-country competition, by the decline of British military power and political influence in the East, by civil war and the rise of nationalism in China and, in the early 1930s, by the Great Depression. When the war between Japan and China began in the summer of 1937, important sectors of British business in China had good reasons for looking forward to a prosperous future.

Compared to the preceding decades the period 1914–37 (to paraphrase E. M. Gull again) gains in interest what it loses in simplicity.[64] It is indeed

difficult to chart the course of British business during these eventful years and to arrive at meaningful generalisations. A suitable starting point is perhaps the question: what had changed by 1936–7, compared to the situation in 1914?

In absolute terms, British investments in China were about double the amount of those in 1914, while the British had managed to retain their share of about 35% of total foreign investment.[65] This was achieved in spite of the fact that British interests except BAT and the Hongkong and Shanghai Banking Corporation were virtually excluded from Manchuria after 1932. Direct investments accounted for an even larger share than before of British capital invested in China, the proportion of obligations of the Chinese government (foreign borrowing by private Chinese individuals and firms was negligible)[66] having declined from 34 to 13%.[67] Even if we take a sceptical view of the high estimates for British investments in 1936, the fact remains that there was nó economic retreat from China parallel to the contraction of British military power and diplomatic influence in the region. The continuing existence or even the expansion of business investments, of course, has to be separated from the question of returns on these investments. Data are scarce and difficult to interpret, but it is safe to conclude that most of the leading British firms quite successfully weathered a sequence of political and economic crises which caused some major Chinese enterprises to fail. Some companies, like Dodwell & Company (the shipping agents and import–export merchants) and the Hong Kong-based Green Island Cement Company suffered substantial losses in the early 1930s; the Kailuan Mining Administration experienced difficulties between 1929 and 1936; the Pekin Syndicate got into political trouble in 1925 and kept its mines closed between 1927 and 1933; and the China General Omnibus Company did not earn profits for several years in the early 1930s. On the other hand, BAT, the Ewo Cotton Mills and some of the public utility companies in Shanghai were highly successful throughout the period. Others, like the Hongkong and Shanghai Banking Corporation and the Chartered Bank of India, Australia and China, suffered a reduction of profits during the first half of the 1930s, but recovered towards the end of the period.[68]

If we compare the distribution of British investments in 1914 and in 1936, it is obvious that development occurred within the basic structures inherited from pre-war imperialism. The system of 'unequal treaties' had been partly eroded on paper and more radically undermined in practice, but survived until the advent of the Imperial Japanese Army. More importantly, the British 'business system'[69] of 1936 was a direct continuation of that of 1914. No entirely new fields of investment were opened up in the meantime, and no new type of enterprise had appeared on the scene. Geographically the patterns of penetration had undergone no qualitative change, but only a shift of emphasis. Hong Kong remained slightly more important than Shanghai as a port for overseas shipping, while Shanghai was the centre of coastal and river shipping, the largest emporium in the country, and by far the most important industrial and financial centre. Hankou (from 1926 part of the municipality of Wuhan) on the middle Yangzi and Tianjin (Tientsin) in North China were centres of secondary importance; the other treaty ports, including such big cities as Canton and Qingdao (Tsingtao) were only significant to foreign firms with a regional specialisation. Only the few giants of British China business maintained representatives outside the largest centres. At the small ports, 'the kernel of the community consists of agents of Jardines and Butterfield & Swire, the APC [Asiatic Petroleum Company] and BAT, the Commissioner of Customs, and, if the place is sufficiently important, the consular representatives of the leading foreign powers'.[70] With the rise of civil disorder in the interior provinces during the 1920s, business representation in the hinterland declined even further. Shanghai became more than ever the pivot of British business in China.

Part of the growth of British direct investments during the inter-war period can be explained by this very growth of Shanghai. Between 1914 and 1936 Shanghai's population trebled to around 3.8 million, leaving Hong Kong, with 1 million, far behind. There were only about 10,000 residents of British nationality, but their real-estate holdings in the International Settlement and the French Concession were considerable, especially those of several land investment companies. The value of their properties skyrocketed in the 1920s[71] and thus boosted the estimated total of British investment, even though this was caused by market appreciation rather than by fresh investments.[72] Little import and export of capital was involved. As Remer has pointed out, 'a large fraction of the real estate ... has been purchased from income received within China and brings into existence income which is expended in China'.[73] However, it is important to note that a large proportion (at least some 36% in 1926)[74] of land registered in the names of British subjects was actually owned by non-British, i.e. mostly Chinese. A second aspect of the rise of Shanghai was the growing demand for the services of public utility companies most of which were in British ownership: waterworks, power stations, gasworks, telephone and public transport companies. These companies usually held monopolies in the International Settlement. They profited from the dramatic growth of the Chinese population and expanded their activities in order to meet the increasing demand. To a considerable extent the influx of Chinese into Shanghai was caused by mounting violence and poverty in the interior provinces. The prosperity of much of British business in Shanghai was therefore not unrelated to the unsettled conditions in China.

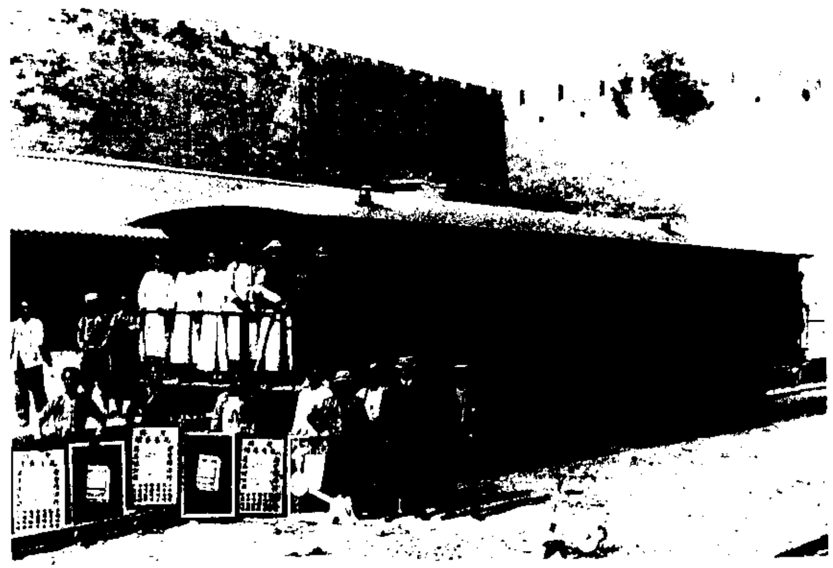
The other main beneficiaries of unrest in China were the foreign shipping companies. Whereas Chinese ships were in constant danger of being molested or commandeered, ships under the flag of one of the treaty powers were fairly safe from interference. The biggest British shipping company was Swire's China Navigation Company, followed by Jardine Matheson's Indo-China Steam Navigation Company. In the early 1930s, the two British lines carried roughly two-thirds of freight in Chinese coastal shipping; on the Yangzi river route their combined share was considerably lower. On the whole, more than half of steamer traffic in Chinese waters was of British hands.[75] Remer estimated that around 1930 shipping accounted for some 13% of British direct investment in China.[76]

Import–export, including the processing of raw materials (tung oil, eggs, raw cotton, etc.) continued to be the most important single category of investment. Jardine Matheson and Butterfield & Swire occupied leading positions in this field, but the bulk of investments derived from trading companies of medium size and a higher degree of specialisation such as Arnhold & Company; Gibb, Livingstone & Company; or Dodwell & Company. A feature of the post-1914 period was the shift away from the old staples. On the import side, the sale of British cotton piece goods declined dramatically during the 1920s and collapsed in the early 1930s. This was caused by the proliferation of cotton mills in China, by the total obsoleteness of British marketing techniques and by the Chinese import tariff of 1933.[77] The spectacular loss of the cotton piece goods market contributed to the impression that the days for British business in China were numbered. To some extent, this loss was offset by rising sales of industrial machinery. By 1937 three-quarters of the textile machines installed in China had been imported from Britain; even some of the giant Japanese cotton mills in Shanghai, Qingdao and Tianjin preferred British machinery.[78] The shift towards industrial equipment required new adjustments. Cotton goods were traded on commission, and their distribution to the Chinese customers remained, as in the nineteenth century, entirely in Chinese hands. Now engineering departments had to be established, technicians had to be hired and service had to be provided to industrial customers.[79] On the export side new investments were necessary for the processing of raw materials. Hardly any British capital had been employed in the preparation of tea and silk for export. With the commodities that rose to prominence during the inter-war period this was different: tung oil (by the mid-1930s China's leading export item) had to be refined, eggs had to be frozen or converted into powder, etc.[80]

Manufacturing for the Chinese market did not develop as rapidly as some enthusiasts for import substitution were hoping. The alleged 'unlimited possibilities'[81] for cotton spinning in the treaty ports were tested by Japanese and Chinese rather than by European and American business. In fact, the number of spindles in Jardine Matheson's Ewo Cotton Mills slightly declined between 1925 and 1934. The only new venture was a small cotton mill established in 1934 by the British-owned China Printing and Finishing Company, which now added spinning and weaving to its established business in printing and dyeing of cotton cloth. In 1936, the British mills accounted for 4.1% of spindles, 6.9% of looms and 6.9% of the work-force in China's cotton industry.[82] Lancashire never moved into import substitution. The only genuine import-substituting enterprise in textiles was a medium-sized (1,120 workers) factory for woollens opened in Shanghai in 1934 by Patons & Baldwins; the main motive behind this venture seems to have been to surmount the Chinese tariff barrier.[83]

Perhaps surprisingly, given that China was widely regarded as a promising market, that wages were extremely low, and that legislation favoured foreign investment, China did not significantly share in the considerable new investment by Western multinational enterprises in the developing world.[84] There were three main reasons for this. Firstly, China did not have protective tariffs before 1933. Secondly, China was a *potential* market, not yet able (as Henry Ford, for example, understood)[85] to absorb significant quantities of manufactured consumer goods other than textiles and drugs (including tobacco). Thirdly, the political situation was highly unsettled and discouraged investors. Chiang Kai-shek's National Government achieved a reasonable degree of effectiveness only in 1935, at a time when the Japanese left little doubt as to their long-term aspirations on the mainland.

Among British-based multinationals only Lever Brothers took up production in China. In 1911 Lever Brothers (China) Ltd was incorporated as a sales subsidiary. It was later transformed into the China Soap Company which started production at Shanghai in 1929. Five years later it employed some 1,000 Chinese workers and provided about one-half of the output of soap in China. A smaller factory for the production of margarine was opened in 1932.[86] The China Soap Company obtained a large proportion of its raw materials from Imperial Chemical Industries (ICI).[87] ICI itself never started production in China, but evolved into one of the most important British exporters to China, yet without challenging the German chemical concerns as principal suppliers of indigo and dyes to industrial and handicraft spinners and weavers throughout China.[88] ICI instead concentrated on artificial fertilizer and soda ash. Following the German precedent, ICI's predecessor, Brunner Mond, at an early stage moved from treaty port trade to the organisation of its own country-wide distribution network. In the early 1930s ICI employed 130 Europeans and 500 Chinese who in turn supervised more than 1,000 Chinese agents; these sold fertilizer directly to the Chinese peasants and were paid on a commission basis.[89]



7.3 British American Tobacco's railway carriage with sleeping and living accommodation and storage and display area, for its peregrinatory sales force.

Even more extensive than ICI's distribution network was that organised by APC for the sale of kerosene – the famous 'oil for the lamps of China'. The early imports of kerosene, especially during the 1880s when kerosene began to replace the vegetable oils traditionally used for lighting, had been conducted through agency houses. In 1885 Standard Oil opened its first office in Shanghai; in 1914 it began setting up a nation-wide sales system.[90] APC came into being in 1902 as a joint selling organisation of the British Shell Transport and Trading Company and the Royal Dutch Company. After the merger of the two partners in 1907 it became their subsidiary responsible for sales in Asia, Australia, New Zealand and East Africa. Following the pioneering Standard Oil, APC established its own distribution network. In the 1920s, it encompassed the whole of China with the exception of the thinly populated provinces of Inner Asia. On the eve of the war, APC had a share of 44% of the Chinese petroleum market; 37% of the trade was conducted by Standard Oil, 11% by Texaco and 8% by others (mainly agents for the Russian Neftsindikat).[91]

APC came second on the list of British-based multinationals in China, being overshadowed by BAT, whose up-country selling organisation was the most extensive in the country. BAT was the principal spearhead of the *commercial* penetration of the China market by British business, and was pre-eminent in *industrial* penetration. By 1935 it employed around 21,000 workers in its factories in Shanghai, Hankou, Tianjin and Qingdao and accounted for about 60% of industrially manufactured cigarettes in China.[92] BAT was a classic case of a market-oriented subsidiary. It was a fully integrated business organisation that controlled its own supplies (tobacco grown by Chinese peasants dependent on sales to the company), the entire process of manufacturing including such auxiliary services as printing, packing, advertising and marketing down to the level of Chinese retailing. BAT's phenomenal growth from its foundation in 1902 until 1936 was perhaps the most spectacular success story in British, or even Western, business in twentieth-century China.[93]

It is extremely difficult to arrive at summary conclusions about British business in China during the period from 1914 to 1937. The British business system was composed of hundreds of enterprises of different sizes representing a broad range of types of expatriate business: old-style commission houses; widely diversified investment groups; banks and insurance companies; public utility companies; sales subsidiaries of multinational corporations; partners in Sino-foreign mining enterprises; real-estate companies, shops, department stores and hotels in the largest treaty ports; dockyards; the unique case of BAT; and finally a variety of specialised firms catering to the luxury market in Western-style goods, such as Mr Jack Case, gentleman tailor at 41B Kiangse Road, Shanghai, Adolph Frankau & Company, manufacturers of briar pipes, smokers' sundries and fancy leather goods, or S. Moutrie & Company, makers of pianos and organs who produced especially for the use of missionaries 'excellent portable harmoniums, which can be folded up into a small space'.[94] Did they share a common experience?

Firstly, they were not the only foreigners in China. Mr Moutrie may have dominated the market in portable harmoniums and BAT certainly was the only major foreign cigarette manufacturer in China. Most others, however, had to face third-country competition. In general commission business, German firms managed to revitalise the excellent connections they had built up before the First World War. As early as 1925, it could be said of Siemssen & Company that 'probably no firm in Shanghai represents a larger number of European houses',[95] and that meant not only German clients. Around the same time, Siemens and other German firms successfully re-entered the market for electrical equipment.[96] The Japanese formed by far the largest foreign communities in China. They maintained the most widely spread banking network and came second among foreign nations in shipping (the leading line was the Nisshin Kisen Kaisha) and coal mining; they exercised financial control over a large part of Chinese iron ore mining and iron industry; above all, they owned the

7.4 Advertising hoardings on the building site of Shanghai's most luxurious department store, Whiteaway Laidlaw, show some of the variety of British business in the former treaty port.

largest and most successful cotton mills in China. The Americans were ubiquitous in trade of every description.

In many cases market-sharing agreements were openly or tacitly concluded. APC was on friendly and oligopolistic terms with the American oil companies and ICI with the German dye manufacturers, whereas there was stiff competition with Japanese importers of chemicals.[97] In shipping, rate wars occurred intermittently from the 1870s onwards; pools were formed and dissolved in an almost cyclical pattern. Anarchy prevailed on the Yangzi between 1925 and 1935, when a new pooling agreement was concluded between the British, Chinese and Japanese Lines.[98] Another highly competitive market was that for railway equipment. Here, the British fared reasonably well only because the remitted British share of the Boxer Indemnity had to be used by the Chinese government for purchasing equipment in Britain – at prices that were fixed about 25 to 40% above the market level.[99]

Secondly, Chinese participation and cooperation were essential to the conduct of all kinds of business. Of course the Chinese were consumers of imports and of the output of foreign-owned factories in the treaty ports; they were the producers of export commodities; and they were the labourers in foreign-owned plants and mines, the seamen manning foreign ships and the domestic servants attending the 'better sort' of expatriates – as opposed to the 'poor whites' who flocked to Shanghai after the Russian Revolution, during the Great Depression and as refugees from fascism in Central Europe. But there were also those who performed functions of a *compradore* type, that is, linking the British business system to the indigenous economic environment. Smaller firms confined to Shanghai invariably had their 'house *compradore*', even if he came increasingly to be styled a 'Chinese manager'. The Hongkong and Shanghai Bank had unsuccessfully tried to circumvent the 'compradoric system' as early as 1866. It appointed its last *compradore* in 1953, and the post was only abolished in 1965 upon his retirement.[100] Even BAT, APC and ICI with their modern forms of organisation, where commissioned agents were replaced as far as possible by salaried employees, still had to rely on middlemen of various kinds for rooting their distribution systems in local Chinese trading networks. As a rule, Western marketing was adapted to, rather than imposed upon, indigenous commercial structures and practices.

Thirdly, competition from Chinese entrepreneurs was not entirely absent either. In general, Western technological superiority was obvious everywhere. Modern technology was Western technology. But, on the one hand, pre-modern and non-industrial forms sometimes proved highly efficient or even superior to their modern rivals – examples were transport by junk, handicraft weaving, and coal production in man-powered 'native pits'. On the other hand, some Chinese rapidly adopted modern techniques of production and management. In the late nineteenth century the official or semi-official enterprises of the Self-strengthening Movement relied on Western technicians, while young Chinese were sent abroad in ever-increasing numbers for vocational training.[101] Towards the end of the century, China was 'developing a coterie of highly trained merchant-managers able to initiate and manage foreign-style industrial enterprises'.[102] In the early twentieth century, these groups became part of a small class of urban entrepreneurs.[103] Some members of this class effectively challenged foreign hegemony over the modern sector of the Chinese economy, especially between 1915 and 1928. Modern banks developed rapidly and in partial competition with foreign banks. The same was true for insurance companies. Services for which Chinese customers had hitherto depended on foreigners became available from indigenous firms. In the 1930s ICI encountered strong competition from the Chinese-owned Yongli Company, whose very existence was chivalrously praised by one of ICI's directors as 'a tribute to Chinese technical skill and commercial enterprise'.[104] ICI estimated that, between 1934 and 1936, it had lost an annual average 20,000 tons of business in soda ash to Yongli. ICI repeatedly offered market-sharing agreements which Yongli proudly refused.[105] In the 1910s and 1920s BAT fought fierce battles with Nanyang Brothers, the leading Chinese cigarette manufacturers.[106] In the mid-1930s, the two British shipping lines faced aggressive competition from the Sichuan-based Minsheng Co. which had been established in 1925.[107] In engineering, Chinese business advanced considerably after the turn of the century and was increasingly able to replace imported equipment with Chinese-manufactured machinery.[108] In Shanghai and elsewhere modern Chinese department stores forced several British rivals out of business.[109] In many cases the secret of success was not wholesale adoption of Western management methods but a skilful blending of elements borrowed from abroad with traditional Chinese forms of organisation, especially family and regional connections.[110] Taken as a whole, the counter-attack of Chinese private capitalism before 1937 never posed a mortal threat to foreign business. But a menacing trend was obvious.

Fourthly, British business in China became the target of repeated strikes and boycotts, many of which were of a political nature and were motivated by resentment against the foreign presence in general. Anti-imperialist activities reached their peak in the mid-1920s; they much declined in number and intensity in the early 1930s, when Japan became the chief enemy and Chiang Kai-shek's military dictatorship restrained popular protest. British firms were not seriously harmed by Chinese mass action, but growing resistance was widely perceived as being a *long-term* threat. A related aspect was the increasing involvement of the Chinese state in the modern sector of the economy. The growth of 'bureaucratic capitalism' in the 1930s[111] had ambivalent consequences: on the one hand, plans for state-sponsored industrialisation seemed to create new opportunities for British suppliers of capital goods; government business promised to gain a new importance. On the other hand, the Chinese government was increasingly able to bargain for better terms with its British partners. In the long run, this would not have meant the expulsion of British business from China. Quite to the contrary, the developmental programmes of the 1930s were based on large-scale participation of foreign capital. But the Chinese insisted on terms of equality or reciprocity and were no longer prepared to tolerate the legal privileges derived by foreigners from the unequal treaties. British business responded in different ways. The large companies with their country-wide interests were willing to compromise and to cooperate with Chiang Kai-shek's government, to support the abrogation of the surviving unequal treaties, and to recognise China's full sovereignty. Those firms, however, that depended on their privileged position in Shanghai, were ardent defenders of the semi-colonial *status quo*, above all of the continuing existence of extraterritoriality.[112]

Fifthly, and finally, what role was played by the British government? Until the mid-1920s the British stood fast against the demands of Chinese nationalism. The most important task of the British diplomatic and military apparatus in China was that of guaranteeing the system of privileges. Within this framework, British firms were largely left to fend for themselves; again banking was a major exception.[113] When the British attitude to China 'softened' in the closing years of the 1920s,[114] this was not so much evidence of far-sighted statesmanship as the result of Britain's declining ability to defend its interests with the traditional tools of coercion. It was also the consequence of the Guomindang regime's willingness to look after British interests. From the diplomats' point of view, while the chief problem of the 1920s was anti-imperialist revolution, the chief problem of the 1930s was Japanese expansion on the Asian mainland. Officials at the Treasury and the Board of Trade took a less defensive and more sanguine and combative view. Their most effective spokesman was Sir Louis Beale, the Commercial Counsellor at Shanghai. Beale regarded China as a country on the threshold of an unprecedented process of industrialisation, repeating the story of Japan on a far grander scale. He noted that Britain's most important customers were developed rather than backward countries, and advocated British participation in the development of China, even advising British firms to lower their profit expectations and to grant more favourable terms to China in order to assist the growth of the Chinese economy. According to Beale's reasoning, a high standard of living for the Chinese people would benefit British business. In order to compete with Japan, Germany and the United States, British firms should modernise their marketing and managing techniques in China, abandon the old habits of treaty port trade and cut out superfluous middlemen.[115] Beale's 'modern' concept paralleled ideas discussed in the boardrooms of the big China companies. Predictably, it was violently resented by the 'Old China Hands' in the treaty ports. Yet, the steadfast defenders of the old semi-colonial system had few friends left in British official circles. By 1937 a powerful alliance was being forged between the Guomindang regime and its state capitalism, British big business, and modernisation-oriented officials like Beale and the Chief Economic Adviser to the Cabinet, Sir Frederick Leith-Ross.

7.5 A small rise and a deep fall, 1937 to 1957

With hindsight, the decline of British business in China began with the outbreak of war between Japan and China in July 1937. During the subsequent period, the Chinese economy was largely shaped by non-economic forces. The same is true for British business in China. Business history as a separate field of investigation is therefore much more difficult to isolate from its political context than in earlier periods.

The fate of British business in East Asia during the sub-period that ended with the attack on Pearl Harbor in December 1941 is closely connected to the geography of Japan's military advance in China. In addition, from September 1939 the war in Europe had radical effects on the Far Eastern scene. Shipping may illustrate the complex ways in which the military situation determined business operations:

> After the outbreak of the Sino-Japanese War in July 1937 there was a great increase in passenger and other earnings owing to the flight of Chinese refugees both southward and westward. Chinese tonnage began to hide itself and Japanese tonnage to be requisitioned. In 1938 Chinese tonnage disappeared almost entirely; there was little Japanese tonnage available, yet the transfer of population, plant and materials of all kinds towards the west created a great demand for river tonnage up to the middle of the year. Thereafter the Yangtze was closed to all but Japanese tonnage ... But for the effect of the war in Europe on freight markets earnings would have fallen to very little in 1940. They were kept up, however, by world scarcity of tonnage, the China coast fleets enjoying a stronger charter market.[116]

Ironically, the era of the treaty ports culminated in an artificial boom. Until the end of 1941, Hong Kong and the International Settlement at Shanghai, due to their non-combatant status, were the only economic centres on the China coast untouched by the conflict; when Japanese naval artillery bombarded the Chinese quarters of Shanghai, they carefully aimed their shells across the International Settlement and the French Concession.[117] After the outbreak of war in Europe new markets were available for the industries of Shanghai in the Pacific area and in Africa.[118] The cotton industry of Shanghai, which had been cut off from its Chinese hinterland since the end of 1937, especially benefited from the opening up of these new 'forelands' overseas.[119] The major British firms reported excellent results. As late as 1940, it was 'business as usual'[120] for the Hongkong and Shanghai Banking Corporation. In 1939 Unilever achieved record sales and ICI saw all its expectations surpassed,[121] while BAT and the Ewo Cotton Mills earned profits that exceeded anything previously experienced.[122] The KMA, situated as it was in territory that had already been under *de facto* Japanese control well before July 1937, had a record of friendly relations with the Japanese who had been relied upon since 1935 to quell unrest among the Chinese miners.[123] The mines survived the first phase of the war unscathed and were able to report record sales and exports for 1939 and 1940.[124]

Pearl Harbor, the subsequent occupation of Hong Kong and of the foreign enclaves at Shanghai, the internment of British nationals in Japanese camps and the expropriation of British property[125] concluded, almost exactly a century after the Treaty of Nanjing, the age of treaty port imperialism. After the Japanese surrender, many British firms hurried to reclaim their properties and to rebuild their China business. Above all, Britain accomplished the remarkable feat of recapturing Hong Kong against the opposition of the Chinese government and with the reluctant connivance of the United States.[126] Material destruction of British properties in China had been surprisingly slight. The Foreign Office estimated the war losses amounted to little more than 11% of the total value of British business investments (shipping excluded) in China in 1941. The most important causes of loss were the deterioration of stocks (especially BAT's tobacco stocks at Shanghai) and the decay of mining equipment. Few buildings were seriously damaged, and only a small amount of machinery had been removed by the Japanese.[127] On the contrary, some British firms discovered that their factories were better equipped than before. However, the Chinese government regarded as enemy property those machines that had been installed by the Japanese.[128] Only after difficult negotiations was most of this material released to the British firms.

There were additional reasons for British businessmen to be unhappy with the situation in China. The Guomindang government continued to operate some of the state monopolies that had been established shortly before and during the war; foreign shipping was (quite legally and in accordance with the treaty of 1943 that had terminated extraterritoriality) excluded from the Yangzi route;[129] businessmen were as appalled as many Western diplomats by the corruption and inefficiency of the regime; a special complaint on the part of foreign employers was that the government was no longer able to control labour and keep down demands for higher wages.

British trade *with* China stood up well against overwhelming American competition. Since, however, China was not a hard currency market, the Board of Trade, for the first time in the history of Anglo-Chinese commercial relations, *dis*couraged exports to China.[130] British officials 'on the spot' could do little in support of British trade *in* China. The Chinese civil war was experienced like a natural disaster, beyond the reach of any of the foreign powers. By 1948, it had become obvious to most that the Guomindang regime was doomed and that a policy had to be worked out as to future relations with the Communists.[131] A more realistic appraisal of the political situation in China, however, went hand in hand with a good deal of wishful thinking. As late as November 1948, the Consul-General at Shanghai, Sir Robert Urquhart, still believed that Britain was in a position to teach the Communists a 'lesson of how to deal with foreign installations'.[132] He even recommended that British businessmen 'should make plain to the communists that if any of the standard tricks are adopted, of establishing communist controls, etcetera, they will stop business'.[133]

In the event, things turned out quite differently. The new authorities were in no mood to be bullied by foreign capitalists or even to negotiate compromises with them. The People's Government moved rapidly to establish total state control of foreign trade and to withdraw all privileges from foreign enterprises. Alien companies were 'protected' by the government as long as they complied with Chinese laws which meant, among other things, functioning in a very inferior position within the network of a planned economy and paying high taxes.[134] British firms were slowly squeezed out of China rather than expelled in one dramatic gesture. Their large amount of immovable assets now became a tremendous liability because these assets were difficult to liquidate. The schedule was in each case fixed by the Chinese. Many firms were refused permission to close down since this would have made workers redundant. Some of them had to maintain a full payroll of idle workers for several years. A number of companies were forced to remit funds from Hong Kong in order to cover current expenses and meet the tax demands of the Chinese authorities.[135] The outbreak of the Korean War prolonged this phase of 'hostage capitalism'. Only after the Korean armistice was the Chinese government willing to complete negotiations about the closure of British firms.[136] BAT left China in 1952, Jardine Matheson & Co. and Butterfield & Swire in 1954; it was not until 1957 that the last British firm, Patons & Baldwins, was allowed to withdraw.[137]

One of the most irritating experiences of British businessmen was the realisation that they no longer mattered. They had seriously underrated the incorruptible intransigence of the new men and women in power. For the first time in living memory, indigenous rulers were unimpressed by the foreigners' alleged superiority. The belief that British business was 'indispensable' to China was shattered. There was no clearer illustration of this than a British manager's sigh of exasperation:

> It is simply not possible to 'go to the Authorities and ask ...' London principals can be assured that we exist in a vacuum; we have no direct access to anyone and little indirect access, and nobody appears to be interested in us except our Labour and the Tax Gatherer.[138]

The Chinese economy did, after all, survive without the benefit of British participation and advice – a lesson which the most powerful of all British companies, BAT, found especially hard to learn. For decades, BAT had eschewed American or British diplomatic support and had relied on its own strong bargaining position *vis-à-vis* the Chinese authorities. BAT executives were confident that a weak and poor China would continue to require British capital and expertise and that the firm's well-tried strategy of making 'its own way with the Chinese in Chinese style' would work equally well with the new regime.[139] This was a serious error of judgment. BAT, the epitome of British manufacturing and trade within China, was removed as unceremoniously as any other British company.

7.6 Conclusion

A few general points about British business in China can be made in terms of the four basic perspectives outlined at the beginning of this chapter. From a *global* perspective, British business played its most important part during the early stages of the incorporation of the Chinese empire into the emerging world economy. The economic invasion of China, starting from the undermining of the East India Company's conservative monopoly by private traders during the first three decades of the nineteenth century, was spearheaded by the British. They organised the opium trade which remained the prop of the China trade through most of the century. They led the first military expeditions against China, worked out and implemented the institutions of informal control which became the underpinning of the 'imperialism of free trade'[140] and assumed leadership among the foreign business communities in the major treaty ports. And it was the British who built the first foreign factories in China, developed the first large-scale (semi-) foreign coal mines, and contributed the largest individual share of foreign loans to China before 1914. From the 1890s, however, it is no longer possible to speak of British supremacy in East Asian business and diplomacy. The most significant new forms of China's integration into the international economy were henceforth pioneered by other trading nations: direct up-country distribution by the Americans (Standard Oil, BAT) and the Germans (IG Farben), market-oriented mass-manufacturing using Chinese labour and raw materials by the Americans (BAT) and the Japanese (cotton spinning), large-scale exports of agricultural commodities by the Japanese (soybean trade in South Manchuria), and export-oriented industry also by the Japanese (light industry, mainly sugar, in Taiwan; heavy industry in Manchuria). The British were no longer the foremost commercial innovators among foreigners in China. Endless lamentations about the inadequacy of British 'trading methods'[141] were a symptom of a shift in economic leadership that involved much more than mere differences in marketing technique.

From an *imperial* perspective, China never lived up to the hopes of those who enthused about its unlimited potential as an outlet for the products of Britain's manufacturing industries. When British exports of

cotton goods began to decline, in East Asia they declined even more rapidly than elsewhere. Exports of cotton piece goods to China, Hong Kong and Japan fell from 773 million square yards in 1913 to 18 million in 1935, of which 7.7 million went to China.[142] The loss of the Chinese cotton market was only partly offset by an increase in other export lines. In the long run, Britain's share in China's imports (not including the import of British-made goods via Hong Kong) declined from 33% in 1868, to 17% in 1913, 12% in 1936 and 8% in 1948. Britain's share in the total value of China's foreign trade plummeted even more drastically: from 45% in 1868 to 6% in 1948.[143] Export of capital from Britain to China was a much more limited affair than trade. It was largely confined to the three decades preceding the First World War, and, of course, not all the capital funnelled through London was of British origin. After 1914, portfolio investments largely ceased to be made and little fresh capital was exported from Britain for direct investment in China. The growth of business investments during this period was mainly due to 'local' factors, especially the reinvestment of profits earned in the Far East.[144] Finally, emigration has to be considered as an aspect of an 'imperial' connection to the metropolis. According to Remer, there were about 20,000 British subjects living in all parts of China by 1930.[145] Other estimates are somewhat higher and arrive at a total of about 28,000 for the mid-1930s.[146] The great majority of these persons was in one way or another connected with business and its protection.

From an *expatriate* perspective, two things are obvious. Firstly, British trade (in the widest possible sense) *in* China was vastly more important than British trade *with* China. The British commercial establishment on the China coast fulfilled many more functions than just acting as an intermediary between the British metropolitan economy and the economy of China. British trading houses held agencies of firms of many nationalities; conversely, there were manufacturers in the United Kingdom who sold their products through German or American merchants. At least until the First World War, the Hongkong Bank was a truly international bank which enjoyed strong support, especially from German firms, and which had a number of Germans and other foreigners on its Board of directors.[147] Some important British firms in China had only a very tenuous connection to the metropolis. BAT used Chinese resources to manufacture for the Chinese market; the semi-British coal mines did not export to the United Kingdom; the Taikoo and Ewo steamer fleets in Chinese waters catered mostly for indigenous demand, etc.[148] The most significant link to the home economy was the repatriation of profits – if and to the extent that it occurred. Secondly, British business in China was part of the East and Southeast Asian regional economy. Continuing the tradition of the 'country traders', British firms played a crucial role in the commercial exchanges between India, China, Hong Kong, Singapore and the various parts of Malaya, the Philippines, French Indo-China and the Dutch East Indies. British shipping lines occupied a particularly strong position in intra-regional traffic, especially since China failed to develop an ocean-going merchant navy.[149] They also competed with American, Canadian and Japanese lines for trans-Pacific business.[150] Hong Kong, Shanghai and Singapore were the entrepôts around which this Southeast Asian sub-system of the international economy was arranged. In all three centres, British business cooperated with Chinese merchants and entrepreneurs in many different ways.

From an *indigenous* point of view, it is increasingly more difficult, the more we approach the recent past, to identify a particular *British* impact as distinct from that of transnational entities such as 'industrial capitalism', 'multinational enterprise' or 'modern technology'. Perhaps the only safe conclusion is that there is no other Western country (Russia may, for the present purpose, count as a partly Asiatic power) which has had as many points of economic contact with China over such a long period of time as has Great Britain, even if the British impact lost much of its intensity and distinctiveness in the twentieth century.

7 British business in China, 1860s–1950s

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10 Dermigny, *La Chine*, vol. III, pp. 1197ff. For a concise account of the China trade in the early nineteenth century see F. Wakeman, Jr, 'The Canton Trade and the Opium War', in J. K. Fairbank (ed.), *The Cambridge History of China*, vol. X (Cambridge, 1978), pp. 166–71.

11 On these crises see W. E. Cheong, 'The Crisis of the East India Houses 1830–1834', *Revue internationale de l'histoire de la banque*, 9 (1974), pp. 107–33; Cheong, *Mandarins and Merchants: Jardine Matheson & Co., a*

China Agency of the Early Nineteenth Century (London and Malmö, 1978), pp. 32–43, 87ff; T. Hamashita, 'Foreign Trade Finance in China, 1810–50', in L. Grove and C. Daniels (eds.), *State and Society in China: Japanese Perspectives on Ming-Qing Social and Economic History* (Tokyo, 1984), pp. 387–435.

12 See Hao Yen-p'ing, *The Commercial Revolution in Nineteenth-Century China: The Rise of Sino-Western Mercantile Capitalism* (Berkeley, Los Angeles and London, 1986).

13 D. A. Farnie, *The English Cotton Industry and the World Market, 1815–1896* (Oxford, 1979), p. 91, Table 5. For broader discussions of China's resistance to foreign goods see R. Murphey, *The Outsiders: The Western Experience in India and China* (Ann Arbor, Mich., 1977), p. 99ff; S. R. Brown, 'The Partially Opened Door: Limitations on Economic Changes in China in the 1860s', *Modern Asian Studies*, 12 (1978), pp. 177–92; and, in particular, G. G. Hamilton, 'Chinese Consumption of Foreign Commodities: A Comparative Perspective', *American Sociological Review*, 42 (1977), pp. 877–91.

14 On the opium trade of the 1850s and 1860s see E. LeFevour, *Western Enterprise in Late Ch'ing China: A Selective Survey of Jardine, Matheson and Company's Operations, 1842–1862* (Cambridge, Mass., 1971), pp. 22–30. The imports of opium, as registered by the Imperial Maritime Customs, peaked in 1879, and then slowly declined until the First World War. See Hsiao Liang-lin, *China's Foreign Trade Statistics, 1864–1949* (Cambridge, Mass., 1974), pp. 52–3, Table 2. The opium trade had been legalised in 1858.

15 LeFevour, *Western Enterprise*, p. 48.

16 J. Ahvenainen, *The Far Eastern Telegraphs* (Helsinki, 1981), pp. 44–5; Wang Shu-huai, 'China's Modernization in Communications, 1860–1916: A Regional Comparison', in Hou Chi-ming and Yu Tzong-shian (eds.), *Modern Chinese Economic History* (Taipeh, 1979), pp. 335–6. On the 'communications revolution' in general see D. R. Headrick, *The Tools of Empire: Technology and European Imperialism in the Nineteenth Century* (New York and Oxford, 1981), pp. 129ff.

17 On the Hongkong Bank as a 'local' bank see F. H. H. King, 'Establishing the Hongkong Bank: The Role of the Directors and their Managers', in King (ed.), *Eastern Banking: Essays in the History of the Hongkong and Shanghai Banking Corporation* (London, 1983), pp. 32, 39–42, 57.

18 Wu Chengming, *Diguozhuyi zai jiu Zhongguo de touzi* [Imperialist Investment in Pre-revolutionary China] (Beijing, 1958), p. 41.

19 A. Feuerwerker, 'Economic Trends in the Late Ch'ing Empire, 1870–1911', in J. K. Fairbank and Liu Kwang-ching (eds.), *The Cambridge History of China*, vol. XI (Cambridge, 1980), pp. 50–3. The same is true for the early twentieth century, see J. Osterhammel, *Britischer Imperialismus im Fernen Osten. Strukturen der Durchdringung und einheimischer Widerstand auf dem chinesischen Markt 1932–1937* (Bochum, 1983), pp. 133–7.

20 On tea, see R. P. Gardella, 'The Boom Years of the Fukien Tea Trade', in E. R. May and J. K. Fairbank (eds.), *America's China Trade in Historical Perspective: The Chinese and American Performance* (Cambridge, Mass. and London, 1986), pp. 37–49; W. T. Rowe, *Hankow: Commerce and Society in a Chinese City, 1796–1889* (Stanford, 1984), pp. 131–6. Among Europeans, only the Russians managed to penetrate the Chinese countryside and to establish tea factories in the interior. On the organisation of silk exports see L. M. Li, *China's Silk Trade: Traditional Industry in the Modern World, 1842–1937* (Cambridge, Mass., 1981), pp. 154–62.

21 See T. G. Rawski, 'Chinese Dominance of Treaty Port Commerce and its Implications, 1860–1864', *Explorátions in Economic History*, 7 (1970), pp. 451–73; Hao Yen-p'ing, *The Comprador in Nineteenth-century China: Bridge between East and West* (Cambridge, Mass., 1970), pp. 154–62. The seminal research on this question was done by the eminent economic historian Wang Jingyu and was first published in 1965, now republished in his book *Shijiu shiji xifang zibenzhuyi dui Zhongguo de jingji qinlüe* [The Economic Invasion of China by Western Capitalism in the Nineteenth Century] (Beijing, 1983), pp. 483–537.

22 Li, *China's Silk Trade*, p. 165. On this early factory see also S. R. Brown, 'The Ewo Filature: A Study of the Transfer of Technology to China in the 19th Century', *Technology and Culture*, 20 (1979), pp. 550–68.

23 For a summary of foreign direct investment in China before 1895 see S. R. Brown, 'The Transfer of Technology to China in the Nineteenth Century: The Role of Foreign Direct Investment', *Journal of Economic History*, 39 (1979), pp. 181–98. For a more comprehensive survey see O. E. Nepomnin, *Ekonomicheskaya istoriya Kitaya 1864–1894 gg.* (Moscow, 1974), pp. 204–29, and, above all, Wang Jingyu, *Shijiu shiji*, especially pp. 114ff.

24 For an overview of these enterprises, see S. C. Thomas, *Foreign Intervention and China's Industrial Development, 1870–1911* (Boulder, Col. and London, 1984), pp. 59–108.

25 On the role of Western technical advisers see the case-studies in T. L. Kennedy, *The Arms of Kiangnan: Modernization in the Chinese Ordnance Industry, 1860–1895* (Boulder, Col. and London, 1978).

26 LeFevour, *Western Enterprise*, pp. 73–93.

27 The organisational type 'investment group' is defined and described in S. D. Chapman, 'British-based Investment Groups before 1914', *Economic History Review*, 2nd ser., 38 (1985), pp. 230–47, and the same author's *The Rise of Merchant Banking* (London, 1984), pp. 140–4.

28 See S. F. Wright, *Hart and the Chinese Customs* (Belfast, 1950); L. K. Little, 'Introduction', in J. K. Fairbank, K. F. Bruner and E. M. Matheson (eds.), *The I.G. in Peking: Letters of Robert Hart. Chinese Maritime Customs, 1868–1907*, vol. I (Cambridge, Mass., 1975), pp. 7–30.

29 On early British steamship business in China see Liu Kwang-ching, *Anglo-American Steamship Rivalry in China, 1862–1874* (Cambridge, Mass., 1962); and his 'British-Chinese Steamship Rivalry in China, 1873–85', in C. D. Cowan (ed.), *The Economic Development of China and Japan: Studies in Economic History and Political Economy* (London, 1964), pp. 49–78.

30 J.-P. Lehmann, *The Image of Japan: From Feudal Isolation to World Power, 1850–1905* (London, 1978), pp. 163–7.

31 C. F. Remer, *Foreign Investments in China* (New York, 1933), p. 361, Table 4. Remer's criterion for 'direct' investment is that 'the property remains under

foreign control and management' and that 'the business risk and, usually, the legal ownership remain with the investor' (ibid., pp. 65 and 66, n. 14). Remer includes investments made by *residents* in China possessing foreign nationality. Since the legal and ethnic position of foreigners in China was clearly demarcated, this convention has some justification in the case of China.

32 A. Fishlow, 'Lessons from the Past: Capital Markets during the 19th Century and the Interwar Period', *International Organization*, 39 (1985), p. 394, Table 2.

33 Remer, *Foreign Investments*, p. 360.

34 R. Y. Eng, 'Chinese Entrepreneurs, the Government and the Foreign Sector: The Canton and Shanghai Silk-reeling Enterprises', *Modern Asian Studies*, 18 (1964), pp. 363–4.

35 A. D. Chandler, Jr, *The Visible Hand: The Managerial Revolution in American Business* (Cambridge, Mass. and London, 1977), p. 382.

36 S. G. Cochran, *Big Business in China: Sino-Foreign Rivalry in the Cigarette Industry, 1890–1930* (Cambridge, Mass. and London, 1980), p. 16.

37 Ibid., p. 13. According to Mira Wilkins, 'BAT remained under the control of U.S. stockholders until the mid-1920s.' M. Wilkins, 'The Impacts of American Multinational Enterprise on American-Chinese Economic Relations, 1786–1949', in May and Fairbank (eds.), *America's China Trade*, p. 270.

38 So far, there are no complete histories of these groups; their development in the twentieth century especially has not yet been thoroughly studied. Preliminary accounts are M. Keswick (ed.), *The Thistle and the Jade: A Celebration of 150 Years of Jardine, Matheson and Co.* (London, 1982); and C. Drage, *Taikoo* (London, 1970).

39 S. Marriner and F. E. Hyde, *The Senior: John Samuel Swire, 1825–1898: Management in Far Eastern Shipping Trades* (Liverpool, 1967), pp. 103–4.

40 China's first modern cotton mill started operation in 1890. Chao Kang, *The Development of Cotton Textile Production in China* (Cambridge, Mass., 1977), p. 106.

41 Ibid., p. 117.

42 T. Wright, *Coal Mining in China's Economy and Society, 1895–1937*, (Cambridge, 1984), p. 120.

43 W. F. Collins, *Mineral Enterprise in China*, revised ed. (Tianjin, 1922), pp. 54–60.

44 Lee En-han, 'China's Response to Foreign Investment in her Mining Industry (1902–1911)', *Journal of Asian Studies*, 28 (1968), pp. 66, 69–71.

45 Wang Jingyu (ed.), *Zhongguo jindai gongye shi ziliao, dier ji (1895–1911)* [Materials on the History of Industry in China, Second Collection, 1895–1911], vol. I (Beijing, 1957), p. 92.

46 For brief histories of the Pekin Syndicate, see Hou Chi-ming, *Foreign Investment and Economic Development in China, 1840–1937* (Cambridge, Mass., 1965), pp. 71–3; Osterhammel, *Britischer Imperialismus*, pp. 51–3, 367–82.

47 E. C. Carlson, *The Kaiping Mines, 1877–1912*, 2nd ed. (Cambridge, Mass., 1971), p. 24.

48 Ibid., p. 55.

49 Ibid., pp. 57–69, 71–4; V. Schmidt, *Aufgabe und Einfluss der europäischen Berater in China: Gustav Detring (1842–1913) im Dienste Li Hung-changs* (Wiesbaden, 1985), pp. 99–108; G. N. Nash, *The Life of Herbert Hoover: The Engineer, 1874–1914* (New York and London, 1983), pp. 117–59; G. Kurgan-Van Hentenryk, *Léopold II et les groupes financiers belges en Chine* (Brussels, 1972), pp. 672–716. The Belgian share of the capital declined subsequently, and the crucial position of General Manager of the Kaiping mines and later of the Kailuan Mining Administration was in British hands from 1904. However, Belgians continued to be represented on the senior engineering staff until they were 'purged' in early 1935. See Public Record Office (Kew), FO 371/19284/F2568, E. Teichman, minute, 9 March 1935.

50 Wright, *Coal Mining*, p. 123; Osterhammel, *Britischer Imperialismus*, p. 54.

51 Sir Eric Teichman, *Affairs of China: A Survey of the Recent History and Present Circumstances of the Republic of China* (London, 1938), p. 275.

52 Xu Gengsheng, *Zhong-wai heban meikuangye shihua* [History of Sino-Foreign Joint Ventures in Chinese Coal Mining] (Shanghai, 1947), pp. 14–20.

53 Remer, *Foreign Investments*, pp. 359–60.

54 For a lucid analysis of the coal market in China, see Wright, *Coal Mining*, chapter 4.

55 R. W. Huenemann, *The Dragon and the Iron Horse: The Economics of Railroads in China, 1876–1937* (Cambridge, Mass. and London, 1984), p. 113.

56 A. P. Winston, 'Does Trade Follow the Dollar?', *American Economic Review*, 17 (1927), cited in J. Foreman-Peck, *A History of the World Economy: International Economic Relations since 1850* (Brighton, Sussex, 1983), p. 142. See also Huenemann, *The Dragon*, pp. 108, and 290 n. 23.

57 See Hsu Cheng-kuang, 'Foreign Interests, State and Gentry-Merchant Class: Railway Development in Early Modern China, 1895–1911' (unpublished Ph.D. thesis, Brown University, 1984), chapters 4–6.

58 On various aspects see E-tu Zen Sun, *Chinese Railways and British Interests 1898–1911* (New York, 1954); Lee En-han, *China's Quest for Railway Autonomy, 1904–1911: A Study of the Chinese Railway-Rights Recovery Movement* (Singapore, 1977); E. W. Edwards, 'Great Britain and China, 1905–1911', in F. H. Hinsley (ed.), *British Foreign Policy under Sir Edward Grey* (Cambridge, 1977), pp. 351–61; D. McLean, 'Finance and "Informal Empire" before the First World War', *Economic History Review*, 2nd ser., 29 (1976), pp. 291–305. Much information will be found in chapters 5, 6 and 7 of Professor F. H. H. King's *History of the Hongkong and Shanghai Banking Corporation*, vol. II: *The Hongkong Bank in the Period of Imperialism and War, 1895–1918: Wayfoong, the Focus of Wealth* (Cambridge, 1988).

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60 Chang Kia-ngua, *China's Struggle for Railroad Development* (New York, 1943), p. 153.

61 For details see Osterhammel, *Britischer Imperialismus*, pp. 415–17.

62 C. T. Andree *et al.*, *Geographie des Welthandels*, vol. III (Vienna, 1930), pp. 291, 309.

63 E. M. Gull, *British Economic Interests in the Far East* (London, 1943), p. 50.

64 Ibid., p. 105.
65 Hou Chi-ming, *Foreign Investment*, p. 17, Table 4.
66 Ibid., p. 14.
67 Ibid., p. 225, Table 45.
68 For data on these and other firms see Osterhammel, *Britischer Imperialismus*, pp. 129–31, 369. On Dodwell & Company see S. Jones, *Two Centuries of Overseas Trading: The Origins and Growth of the Inchcape Group* (London, 1986), p. 183. On the Hongkong Bank, see F. H. H. King, *The History of the Hongkong and Shanghai Banking Corporation*, vol. III. *The Hongkong Bank Between the Wars and the Bank Interned, 1919–1941: Return from Grandeur* (Cambridge, 1988).
69 On this concept see Osterhammel, 'Semi-colonialism', pp. 300–3.
70 Teichman, *Affairs of China*, p. 138.
71 A. L. McElderry, *Shanghai Old-Style Banks (Ch'ien-chuang), 1800–1935* (Ann Arbor, Mich., 1976), p. 171.
72 Lan Tianzhao, 'Diguozhuyi zai jiu Zhongguo "touzi" de tezheng' ['Special Features of Imperialist "Investments" in Pre-revolutionary China'], *Xueshu yuekan*, 1958, no. 3, p. 45.
73 Remer, *Foreign Investments*, p. 94.
74 *Report of the Hon. Richard Feetham, C.M.G., to the Shanghai Municipal Council* (Shanghai, 1931), vol. I, p. 323 (my calculation).
75 For the evidence on which these estimates are based, see Osterhammel, *Britischer Imperialismus*, pp. 222–6.
76 Remer, *Foreign Investments*, p. 94.
77 See Osterhammel, *Britischer Imperialismus*, pp. 131–40.
78 A. F. Baker, in *China Press. Coronation and Sino-British Trade Supplement*, 12 May 1937, p. 47; C. K. Moser, *Where China Buys and Sells* (Washington, D.C., 1935), p. 12.
79 On the organisation of engineering imports see G. C. Allen and A. G. Donnithorne, *Western Enterprise in Far Eastern Economic Development* (London, 1954), pp. 93–7.
80 Ibid., pp. 69ff; Osterhammel, *Britischer Imperialismus*, pp. 182ff.
81 J. Arnold, *Commercial Handbook of China*, vol. II (Washington, D.C., 1920), p. 322; also A. S. Pearse, 'The Cotton Industry of Japan, China and India and its Effects on Lancashire', *International Affairs*, 11 (1933), p. 646.
82 Osterhammel, *Britischer Imperialismus*, p. 41, Table 5.
83 Chen Zhen (ed.), *Zhongguo jindai gongye shi ziliao* [Materials on the History of Modern Industry in China], 2nd collection, vol. I (Beijing, 1958), p. 161; *North China Herald*, 29 November 1933, p. 336; *Finance & Commerce*, 17 July 1937, p. 63.
84 For a brief summary see J. H. Dunning, 'Changes in the Level and Structure of International Production: The Last One Hundred Years', in M. Casson (ed.), *The Growth of International Business* (London, 1983), p. 93. See also G. Jones (ed.), *British Multinationals: Origins, Management and Performance* (Aldershot, 1986).
85 Wilkins, 'The Impacts of American Multinational Enterprise', p. 227.
86 Chen Zhen (ed.), *Zhongguo jindai gongye shi ziliao*, 2nd collection, vol. I, pp. 155–7; Yang Dajin, *Xiandai Zhongguo shiye zhi* [Gazetteer of Contemporary Chinese Industry] (Changsha, 1938), vol. I, pp. 473–95; C. Wilson, *The History of Unilever*, vol. II (London, 1954), p. 364.

87 ICI Archives (London), Central Registry Papers 2/2–117.
88 Tsang Chih, *China's Postwar Markets* (New York, 1945), p. 67; J. J. Beer, *The Emergence of the German Dye Industry* (Urbana, Ill., 1959), p. 95.
89 Imperial Chemical Industries (China) Ltd., 'Notes prepared. . . for Information of the Mission', 15 September 1930, Public Record Office (PRO), BT 59/1; ICI Archives, Sir William Coates Papers, file 'Foreign Merchanting Companies'.
90 Cheng Chu-yuan, 'The United States Petroleum Trade with China', in May and Fairbank (eds.), *America's China Trade*, pp. 216–17.
91 PRO FO 371/53597/F12898, 'Memorandum of Meeting at Petroleum Division on 30 August 1946'.
92 Osterhammel, *Britischer Imperialismus*, pp. 42–3.
93 Apart from Sherman Cochran's first-rate monograph (*Big Business in China*) which does not cover the period after 1930, there is now a vast collection of documents, mainly from the archives left behind by BAT in China: Shanghai shehui kexueyuan jingji yangjiusuo [Economic Research Institute at the Shanghai Academy of Social Science] (ed.), *Ying-Mei Yan Gongsi zai Hua qiye ziliao huibian* [Documents on the Enterprises of BAT in China], 4 vols. (1652 pages!) (Beijing, 1983).
94 A. Macmillan, *Seaports of the Far East: Historical and Descriptive Commercial and Industrial Facts, Figures and Resources*, 2nd ed. (London, 1925), p. 100.
95 Ibid., p. 89.
96 P. Mielmann, *Deutsch-chinesische Handelsbeziehungen am Beispiel der Elektroindustrie, 1870–1949* (Bern, 1984), pp. 176ff.
97 Cheng Chu-yuan, 'United States Petroleum Trade', pp. 221, 223; *ICI Annual Reports* (1933–6); *Chamber of Commerce Journal*, 67, no. 8 (August 1935), p. 22; *Finance and Commerce*, 11 September 1935, p. 272; PRO FO 371/17069/F4909, Chungking Intelligence Report, April–September 1933; ICI Archives, Central Registry Papers, files 857/1/1 and 17A/22/25. In contrast to many other British companies, ICI supported a strong *political* stand against Japan's encroachment on China.
98 Osterhammel, *Britischer Imperialismus*, pp. 225–6.
99 PRO T 188/136 Beale to Crowe, 5 March 1937.
100 King, *The History of the Hongkong and Shanghai Banking Corporation*, vol. I: *The Hongkong Bank in Late Imperial China, 1864–1902: On an Even Keel* (Cambridge, 1987), pp. 77, 510–8; C. T. Smith, 'Compradores of the Hongkong Bank', in King (ed.), *Eastern Banking*, p. 111.
101 See Kuo Ting-yee and Liu Kwang-ching, 'Self-strengthening: The Pursuit of Western Technology', in Fairbank (ed.), *The Cambridge History of China*, vol. X, pp. 537–41.
102 Thomas, *Foreign Intervention*, p. 104.
103 See the recent masterly study by M.-C. Bergère, *L'âge d'or de la bourgeoisie chinoise 1911–1937* (Paris, 1986), especially pp. 105ff.

104 G. A. Haley, 'The Chemical and Dye Trades of China', *Chinese Economic Journal*, 9 (1931), p. 984.
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106 See Cochran, *Big Business*, pp. 61–77, 145–50, 176–95.
107 See Xiong Fu, 'Shilun Minsheng gongsi de fazhan' ['On the Development of the Minsheng Company'], *Sichuan daxue xuebao*, 1981, no. 4, pp. 34–9.
108 T. G. Rawski, *China's Transition to Industrialism: Producer Goods and Economic Development in the Twentieth Century* (Ann Arbor, Mich., 1980), pp. 7–15.
109 Remer, *Foreign Investments*, pp. 401–2; W. K. K. Chan, 'The Organizational Structure of the Traditional Chinese Firm and its Modern Reform', *Business History Review*, 46 (1982), pp. 229–32.
110 Ibid., p. 233; Bergère, *L'âge d'or*, pp. 159–71.
111 See P. M. Coble, *The Shanghai Capitalists and the Nationalist Government, 1927–1937* (Cambridge, Mass., 1980), especially chapter 8; W. C. Kirby, *Germany and Republican China* (Stanford, 1984), chapters 4 and 7; A. V. Meliksetov, *Byurokraticheskyi kapital v Kitae* (Moscow, 1971); Bergère, *L'âge d'or*, pp. 208ff, and her 'The Chinese bourgeoisie, 1911–37', in J. K. Fairbank (ed.), *The Cambridge History of China*, vol. XII (Cambridge, 1983), pp. 809–25.
112 For an elaboration of this argument see J. Osterhammel, 'Imperialism in Transition: British Business and the Chinese Authorities, 1931–37', *China Quarterly*, 98 (June 1984), pp. 260–86. On the differences of opinion among British businessmen in China see S. L. Endicott, *Diplomacy and Enterprise: British China Policy, 1933–1937* (Manchester, 1975), pp. 26ff.
113 See R. A. Dayer, *Bankers and Diplomats in China 1917–1925: The Anglo-American Relationship* (London, 1981).
114 See E. S. K. Fung, 'The Sino-British Rapprochement, 1927–1931', *Modern Asian Studies*, 17 (1983), pp. 79–105; W. R. Louis, *British Strategy in the Far East, 1919–1939* (Oxford, 1971), pp. 109–70; P. Lowe, *Britain in the Far East* (London and New York, 1981), pp. 128–35.
115 On Beale, see Osterhammel, *Britischer Imperialismus*, pp. 97–9. Beale's ideas were not entirely novel, their ancestry reaching far back into the nineteenth century. But they gained new urgency in the 1930s.
116 Gull, *British Economic Interests*, p. 190.
117 H. Abend, *My Years in China, 1926–1941* (London, 1944), p. 267.
118 R. W. Barnett, *Economic Shanghai: Hostage to Politics, 1937–1941* (New York, 1941), p. 39; *British Chamber of Commerce Journal* (Shanghai), 25 (1940), p. 74.
119 Wang Yizhong, 'Ba nian lai Shanghai gongye de zong qingsuan' ['A Summary Account of Industry in Shanghai during the Past Eight Years'], *Jingji zhoubao*, 1, no. 6 (6 December 1945), p. 13. On the concept of 'forelands' see G. G. Weigend, 'Some Elements in the Study of Port Geography', *Geographical Review*, 48 (1958), p. 195.
120 Hongkong and Shanghai Banking Corporation, *124th Report of Directors to the Ordinary General Meeting of Shareholders* (Hong Kong, 1940), p. 12.

121 Wilson, *History of Unilever*, vol. II, p. 365; ICI, *Annual Report for 1938*, pp. 4, 19, and *Annual Report for 1939*, p. 18.
122 See the statistical materials in Chen Zhen (ed.), *Zhongguo jindai gongye shi ziliao*, 2nd collection, vol. II, pp. 850–1, 856–7, 862, 874–5; for BAT, in particular, see *Ying-Mei Yan Gongsi* (as in note 93 above), vol. IV, p. 1527.
123 Wright, *Coal Mining*, p. 127; Osterhammel, *Britischer Imperialismus*, p. 293.
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127 PRO FO 371/63282/F846, G. V. Kitson, memo 'The British Position in China', 21 January 1947; PRO FO 371/63413/F585 Foreign Office Industrial and Economic Planning Staff, memo 'British Business Investments in China' (n.d. [January 1947]).
128 PRO FO 371/53595/F6952, British Embassy Chungking, memo, 18 April 1946.
129 School of Oriental and African Studies (London), John Swire & Sons Papers, II 2/20 (box 407), memo 'China and Japan 1946' (n.d.).
130 Shai, *Britain and China*, pp. 151–2.
131 On diplomatic assessments see D. C. Wolf, ' "To Secure a Convenience": Britain Recognizes China – 1950', *Journal of Contemporary History*, 18 (1983), pp. 302–4. See also R. Ovendale, 'Britain, the United States, and the Recognition of Communist China', *Historical Journal*, 26 (1983), pp. 139–58.
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136 T. N. Thompson, *China's Nationalization of Foreign Firms: The Politics of Hostage Capitalism, 1949–1957* (Baltimore, 1979), p. 53.

137 Ibid., p. 60; China Association, *Annual Report 1954/55* (London, 1955), p. 2.
138 PRO FO 371/83352/FC1106/210, John Kenyon (Patons & Baldwins), 'General Report on China' (n.d., [August 1950]).
139 PRO FO 371/75864/F1472, P. D. Coates, Minute, 29 January 1949.
140 J. Gallagher and Ronald Robinson, 'The Imperialism of Free Trade', *Economic History Review*, 2nd ser., 6 (1953), pp. 1–15.
141 See, for example, R. P. T. Davenport-Hines, 'The British Engineers' Association and Markets in China 1900–1930', in R. P. T. Davenport-Hines (ed.), *Markets and Bagmen* (Aldershot, 1986), pp. 102–30. The broader issues are discussed in C. A. Wurm, 'Britische Aussenwirtschaft 1919–1939: Exportverfall, Aussenhandelsorganisation und Unternehmerverhalten', *Scripta Mercaturae*, 17 (1983), pp. 1–40, especially pp. 15–29.
142 Bureau International du Travail, *L'Industrie textile dans le monde*, vol. I (Geneva, 1937), p. 148: *Manchester Chamber of Commerce Annual Report for 1937*, p. xxxvi.
143 Calculated on the basis of Hsiao Liang-lin, *China's Foreign Trade Statistics*, pp. 22–4, 148–50.
144 According to estimates by Remer and Hou Chi-ming, during the period from 1902 to 1930, 60% of profits derived from (all-foreign) direct investments were reinvested in China. Hou Chi-ming, *Foreign Investment*, p. 103. Perhaps more conclusive is the qualitative evidence we have, such as the statement by a knowledgeable observer that before 1937 most of the profits of British shipping lines in China were reinvested. PRO FO 371/75864/F2240, Money (Ministry of Transport) to Coates, memo 'British Shipping Interests in China Trade' (January 1949).
145 Remer, *Foreign Investments*, p. 364.
146 Osterhammel, *Britischer Imperialismus*, p. 60, Table 8.
147 King, *The History of the Hongkong and Shanghai Banking Corporation*, vol. I, pp. 54–5, 143–4, 466–7.
148 I have elsewhere called this 'symbiotic penetration': Osterhammel, 'Semi-colonialism', p. 304.
149 In March 1937, the government-controlled China Merchants Steam Navigation Company opened regular traffic to Manila – its first venture beyond Chinese coastal waters. John Swire & Sons Papers, III/1/17 Butterfield & Swire (Shanghai) to John Swire & Sons, 3 April 1937.
150 See Wu Yugan, *Zhongguo guoji maoyi gailun* [Outline of China's Foreign Trade] (Shanghai, 1930), pp. 490–9; F. E. Hyde, 'British Shipping Companies and East and South-East Asia, 1860–1939', in C. D. Cowan (ed.), *The Economic Development of South-East Asia* (London, 1964), pp. 39ff.