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## CHINA AND HER FOREIGN TRADE.

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IMPERIAL CUSTOMS AND POSTS.

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MANY regard China as a far distant land, with an immense population, but so wanting in all that others possess as to be ready to purchase, in unlimited quantities, whatever is offered for sale; whereas, what is true is this: China needs neither import nor export, and can do without foreign intercourse. A fertile soil, producing every kind of food, a climate which favors every variety of fruit, and a population which for tens of centuries has put agriculture, the productive industry which feeds and clothes, above all other occupations—China has all this and more; and foreign traders can only hope to dispose of their merchandise there in proportion to the new tastes they introduce, the new wants they create, and the care they take to supply what the demand really means.

The sanguine expectations which were expressed when treaties first regulated intercourse, a cycle back, have never been realized. Trade, it is true, has grown, and the revenue derived from it has multiplied; but as yet it is far, far from what our predecessors looked for; and the reason is not that the Chinese Government actively opposed foreign commerce, but that the Chinese people did not require it. Chinese have the best food in the world, rice; the best drink, tea; and the best clothing, cotton, silk and fur; and possessing these staples, and their innumerable native adjuncts, they do not need to buy a penny's worth elsewhere; while their Empire is in itself so great, and they themselves so numerous, that sales to each other make up an enormous and sufficient trade, and export to foreign countries is unnecessary. This explains why sixty years of treaty trade have failed to reach the point the first treaty framers prophesied for it.

Nevertheless, trade has grown, has gone on growing, and will continue to grow. Production has mostly a surplus to dispose of—exchange of products does modify tastes and create wants—and the profits of various transactions encourage traders to try new ventures and extend operations. Thus, an important and increasing international commerce has been founded and fostered, and the business done last year (1899) showed such a marked increase in quantities, values and duties that every one was looking forward to future expansion as a certainty, on a large scale. The first quarter of the present year (1900) exhibited further growth, and the revenue was some twenty-five per cent. better than that of the corresponding quarter in 1899. Unfortunately, the Boxer movement stepped in to upset calculations; and, although local trade has continued south of the Yangtze River, the northern ports have done little or nothing since June, and may be long in regaining the promising condition they had attained previously. Whether the present disturbances will run through all the Provinces, and be followed by years of anarchy and more or less complete cessation of trade, or the northern half of the Empire alone is to suffer, cannot to-day be foreseen; but in the north great harm has already been done, and recovery will be slow. Besides, the Manchurian Provinces may cease to be Chinese, and the commerce and wonderful growth of New-chwang during the last two or three years, and its promise of future expansion, may not only cease but disappear—at all events, as far as China and old channels are concerned.

Foreign trade is, in fact, at the close of an old chapter and is commencing a new one, and a serious question here meets the looker-on. Will possible changes for the better on the foreign side make up for probable changes for the worse on the native? Will any improvement in treaties, in mercantile methods and in commercial regulations make up for loss of customers and for decrease in the producing and consuming power of the Chinese? That this year's doings will long affect trade prejudicially may be taken for granted; and that the evil effects may continue to work harmfully for years to come is almost as certain. The whole matter bristles with difficulties when fairly, fully and calmly considered, and the Far Eastern trouble will be felt in many a quarter that does not yet realize how intimately economic conditions connect man and man. The siege of the Peking legations will

long be laid to China's charge as a monstrous crime, even although it was preceded by the seizure of the Taku forts without any declaration of war; but, whether the joint action of the treaty Powers may not do more than vindicate the majesty of international law, may not, in fact, kill commerce, can only be known when negotiations are allowed to be begun, and the ensuing stipulations have laid down the lines for future intercourse.

Chinese may be said to be born traders; but they did not originally require to go outside the bounds of their own ring fence to engage in business. The outlying parts and dependencies need not be referred to, seeing that the eighteen Provinces of China proper—each of them as large as and many of them more populous than most European states—afford room enough for every kind of operation and transaction. Government taxation has always and everywhere been of the lightest possible kind, and what are called “squeezes” have been either legitimate collections other than the dues and duties foreign trade tariffs published, or such variable amounts as traders have compounded for between their own offer and the sum the collector would consent to accept below the rate fixed by the tariff concerned. Very wealthy individuals have, from time to time, been called on for special and occasionally large contributions during periods of provincial or national difficulty. But, on the whole, trade has not been charged beyond what it could afford to pay. When a tax looks like becoming too heavy, traders simply close their establishments as a protest, and the local officials soon remedy the matter; and it is curious to see how, in this weakest and yet toughest of Empires, age and experience have worked out what may be styled automatic action to keep the huge machine in order. It must be remembered that each Province is a little kingdom in itself, and has its own budget, while Government interferes as little as possible, and whatever the people can do for themselves the Government avoids doing for them. Our golden rule says “*Do unto others,*” and hence so much that is intolerant in philanthropy and fussy in benevolence; while the Chinese corresponding dict says “*Do not,*” and the result is a national avoidance of interference and wide-spread tolerance, each side, of course, falling more or less into a pitfall when it does too much or too little. Trade has thus been free to follow requirement; demand and supply have obeyed their natural laws; hamlet has traded with hamlet, town with

country, and province with province; the coast has been crowded with junks, the rivers and canals with boats, and the roads with carts, pack animals and porters. And this has gone on in much the same way for thirty centuries.

When the foreigner appeared, changes began; and, although change has as yet only touched the fringe of the Empire, its effect has been felt in various ways inland. At first, the foreign merchant was in China on sufferance, and had to abide by local practice and accept local rule. Then came the opium and "Arrow" wars, and the reigns of the Emperors Tao Kwang and Heen Fang saw added to the original laws and tariffs of the Empire the tariffs and regulations of foreign trade, and the stipulations of treaties. To any foreigner who reads either treaty or tariff, there is not on the surface anything to object to, and nobody would pronounce either one or the other calculated to hurt or irritate; and yet the other side—the Chinese—has always been of another way of thinking. The most striking among the treaty clauses are those which, under the heading "Extra-territoriality," withdraw foreigners from Chinese control and place them under their own national officials in China; and, under the heading of "The Most Favored Nation," provide that whatever is accorded to newcomers will be enjoyed by their predecessors. The "Extra-territoriality" stipulation may have relieved the native official of some troublesome duties, but it has always been felt to be offensive and humiliating, and has ever a disintegrating effect, leading the people on one hand to despise their own Government and officials, and on the other to envy and dislike the foreigner withdrawn from native control. The "Most Favored Nation" clause has always stood in the way of change, and prevented the Chinese Government from securing and conceding various ameliorations in exchange for special advantages, seeing that, although new negotiators might be willing to give a *quid pro quo*, their predecessors would claim the advantage but reject and refuse to be bound by the conditions. There is also a "Missionary" clause for the protection of missionaries and converts, but in this paper on Trade it need not be discussed.

The five per cent. tariff may be pronounced unobjectionable and suitable; but it is supplemented by a special rule which allows goods to be carried from or to a port to or from any inland place, however distant, on payment of a transit due of two and one-half

per cent. The foreigner wishes to read this rule as exempting his goods, if imports, from all subsequent, and if exports, from all anterior taxation; while the Chinese official maintains that it merely protects a transit between port and place. This is already a sufficient cause for disputes and ill-feeling; but the real hardship caused by this incomplete stipulation lies deeper. In the first place, it takes no account of the immense size of the Empire or the Provinces to be passed through, or of the fact that each Province is a little kingdom in itself, manages its own taxation and finances, and is caused serious embarrassment by a stipulation which neither recognizes its circumstances and requirements, nor was made a subject of provincial discussion and arrangement in advance. It is not quite an adequate reply to this complaint to say that the Central Government, having entered into an international engagement for the whole, ought to have thereon proceeded to rearrange the parts. In the second place, while the stipulation was only intended for application to foreign traders and foreign trade proper, it soon became the practice of unscrupulous persons, foreign and native, to take advantage of it—the latter to escape provincial taxation, and the former to create a new source of gain out of fees received for passing Chinese property as belonging to foreigners.

It has thus come to pass that Chinese officials have felt themselves belittled and inconvenienced by treaty and tariff, and foreign trade and foreign intercourse have consequently never been regarded by them with sympathetic eye. Some one once remarked to the great Wên Hsiang, Chinese Prime Minister, so to speak, during the minority of the Emperor Tung Chih, that surely the increasing revenue derived from foreign trade must make its growth agreeable to the Chinese Government. "Agreeable!" retorted Wên Hsiang. "Quite the contrary! Every sign of growth means another provincial difficulty; and, instead of delighting in the increase of foreign trade revenue, we would willingly tax ourselves equivalently and pay over the amount to foreigners to keep them out of the country!" Doubtless, there was some exaggeration in this; but it fairly expressed the real feeling of the official mind in this connection, and Wên Hsiang was one of the ablest, fairest, friendliest and most intelligent Mandarins ever met by foreigners. Prince Kung, as is well known, said to the British Minister, about the same time: "Take

away your opium and your missionaries, and you will be welcome!" During the negotiation of the never-ratified Alcock Convention in 1868, the same Wên Hsiang one day said: "Do away with your Extra-territoriality clause, and merchant and missionary may settle anywhere and everywhere; but retain it, and we must do our best to confine you and our trouble to the treaty ports!"

These sayings of two of China's most eminent men have a weighty meaning. China's treaties are said, and may seem to the foreigners concerned, to have been negotiated. But, in point of fact, they were, in the first instance, drafted by the foreign negotiator, and if not dictated, were so hurriedly drawn up and concluded that they ignored, or rather did not take the trouble to ascertain, the provincial circumstances therewith connected. So that, fair and suitable as they may appear to the foreigner, they were and are, in some of their more important practical points, condemned by Chinese as both damaging and unworkable; and thus, although ratified and sanctioned by Imperial Decree, they have neither been popular nor an unqualified success. When later and perhaps less dictatorial negotiators subsequently came to China, begging for treaties, China acceded. But such new negotiations, on the Chinese side, did not aim at correcting former mistakes—except on one occasion, when the foreigner allowed a "most favored nation" clause to be so worded as to make enjoyment of an advantage entail acceptance of the conditions of its original grant, and at the same time withdrew one or two other demands, when the Chinese negotiator said he would assent to them provided Chinese in the country concerned were similarly treated. They simply tried to keep out everything new; to give the newcomer only what some predecessors had previously extorted, and so to keep the evil of foreign intercourse at a point already understood, instead of injudiciously expanding it further. Thus initial obstacles have been perpetuated, and with the exception of the Alcock Convention no negotiation, to the Chinese mind, has held the balance fairly. The non-ratification of that convention was damaging, for it had been negotiated leisurely and in a sympathetic and friendly spirit, and Chinese officials regarded its rejection as equivalent to saying that their interests must always give way before what the foreigner thought to be his.

Later treaties, too, have had one other unwholesome effect. The foreign negotiator generally presented himself in a more or less beseeching attitude, and China assented—generously, as she thought—to his prayers for treaty relations. But ratifications once exchanged, what China had granted as treaty advantages forthwith became, in the hands of the other party, treaty “rights,” and woe betide China if she failed to live up to her new duty! It is, of course, not unnatural for those who have to administer a treaty already made to interpret it literally; but, all the same, Chinese officials have felt mortified and “sold,” and treaty relations have sunk in their estimation. It is not altogether inexplicable, then, that foreign intercourse has been seen on its darker side by the Chinese, or that foreign trade has continued to be regarded as at the best only something to be tolerated but not encouraged. Both intercourse and trade would benefit China, but for the first to be welcome it must be sympathetic, and for the second to be encouraged it must be so shaped as not to pinch.

Apart from its being a thorn in the side of the provincial administrations, owing to various difficulties originating in transit abuses, the advent of the foreigner has also been a death-blow to old and long recognized vested interests, and notably to China's own shipping trade and junk owners. The coasting trade which fleets of junks carried on fifty years ago has almost been destroyed between New-chwang and the southern ports, and much of the southern trade has likewise passed from native to foreign bottoms; while on the Yangtze, an inland water, an ever-increasing home trade is attracting more and more foreign-flag steamers. Such change is not all bad; freights are lighter, goods are safer, passages are quicker, insurance is possible, and regularity has developed trade and increased passenger traffic. But the untravelled Chinese, who at first smarted under loss of business, has now travelled, and he asks, Does any other country in the world allow foreign flags to participate in its coasting trade? Does any other throw open its inland waters to outsiders, and those, too, outsiders who are not merely enjoying special commercial advantages, but are also by treaty extra-territorialized? So that such change is not all good. The native capitalist of former days is a beggar now, and the crowds of junkmen he employed are as angry with their Government for permitting the



foreigner to step in and seize such local trade as with the foreigner himself for doing so.

In all such cases, the transition period is a bitter one. Many suffer, and much bad blood is engendered; but time, that wonderful restorative, brings its remedy, and much Chinese capital is now invested in steamers. The Chinaman is taking many a leaf from the foreign interloper, and the day will yet come when China's coast trade and river traffic will all be done by vessels under the Chinese flag. Doubtless, the same kind of experience, and the angry feeling with which any man sees another interfere and take the bread out of his mouth, have also had something to do with the readiness with which railway lines have been destroyed and trains wrecked during the Boxer troubles, and perhaps, too, even with some of the difficulties foreign enterprise stumbles against inland. Whether the superior strength of even a more civilized nation can be legitimately employed to dictate, or even to obtain international concessions of a kind which, on the one hand, create difficulties for an internal administration, and, on the other, displace native methods and substitute foreign enterprise, need not be discussed. But it is an unquestionable fact that native populations will always feel sore when ousted from business by privileged foreigners, and that in China grants of advantages which are made at the expense of and without consideration for or the consent of the nation's component parts—the Provinces—will cause ill-will and end in failure.

A notable instance of this latter kind is the concession which opened all inland waters recently to steam navigation. Not only were the Provinces neither consulted nor taken into consideration, but the concession became known to the public, and was even formulated, before negotiation had had its final say in the matter. The Chinese ministers were proceeding on the assumption that the waters would be opened to steam in accordance with either existing native craft rules or new regulations yet to be drawn up; and it was so far a conditional concession. But, unfortunately, the first form it appeared under in public was absolute, and the inland waters were spoken of as if opened to steam without regulations! The result has been what might be expected. The experiment is a failure in the eyes of the world, precisely to the extent to which it has been attempted to subordinate it to necessary rule, and bend it to meet existing local

conditions; and it has irritated everybody—native merchant and foreign merchant, foreign official and native official. Some will question the wisdom of accepting such a concession at all—a concession proposing to open inland waters to foreign vessels, considering the difficulties and disputes it must inevitably give rise to in connection with both its trading and its magisterial sides; for occurrences will assuredly furnish inland cases of many kinds for foreign courts to deal with, while inland trading competition, however much it may tend eventually to improve inland trading methods, must certainly disturb inland traffic and hurt inland traders. But, in any case, such a concession ought to be well threshed out, so as to secure the maximum of benefit with a minimum of damage; and not only ought each Province to be separately consulted and separately legislated for, but regulations ought to be adopted of a kind that shall accord with provincial circumstances and requirements, and prevent the concession from being so used as to create internal difficulties, or be injurious to the interests of the native inland traders. The original idea was simply to allow steamers to do in inland waters what junks do. But, while it is a question whether steam traffic could thrive or pay under junk regulations, it is also worth consideration whether they should be not only extra-territorialized inland, but also be so privileged as to hurt native interests and oust boat owners and native traders.

What foreign merchants can to-day do in China may, without going into details, or loading this paper with statistics, be thus described: They may import foreign goods into China, and export native products from China, through any one of some thirty treaty ports, on payment of a tariff duty amounting to what was five per cent. on the values of 1860; and they may take foreign goods to, and bring native products from, any place inland, on payment of an additional half tariff duty, as Transit Due. They may also convey Chinese produce from treaty port to treaty port, paying a full export duty on shipment and a half duty on landing. At the treaty ports where they reside, they are freed from all local taxation, and they may bring in whatever they require for their own personal and household use, duty free. Everywhere they are withdrawn from Chinese control, and placed under that of their own national officials, the consuls; but merchandise can be moved only in accordance with Chinese customs regula-

tions, and ships must anchor in accordance with harbor rules and the directions of the Chinese harbor-masters. Merchants may trade with and employ whatever persons they please, and their movements are free and unrestricted. Such, in a few words, is the foreign merchant's position in China. Treaty makers secured for him all he asked for, and the Chinese Government assented to it. It is not desirable that he should live everywhere, seeing that he is withdrawn from Chinese jurisdiction; but in the case of missionaries, this prohibition is not enforced, although the right is open to question, as being found only in the Chinese text and not in the corresponding foreign text of a treaty which says that the foreign text rules wherever opinion differs as to interpretation. The merchant's transit rights, which practically open to him or his agent every market in the interior, have the drawbacks already alluded to—drawbacks which originated in either ignorance of or inattention to local requirements, in defective legislation and in abuse of the treaty privilege. Otherwise, the foreign merchant's status and freedom leave nothing to be desired, except from the Chinese point of view, which thinks them too privileged. As to the merchandise he may deal in, the only article a foreigner may not touch is salt; and he must take out special permits and comply with special conditions if he trades in munitions of war; and he does trade in them, and finds it profitable; and he is not allowed to export native rice from China. He is thus free to import whatever he thinks he can find a market for, except salt, and to export whatever he can find in the country for sale except rice. Weekly mails carry his correspondence to all parts of the globe, telegraph lines connect him with Chinese places inland, and cables with the rest of the world; local banks supply all banking facilities; post-offices compete for the honor and profit of carrying his mails; newspapers are at hand to ventilate questions of all kinds and advertise his wares and ships; schools are springing up for the education of the children that cannot be sent home, and there are churches and chapels for all denominations of worshippers, lawyers and courts for all sorts of litigation, and doctors and hospitals for all who are ailing. He has his own docks for repairing and building ships, mills for weaving cloth, and manufactories of various kinds. He has also lately been building railroads, and syndicates have been formed to build more, as well as to work mines and start other industries

in the interior. The Boxer doings have, however, interfered with these later developments, and have led thinking people to wonder whether the exploitation of China inland is the safest of paying investments for capital.

Such being the condition and methods of Chinese commerce at this date, as far as foreign trade is concerned, all who are interested in it will naturally ask what can be done to extend and expand it in the future, and make it at once more profitable to foreigners and more acceptable to natives, whether traders or officials. This task was being taken in hand when the Boxer movement was growing; but although not abandoned, it is postponed, one might almost say, indefinitely. In the autumn of 1899, a special commission was appointed by Edict to consider the subject of tariff revision and questions therewith connected, and its members hoped to make it the commencement of a new era of profitable and acceptable commercial relations. These were Sheng Hseuen Huai (a titular metropolitan official, who is Director-General of Telegraphs and Railroads, and Manager of the China Merchants' Steam Navigation Company), Nieh Chi Kuei (Provincial Treasurer and Acting Official of the Province of Kiangsu), and Sir Robert Hart (Inspector-General of Customs and Posts). After several meetings they separated in May last, to resume their sittings again in October. But the Boxers reached Peking a few days afterward, and governmental chaos has upset all plans. The commission would probably have elaborated various proposals for the consideration of the Chinese Government and the treaty powers in the interest of trade. Meantime, it may not be without its advantages to put forward some of the views then discussed, and some of the points which the experience of the past shows to be worth reconsideration.

The Extra-territoriality and Most Favored Nation clauses will, of course, be retained, whether old treaties are revived or new ones negotiated after the present disorder ends. But to the latter it would be fair, and in the general interest, too, to add a rider to the effect that whatever power claims to participate in any advantage newly accorded to another power by China will, on the other hand, accept and be bound by the conditions on which such advantages are granted.

The Tariff requires revision, for since 1860 all values have altered, and many new commodities have appeared. Whether it is

to remain a five per cent. tariff or be made ten per cent. is a point for negotiators to deal with. The commission consulted the provincial officials in this connection, and purposed to propose a ten per cent. import duty, plus a five per cent. transit due, payable simultaneously, coupled with the total abolition of all other taxes on such imports forever after and everywhere, and the Government was to arrange for the equitable division of the amount so realized between the central and the provincial treasuries. As for exports, it was under consideration to retain the five per cent. rate, but do away with the right to bring produce from the interior under transit passes, coupled with an undertaking to refund to the exporter, at the time of export to a foreign country, whatever amounts he had paid on such produce over and above a half tariff rate between the place of purchase and the port of export. Some such arrangement would satisfy the provincial officials, would efface hostility to the spread of foreign trade, and would also at once do away with the malpractices and abuses connected with the present unpopular transit system.

The most important point of all, however, is that which is connected with negotiation. Negotiation concerning commercial matters ought not to be in any degree of the nature of dictation, and it ought to proceed slowly and cautiously, and not only with a perfect knowledge of facts and circumstances, but with a full and friendly consideration for the other party's views and necessities; and in no country is this more necessary than in China, an Empire composed of a score of grand Provinces, each a kingdom in itself, with its own budget and its own system of taxation. What is good and suitable elsewhere is not necessarily so in China, and a negotiator there, to do any matter justice and formulate a workable and useful rule, must put himself in the other's place, and see with the other's eyes. Such procedure, in addition to being what justice and common sense demand, would have the additional recommendation and advantage of winning the native negotiator's sympathy, and enlisting the Chinese Government's support, and so would secure honest effect for the rules agreed on.

But let negotiators be as painstaking as you please, they and their Governments only lay the rails, so to speak, and the merchant himself must provide the trains and find the passengers. Individual study, individual exertion, individual tact and initiative are the necessary conditions of success in any individual commer-

cial career, and in the thence growing general expansion of commerce. Governments do the best they can, according to their lights and requirements, to provide openings and afford protection; but the real work of founding a house, building up a business, extending connections and making it pay, must be done by the merchant himself. Whoever looks Chinawards must also remember that the country has its own civilization, and has been perfectly settled for tens of centuries; that it has an immense trade of its own, by the side of which foreign commerce is so far a mere bagatelle; that although foreign commerce is growing and will go on growing, the tendency is for it to pass more and more into Chinese hands in China (as I write a case of California claret has just been brought in, which, the label tells me, was imported and bottled by a Chinese store-keeper in Shanghai); that competition is great, and individual profits small; that taste for novelty is to be cultivated, wants created and customers' wishes consulted; and that, although with a population of four hundred millions there would seem to be no bounds to the possible demand of consumers, the Chinese are quite able to dispense with foreign commerce and supply all they require for their own consumption.

As for those who wish to improve communications, build railroads, open mines and start various industries, they, too, should remember that their eagerness to supply does not necessarily mean a corresponding demand, and that whatever they do take in hand can only be a success provided native sentiment and prejudices are studied and shown consideration for. The syndicates which handle concessions owe it to their shareholders to see that their title is not only legally indisputable, but locally acceptable; otherwise, failure must be, and dividends need not be, looked for. The motto of the Chinese trader is to live and let live, and his trading strength lies mainly in combination, an inherited science of business organization, safe for its members and not harmful to their clients; and he is quite a match for the foreigner whose aim is to cut the ground from under his neighbor's feet, and whose commercial gospel is that competition is the life of trade.

ROBERT HART.