

## **Subordinate vs. Independent: Port Cities under Dual Trade System in Mid-19<sup>th</sup>-Century Taiwan**

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### **ABSTRACT**

With reference to past research and new sources, this paper attempts to classify the ports of mid-19<sup>th</sup>-century Taiwan into a three-level hierarchy, namely match official ports and minor ports, which are traditional ones, and treaty ports opened for international trade exchange after 1860. In terms of government policy, size and changes in trade network, these ports had mutually subordinate market spheres and yet they are independent in external trade with foreign countries, thus creating a dual trade system between regions. Owing to their difference in geography, accessibility, market size and trade volume, the commodities traded, merchant organizations, trade network and system in these economic spheres varied widely.

Towards the end of the 19<sup>th</sup> century, traditional ports continued to maintain direct trade with coastal cities of China, concentrating mainly in Fujian district. Hence, they had all along been dependent on the China market and were not much exposed to the western impact. At match official ports, cross-strait merchants and firms operated under the cooperative commissioning system and maintained close business ties with mutual investments. On the contrary, commercial investments at minor ports were restricted to local businesses and trade exchange was mainly handled by supercargo responsible for the sale and purchase of merchandize transported by junks.

The opening of treaty ports certainly marked a turning point in Taiwan's trade development. With Lugang as the demarcation, the island was divided into two market spheres, one in the north and one in the south, each with two international ports handling external global trade. There existed wide differences in trade operations between traditional ports and international treaty ports. Traditional ports served as subsidiaries to treaty ports and imported international merchandise and foreign goods through them.

With traditional junks replaced by steamers as the main means of transportation, international merchandise including tea, sugar and camphor were gathered at treaty ports for exports to other countries in the East and West. Western companies and financial institutions sprang up bringing in new technologies and novel capital flow mechanisms. The former trade network also expanded from the Fujian hub to the entire world, ushering Taiwan into the global economic system. Increase in international trade volume implied huge flow of money and capital, and traditional approaches to settling payments by cash or offsetting were no longer practicable and fell short of meeting the needs for global business exchange. Native banks and remittance banks, long popular in China proper, first appeared in Taipei.

It is worthy to note that Taiwanese merchants with local competitive advantages gradually gained control over the production and export of international merchandise. Their rapid accumulation of wealth put them on equal par with western companies, enabling them to be engaged directly in international trade. They set up western-style companies and ran their business with western corporate management practices. The rise of these local merchants with power and influence surpassing that of Chinese and foreign ones reflected the growth of Taiwan's own economic strength.

**Keyword:** Treaty Ports, Match Official Ports, Minor Ports, Guilds, Western Company, Remittance Banks