

THE COMMERCIAL RELATIONS BETWEEN
THE UNITED STATES AND CHINA,
1893-1914

Thesis for the Degree of M. A.
MICHIGAN STATE UNIVERSITY
Marcia Lou Williams
1962

THESIS





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By

Marcia Lou Williams

AN ABSTRACT OF A THESIS

Submitted to
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The purpose of this study is to analyze the commercial relationships between the United States and the Chinese Empire, in the years 1893 to 1914.

In presenting the historical facts and trade analysis in the period of China's history of foreign domination, wartime crises, and civil strife, the author has made extensive use of primary sources. The sources included the volumes of the Commercial Relations of the United States with Foreign Countries and the numerous volumes of the Consular Reports containing miscellaneous reports from the diplomatic and consular offices in China, Official publications on special subjects containing material relating to China, such as the Special Agent Series, Special Consular Reports, and the Miscellaneous Series were also available. The Monthly Summary of Commerce and Finance of the United States, later called the Monthly Summary of the Foreign Commerce of the United

States, contained the statistics of exports and imports by articles and principal countries, For the foreign relations during the years under consideration the volumes of the Papers Relating to the Foreign Relations of the United States with the Annual Message of the President were of immense value in making this study possible.

This study concerns the bases of the United States interests within China, the Open Door Policy, the treaty arrangements forced upon China, the American-Chinese trade, and the obstacles to the American-Chinese trade as seen by the American consuls in China.

The early interest in China was the result of the early trade of the New Englanders and the missionary interest. In the 1890's, the United States had begun to take an active interest in world affairs and had acquired territory. This desire to become a world power was advocated by the men who argued for the "large policy" of expansion; especially toward the Pacific. As a result of their efforts, the missionary interest, the commercial interests, and fear of the break-up of China, due to the marking out of the spheres of influence, the American government defined its position in the Open Door Policy.

Numerous treaty arrangements were forced upon the Chinese Empire because western merchants did not like the conditions of trade they had to adhere to. These included extraterritorial rights, a treaty tariff, treaty ports, and leased territorial concessions and spheres of influence. How did these arrangements influence the American-Chinese trade?

The trade between the two countries expanded moderately after 1898. What goods were exchanged? How did the American trade compare with the other countries? What caused the erratic fluctuations in the trade? What was the effect of the "carving of the China melon" into spheres of influence on the American-Chinese trade? These questions shall be answered.

And lastly, what were the obstacles to the trade between the United States and China as seen by the American consuls? The hindrance of the trade was not only the result of factors within the Chinese Empire, but also the attitude of the American businessmen. As a result, the American export trade did not increase to its greatest potential.

With the commercial development in the Pacific Ocean, American economic interests were to become

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aware of China's markets and her four hundred million people and rich resources. The United States economic stake in the Far East was important, and the commercial statistics show that in the years 1893 to 1914 the trade increased.

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Chapter I

Attention toward China

America's attention was directed toward the Chinese Empire in 1784 when commercial relations first started between the two countries. However, trade was not the only basis of the United States interest in China. After 1830 there was the missionary concern for educational and evangelical purposes. By the 1890's the American people again believed they heard the call of Manifest Destiny which had prevailed in the 1840's. The nationalistic spirit predominated in America where the Anglo-Saxon was pictured as superior to all other peoples. The idea of expanding in the world and the thought that backward peoples beckoned toward America to carry "the white man's burden" were leading conceptions and beliefs in the latter half of the nineteenth century. Added to these ideas were the plans of businessmen who desired to expand in the field of commerce. Perhaps of greatest importance were the advocates of the so-called

"large policy" who argued that America had a responsibility to become an active participant in world affairs.¹

One of the bases for United States interest in China was trade. American commerce with the Chinese Empire began in 1784, when the Empress of China left New York in that year and returned May 11, 1785.² This pioneer trading vessel was loaded with ginseng and upon their arrival in China these Americans were introduced to the unique commercial system at Canton. Because they were not hampered by the restrictions of a commercial monopoly of any one company and due to the neutral position of the United States during the Napoleonic Wars, the outlook for these early American merchants appeared bright.

Generally the American merchants obeyed the local Chinese laws and regulations and accepted without protest the legal system of China. As a result, the Chinese were more inclined to encourage the trade with the Americans. Within a few years after its entrance into China,

¹Julius W. Pratt, Expansionists of 1898; the Acquisition of Hawaii and the Spanish Islands (Baltimore, 1936), chs. 1, 6, and 7.

²This adventurous voyage was promoted by Robert Morris, William Duer, and Daniel Parker.

American commerce began to spread to many parts of Asia and the adjacent seas.

The early desire of trading with the Chinese Empire was primarily due to the interests of New Englanders. Commercial ties were strengthened by whaling voyages during the latter years of the 1790's and the first two decades of the 1800's. After the War of 1812, the whaling industry flourished until the 1850's, when the discovery of petroleum for illumination began to undermine the trade. However, it was not until after the Civil War, when many whaling vessels were destroyed due to the war, that whaling interests greatly diminished. This trade never fully recovered. Long before the 1890's New Englanders were taking more of an interest in industrialization than in whaling.

The demand for furs and sandalwood by the Chinese aided the development of the American trade. The Chinese were willing to pay high prices for the pelts of sea otters and seals. Pelts for this trade came from the Northwest Coast of America, and by 1811, some 18,000 sea otter skins were transported to Canton. This trade yielded a substantial profit. It is estimated that approximately 108 American vessels came to the Northwest

Coast between 1790 and 1818.³ These vessels laden with pelts for China also found competition from other powers, particularly Russia.⁴ The Hawaiian Islands furnished the sandalwood for the American trade enroute to Canton. Sandalwood was important to the Chinese for the making of incense and furniture.

The fur and sandalwood trade flourished for a number of years and then began to decline about the time of the War of 1812. Profits from indirect commerce remained, however, and American manufactures appeared. Although relatively short lived, the early American trading experience along the Pacific coast of America proved useful.

After 1820 the American-Chinese trade increased considerably and the number of vessels sailing from America's shores each year was between twenty and thirty.⁵ During the 1840's American investors desiring to promote

³Foster Rhea Dulles, The Old China Trade (Boston and New York, 1930), p. 55.

⁴Tyler Dennett, Americans in Eastern Asia; A Critical Study of the Policy of the United States with Regard to China, Japan, and Korea in the 19th Century (New York, 1922), pp. 30-38. Hereafter cited as Americans in Eastern Asia.

⁵Dulles, op. cit., pp. 113-114.

the China market were impressed by the construction of faster sailing vessels. These were the so-called clipper ships which could reach China within ninety days; less than half the time it had taken the 'Empress of China. Some of the faster clipper ships which sailed from America were given the names Flying Cloud, Sovereign of the Seas, Peggy, Three Sisters, Light Horse, and the Astrea. But during the Civil War in America many of these ships which had carried the trade goods to China were destroyed by the Confederate raiders.

In 1842, the Treaty of Nanking was concluded as a result of the Opium War between Great Britain and China. To the western merchants the conditions of trade had been wholly unsatisfactory. Desiring to expand their trade the Chinese Empire was forced at the end of the war to open five ports to trade on a treaty basis.

During the years from the Treaty of Nanking to the American Civil War imports from China into the United States varied in character less than exports to that country. Tea was followed in importance by silk, sugar, spices, and wool. Among American domestic exports to China, cotton manufactures held first place; then followed provisions, ginseng, coal, drugs, iron and steel

manufactures, and tobacco. Financial disturbances and the Taiping Rebellion within China were not able to destroy the essentially prosperous conditions of commerce between America and China. The Taiping Rebellion ended in May, 1865, but for fifteen years it had brought desolation to many of the Chinese provinces. One of the most important consequences of this rebellion was the creation of the Imperial Maritime Customs.

Within the next twenty-five years (1865-1890), the percentage of American exports to China increased. In 1868, the percentage of American goods to the Chinese Empire was 1.1 percent of China's total imports. By 1888, this percentage had increased to 2.5 percent. Trade between the two countries was hindered by numerous factors. These factors were the increased competition in China from foreign countries, particularly Japan; the decline of America's merchant marine; the Chinese resentment due to the United States immigration policy; and absorption of Americans in advancing the western frontier toward the Pacific. By 1896 the American percentage of China's total foreign trade reached 6.7, when American merchants felt the need for the Chinese markets due to

American factory overproduction.⁶

Another basis of the United States interest in China was the development of the missionary program. The first two American Protestant missionaries in China arrived in 1829. These two Americans, David Abeel and Dr. Elijah C. Bridgman, were soon aided by two other missionaries, Dr. Peter Parker and Samuel Wells Williams. To these missionaries the spreading of the Christian gospel was of primary importance.

At Canton, the noted missionary-publisher and writer, Samuel Wells Williams, conducted a printing enterprise which aided in the development of the trading businesses as well as in non-commercial pursuits. The Chinese Commercial Guide and The Chinese Repository were important contributions of Williams and his associates. American missionaries like Williams helped to facilitate the negotiation of treaties by which the course of commerce was determined.

Between 1829 and 1858 there arrived in China approximately eighty American missionaries. After 1860

⁶ Charles S. Campbell, Special Business Interests and the Open Door Policy (New Haven, 1951), ch. 1.

the number of American missionaries grew considerably because of the increased interest in China and they were allowed to travel into the interior provinces of the Empire. By 1889 there were approximately five hundred American Protestant missionaries in China. Nineteen American denominations supported missionaries in China by 1890. The more important ones included the Presbyterians, Methodists, Baptists, Episcopalians, and Congregationalists.⁷ Although the Protestant and Catholic American missionaries did not influence China's massive population to any great extent, their work did much to arouse the interest of Americans in China.

The American consuls within China were aided by the missionaries in numerous ways. Many times the consuls relied upon the translations of the missionaries. The missionaries also played important roles in the diplomatic relations between the two countries. In 1844, Caleb Cushing, Commissioner to China, came to China to conclude the Treaty of Wanghai. He was aided by three American missionaries, Elijah C. Bridgman, Peter Parker,

⁷ Paul A. Varg, Missionaries, Chinese, and Diplomats; The American Protestant Missionary Movement in China in China, 1890-1952 (Princeton, 1958), p. 13.

and Samuel W. Williams. The missionary hostility to the opium traffic influenced the American commercial policy.

With the growth of the missionary program China was no longer viewed wholly as a commercial question. Their primary concern had been to promote Christianity. By establishing mission schools, translating literature, and teaching Christianity the missionaries were introducing to the Chinese a better knowledge of the world. However, the American missionary work did make possible wider diplomatic and commercial contacts with the Chinese.

During the closing years of the nineteenth century the United States witnessed the rise of new imperialism. Africa was partitioned into colonies. The European nations increased their influence within the area of Turkey's crumbling empire. As a result, the United States began to move toward a more active role in world affairs. How? America reached out to incorporate in the area of the Pacific, Samoa, Hawaii, the Philippine Islands, and other small islands.

The feeling for obtaining islands in the Pacific came about due to the desire for naval bases for the protection of the commercial interests. As a result, America acquired a group of desolate islands namely, Baker's

Island, Jarvis Island, and Howland Island, in 1857 and 1858, to be used as coaling stations. Furthermore, in 1867 the Midway Islands were acquired.

The first major island groups in the Pacific to receive the attention of Americans were the Navigator Islands, commonly known as the Samoans. These fourteen islands which were ruled by native chiefs, commanded important shipping lanes. The American interest in Samoa was promoted by William H. Webb, who asked Congress for a subsidy to help him operate a shipping line from San Francisco to Australia and New Zealand. Members of Congress were not interested, but the government of New Zealand was and therefore granted Webb financial aid. The Navy stressed the importance of Samoa for a naval base in defending a future isthmian canal and in safeguarding the shipping lanes.⁸

In 1889 Germany, Great Britain, and the United States, all having interests in the Samoan Island group met in Berlin. The three rival powers agreed at the Berlin Congress to recognize the independence of the government of Samoa and the right of the inhabitants to elect a king and choose the form of government they desired. In spite

⁸ Samuel Flagg Bemis, A Diplomatic History of the United States (New York, 1955), pp. 454-455.

of this phrasing, Samoa was actually under a three power protectorate, and the natives had little voice in their own government. Unfortunately, the three rival powers still fought and internal conditions were unsettled.

By 1893, Grover Cleveland, who did not favor what was happening in Samoa, recommended that the United States withdraw from the area, but Congress did not take any action. In 1898, with the Spanish-American War and the acquisition of Hawaii, Guam, and the Philippines, Americans again began to take interest in the Samoans. Realizing that the three rival powers could not promote order in the islands, the three powers decided to divide the islands. England withdrew her claim and received instead the Gilbert and Solomon Islands. The United States and Germany agreed that Germany would obtain the two largest islands, Upolu and Savaii, along with all of the other Samoan Islands west of 171 degrees west longitude. The remaining islands were taken over by the United States.⁹ In February, 1900, President McKinley placed these islands under the administration of the Department of the Navy.

⁹George H. Ryden, The Foreign Policy of the United States in Relation to Samoa (New Haven, 1933), pp. 558-572. Congress finally accepted these islands as territories in 1929.

Another area of American influence in the Pacific was the Hawaiian Islands. Named originally the Sandwich Islands by Captain James Cook, they first became important to Americans because of the trading adventures of the New Englanders who used them as way stations in their trips to China. It was through the New Englanders that the missionaries in the 1820's became interested in these islands. Through the efforts of the missionaries and merchants Hawaii eventually became Americanized.

Early relations with the Hawaiians were not regulated by treaty. In 1826 an American Navy Captain, Thomas Jones, negotiated a commercial treaty with King Liholiho. By 1842, due to pressure from numerous interest groups, President Tyler took the position that American interests in Hawaii were very important, and the following year the United States stationed a commissioner there. However, the Hawaiians refused to deal with the first commissioner, George Brown, and in 1845 he was recalled.¹⁰ Brown was replaced by Anthony Ten Eyck, who in turn was succeeded by Charles Eames. The latter was to negotiate a "Treaty

¹⁰ Sylvester K. Stevens, American Expansion in Hawaii, 1842-1898 (Harrisburg, 1945), pp. 12-13.

of Commerce and Navigation." This treaty, signed in 1849, provided for "reciprocal liberty of commerce and navigation," non-discriminatory tariffs, and special privileges for American whaling ships and United States citizens living in Hawaii.

The United States Secretary of State Marcy in 1855 proclaimed that if the government in Hawaii "should become so far enfeebled that it cannot be continued, and the sovereignty of the islands must be transferred to another power," then the United States would, if the Hawaiian government desired to be united with America, take steps accordingly.¹¹

After the Civil War some American statesmen favored the annexation of Hawaii. In 1867 William H. Seward stated "a lawful and peaceful annexation of the islands to the United States, with the consent of the people of the Sandwich Islands, is deemed desirable by this government."¹² Early in the 1870's the American minister in

¹¹Papers Relating to the Foreign Relations of the United States, Appendix II (Washington, 1895), p. 133.

¹²Ibid., p. 143.

Honolulu, Henry A. Pierce, revived the annexation issue in the State Department with a dispatch to Secretary of State, Hamilton Fish. This dispatch pointed out that "annexation of these islands to the United States and a reciprocity treaty between the two countries are the two important topics of conversation. . . ." ¹³ Fish favored the idea of annexing the islands because their position would command a resting spot in the Pacific, between the American coast and the vast domains of Asia. Furthermore, during the 1880's, Secretary of State Blaine stated that America had a "legitimately dominant influence in the North Pacific" and that the islands were the focal point for "the maritime domination of the Pacific states," therefore it was necessary to make them a "member of the American system of states." ¹⁴

Americans living in Hawaii, in 1893, set up a provisional government, headed by Judge Sanford B. Dole. However, it was not until July 7, 1898, that President McKinley was able to sign a resolution for annexing the

¹³ Ibid., p. 143.

¹⁴ Papers Relating to the Foreign Relations of the United States with the Annual Message of the President (Washington, 1882), pp. 635-639.

Hawaiian Islands. On August 12, 1898, these islands formally became a United States possession.

The Spanish American War of 1898, led the United States to extend its influence further in the Pacific. President McKinley moved slowly toward war against the Spanish. American governmental pressure failed to persuade the Spanish government to aid the people in Cuba. Added to the pressure by the press and public opinion to settle the question of Cuba, was the pressure exerted by prominent leaders of great influence who had their eyes on the Pacific. These advocates of war included Alfred T. Mahan, Theodore Roosevelt, Henry Cabot Lodge, and Senator Albert J. Beveridge. War was declared in April, 1898.

The views of the men who did the most to provoke the war were expressed by Senator Beveridge in a speech in Boston, April 27, 1898:

Fate has written our policy for us; the trade of the world must and shall be ours. And we will get it as our mother [England] has told us how. We will establish trading-posts throughout the world as distributing points for American products. We will build a navy to the measure of our greatness. Great colonies governing themselves, flying our flag and trading with us, will grow about our posts of trade. Our institutions will follow our flag on the wings of commerce. And American law, American order,

American civilization, and the American flag will plant themselves on shores hitherto bloody and benighted but by those agencies of God henceforth to be made beautiful and bright.

In order to bring about America's destiny this way, he stated, "The Philippines are logically our first target."¹⁵

The Spanish were defeated in less than five months and accepted the terms of the protocol offered by America. The terms included that Spain would give up her sovereignty over Cuba and evacuate the island, the same was to apply to Puerto Rico and other islands held by Spain in the West Indies, and the United States would hold Manila "pending the conclusion of a treaty of peace which shall determine the control, disposition, and government of the Philippines."¹⁶ The treaty was finally approved by only two votes (a two-thirds majority was needed; voting, 57-27).

¹⁵ Claude G. Bowers, Beveridge and the Progressive Era (New York, 1932), pp. 69-70.

¹⁶ Papers Relating to the Foreign Relations of the United States with the Annual Message of the President (Washington, 1901), pp. 820-821.

In this way the United States had acquired the Philippine Islands in the Pacific. America's victory over the Spanish made her an active participant in "world politics, naval rivalry, and imperial dominion."¹⁷

Through the acquisition of the Philippine Islands American business and commercial interests felt that they could promote their interests and obtain a share of the trade in China.

Who led Americans toward a more active role in world affairs? The advocates of the "large policy" were mainly responsible. These men believed in the supremacy of the Anglo-Saxon race and furthermore, they advocated making the United States "the indisputably dominant power in the western hemisphere, possessed of a great navy, owning and controlling an Isthmian canal, holding naval bases . . . and contesting, on at least even terms with the greatest of powers, the naval and commercial supremacy of the Pacific Ocean and the Far East."¹⁸

¹⁷ A. W. Griswold, The Far Eastern Policy of the United States (New York, 1938), p. 4.

¹⁸ Julius W. Pratt, "The 'Large Policy' of 1898," Mississippi Valley Historical Review, XIX (September, 1932), p. 223.

The advocates of the new "manifest destiny" or "large policy" included John Fiske, Henry Cabot Lodge, Alfred T. Mahan, Theodore Roosevelt, Brooks Adams, and John Hay. Others included briefly; Senators Frye of Maine, Platt of Connecticut, Teller of Colorado, Allen of Nebraska; and Representative Hanly of Indiana. Let us take a few of these men and examine their views.

John Fiske, a Harvard-trained historian, philosopher, and popular writer, developed a political interpretation of Darwinism. Charles Darwin declared in The Descent of Man:

there is apparently much truth in the belief that the wonderful progress of the United States, as well as the character of the people, are the results of natural selection; the more energetic, restless, and courageous men from all parts of Europe having emigrated during the last ten or twelve generations to that great country and having there succeeded best.¹⁹

This philosophy which John Fiske adhered to and expanded upon contended that as in nature, there were also superior nations and there were inferior nations, and that the stronger ones were to dominate the weaker ones for the

¹⁹ Julius W. Pratt, Expansionists of 1898: The Acquisition of Hawaii and the Spanish Islands (Baltimore, 1936), p. 3-4.

benefit of progress. Fiske used his political interpretations to influence many influential Americans.

Alfred T. Mahan stressed the importance of sea power in his book, The Influence of Sea Power upon History. Through his works he argued the necessity of sea power, naval bases, and colonies for strong nations to obtain world influence and keep it. Mahan took the position that nations must expand by accumulating wealth and to obtain that wealth it was necessary to have foreign commerce with a navy to protect that trade. Furthermore, he advocated that a navy needed colonies for coaling stations. Accordingly Mahan considered that the acquisition of the Philippine Islands was necessary if America was to become a great world power. Besides promoting a policy on the Philippines, Mahan stated that the principal aims of American policy toward China should be to prevent the political control of China by one power and to insist on the Open Door for commerce, education, religion, and technological processes.²⁰

²⁰ Alfred T. Mahan, "Effects of Asiatic Conditions upon International Policies," North American Review, CLXXI (November, 1900), pp. 609-626.

During the first administration of President McKinley, Theodore Roosevelt became the Assistant Secretary of the Navy. He became impressed with the ideas presented by Mahan and therefore aided in the development of a large American navy in the late 1890's. Roosevelt, along with Lodge and Mahan also regarded the Spanish-American War as an opportunity to begin on the "large policy" for obtaining colonies in the Pacific.

In 1898 many Americans had come to the conclusion that the United States was great and would determine world history. America had acquired Hawaii and the Philippine Islands, and at the same time the government began to support certain interests in the country with regard to the potential trade in China.

America's new interests and participation in world affairs and the fear of the breakup of the Chinese Empire were conditions which led to the writing of the Open Door notes. The State Department had been advised by Ambassador John Hay in London, and Charles Denby, the Minister in Peking, that the spheres of influence threatened not only equal opportunity in commerce, but also the territorial and political integrity of China.²¹

²¹ Alfred L. P. Dennis, Adventures in American Diplomacy, 1896-1906 (New York, 1928), pp. 198, 202, 205.

The attitude of the United States in the midst of the battle for the spheres of influence had been one of refusing to recognize the exclusive privileges by any power in China.

Realizing that American interests were at stake, the American government defined its policy. On September 6, 1899, Secretary Hay, who depended upon the work of W. W. Rockhill, sent his famous Open Door notes to England, Germany, Russia, Japan, France, and Italy.²² Specifically, Hay's Open Door notes asked for equal commercial opportunity, both in commerce and navigation, within each of the spheres of influence. The foreign powers were asked to maintain certain essential conditions in which

²²A. W. Griswold, The Far Eastern Policy of the United States (New York, 1938), ch. 2. Also note A. E. Hippius's memorandum, Rockhill's memorandum, and the drafts of the final notes are included in Griswold, pp. 475-500. For an excellent account of the writing of the Open Door Policy note Paul A. Varg, Open Door Diplomats: The Life of W. W. Rockhill (Urbana, Illinois, 1952), pp. 26-36.

equal commercial opportunity might be maintained and to co-operate with America in obtaining the approval of the other powers.²³

Although no formal agreement was concluded, its acceptance by the foreign powers was considered by Secretary Hay as final. Not only was equal opportunity for the trade of all nations seemingly assured, but the integrity of China was also safeguarded, since the former could not be declared true without the latter. The Open Door notes did not guarantee China's integrity, but they did make clear that the United States was interested in that goal. Whether China's integrity could be maintained would depend upon the willingness and ability of the European nations to check each other.

²³J. V. A. MacMurray, Treaties and Agreements With or Concerning China, 1894-1919 (2 Vols.; New York, 1921), I, 221-235. Document serial: 1900/2. Each foreign power with its own sphere of influence was asked: 1. not to interfere with the treaty ports or any vested interest it has in China; 2. not to interfere with the administration of the Chinese Customs tariff on merchandise landed or shipped to the treaty ports; and 3. not to charge discriminatory railroad charges or harbor dues.

Chapter II

Treaty Arrangements and Foreign Trade

Prior to 1842 China limited foreign trade to the port of Canton and gave to the Co-hong full power to regulate it. The Chinese did not view the trade as of any importance. China, they thought, was self-sufficient, and the Chinese viewed the permission to trade as a generous concession to the barbarians of the outside world who, it was believed, desperately needed Chinese goods.

The conditions of trade were wholly unsatisfactory to the western merchants. Duties on imports were raised or lowered according to the whims of the Chinese, creating great risk. Westerners in Canton were subject to Chinese courts and laws, and both failed to meet their standards of justice. Residence in Canton was not permitted throughout the year. Therefore, the trading ships had to be entered and cleared at definite seasons. These ships always tried to come to Canton before the end of the southeast monsoon (October), and tried to leave that port about March. Whatever inconveniences or obstacles set up at Canton, the merchants had to accept, for China had refused to establish regular diplomatic relations.

Consequently there was no way to appeal to the government at Peking. Equally serious in the eyes of the merchants was the fact that they could never expand the trade significantly unless they could enter other Chinese ports.

These conditions led to the Opium War between Great Britain and China in 1839. Treaty ports or ports open to direct foreign commerce with the rest of the world were the result of the war between the two countries. The peace treaty between China and England in August, 1842, stipulated that British subjects should be permitted to reside at the ports of Canton, Amoy, Shanghai, Ningpo, and Foochow; Hongkong was ceded to Great Britain; and British consuls were appointed who became answerable to the Chinese government for dues and charges payable by the English subjects.

In 1844, Caleb Cushing, of the United States, arrived in China with a letter from President Tyler asking for a treaty of friendship and commerce. The treaty Cushing negotiated gave to American citizens the same privileges of residence and trade at the five treaty ports that had been granted to the British. A few months later a similar treaty with France was signed.

One of the arrangements forced upon China was that of extraterritoriality. The extraterritorial rights were first placed on a definite basis in the Treaty of Wanghai, signed in 1844 between China and the United States; and by the operation of the "most-favored-nation" clause, citizens in all signatory powers enjoyed the same privileges. Citizens of all treaty powers lived in China under the special protection of extraterritoriality and they were subject, if accused of a crime, to trial and punishment only by the consuls or other public officials of their respective countries and under their own laws.¹

The second institutional settlement which affected the Chinese economy was the treaty tariff. Prior to 1842, China benefited from the right of fixing her own customs duties; a national right in the sovereignty of any state. But in 1843, after China was defeated in the Opium War with England, the Chinese Empire was deprived of that right and a rate of five percent by value was imposed on all imports.

¹For a summarized explanation of the extraterritorial provisions found in the treaties between the United States and China note W. W. Willoughby, Foreign Rights and Interests in China (Baltimore, 1920), pp. 20-24.

In 1857, prices began to decrease and the customs duty collected appeared to be too much. A downward revision of specific rates ~~was~~ asked by the foreign treaty powers and this was effected in 1858. After more than forty years, again in 1902, another revision was made with a view to raising sufficient revenue to meet the newly imposed obligations of the Boxer indemnities.² After years of drawn out negotiations, and because of China's participation in World War I, a third revision in 1918 was effected.³

In addition to the preferential treatment of a low duty on goods, upon payment of a 2.5 percent transit duty these goods could be shipped anywhere in the interior of China. However an imposition was placed upon both Chinese native goods and foreign goods with the payment of countless likin charges on land and river routes, each of which hindered the free flow of goods. The amount collected within a single province in the Empire might not exceed ten percent, but when such goods were transported through numerous Chinese provinces the charge

²China was to pay an indemnity of \$333,000,000 according to the Boxer Protocol; an amount far in excess of justifiable claims.

³Tariff autonomy was restored in 1929.

often totaled fifteen to twenty-five percent. Since the likin was a hindrance to the transport of goods within China, the cotton mills in China could more easily afford to obtain their raw materials from the United States or India.

As for the land frontier trade, the neighboring states of China were given preferential treatment with still lower import duties. From 1881 to 1913, no duties were levied within thirty-three miles of the frontiers between Russia and China. Later, all goods transported to China by way of the Chinese Eastern Railroad in Manchuria received a reduction of one-third of the import duty. Also, all foreign goods which entered Southwest China from Burma or French Indo-China enjoyed a three-tenths reduction from the regular tariff.⁴

China had good reason for objecting to the treaty tariff system. For example, the method of taxing all goods alike at five percent ad valorem did not differentiate between luxuries and necessities, consumers goods and capital goods, and manufactured products and

⁴W. W. Willoughby, Foreign Rights and Interests in China (Baltimore, 1920), pp. 148-150.

raw materials. The treaty tariff likewise prevented China from establishing a protective tariff for aiding or developing industries. More serious was the fact that the treaty tariff prevented China from raising the revenue required. Being non-reciprocal and unilateral, the tariff restrictions also prevented the Chinese Empire from bargaining with other powers so as to secure advantages for her own exports abroad.

The five ports opened by the Treaty of Nanking remained for almost twenty years the only gateways for foreign citizens and foreign commerce with China. These were all located on the coast of China. Shanghai, near the entrance of the Yangtze River, was the commercial metropolis of China. At the mouth of the West River (Si Kiang), the next important navigable river in China, was Canton, the commercial center for Southern China. The three other ports were Ningpo, south of Hangchow Bay, Foochow, situated on the Min River, and Amoy, opposite Formosa, were all situated between Shanghai and Hongkong and were easily accessible. No treaty port at that time was permitted or established within several miles of the capital. It was not until 1860 that the number of treaty ports was increased and then only by the addition

of one, Swatow, at the mouth of the Han River and also a long distance from Peking.

The new treaties of 1860 opened six new treaty ports. One of these, Tientsin, at the junction of the Pei River and the Grand Canal, was the most important commercial city of North China and it was within eighty miles of the capital, Peking. Some of the ports opened at this time were in the interior. Chinkiang, on the Yangtze, was not of great importance commercially; Kiukiang, also on the Yangtze, was about 450 miles from Shanghai; and Hankow ("Chicago of China") at the junction of the Han and Yangtze Rivers, the most important, was approximately 585 miles from the East China Sea. Chefoo was near the entrance to the Gulf of Pohai (formerly known as the Gulf of Chihli) on the northern portion of the Shantung Peninsula. Newchwang was on the northern side of the Gulf of Pohai in southern Manchuria and thirty miles up the Liao River. Prior to the opening of Darien, the latter port was considered the leading port of Manchuria. Thus three new treaty ports--Chefoo, Tientsin, and Newchwang--became the gateways leading to Peking.

In June, 1871, Lappa, near Macao, was opened and essentially served as a Chinese Maritime Customs station.

In 1876, Kiungchow, on the island of Hainan, became a treaty port, and in 1877 five additional ports were opened, Ichang, Kowloon, Pakhoi, Wenchow, and Wuhu by treaty with Great Britain. Two of these, Ichang and Wuhu were situated on the Yangtze within the interior of the Chinese Empire; Wenchow was located on the coast of China; Kowloon was across from Hongkong; and Pakhoi was in the extreme south upon the Gulf of Tongking.

As a result of the French Treaty of Tientsin, in the summer of 1889, Lungchow and Mengtze, in the extreme southern portion of China and distant from the coast, but near the border of French Indo-China, were opened as treaty ports. In 1891, Chungking, the principal city of Szechwan, the largest and most populous province within the Chinese Empire, lying 1,400 miles from the coast and on the Yangtze, was added to the list of ports opened for trade. In 1896, by the Treaty of Shimonoseki, signed in 1895, Hangchow, southwest of Shanghai and the southern terminus of the Grand Canal; Soochow, fifty-four miles west of Shanghai; Shasi, on the Yangtze in the interior; and in 1897, Samshui, Szemao, and Wuchow, in the southern portion of the Empire became trading centers; and in 1899,

Nanking, on the Yangtze in central China, were opened as treaty ports at the solicitation of the French government.

An Imperial Decree in 1898, opened the ports of Yochow, far in the interior on the Yangtze; Santuao, a coastal port north of Foochow with a fine natural harbor; and Chinwangtao, on the Gulf of Pohai. Tsingtau, situated near the entrance of Kiaochow Bay in North China and possessing an excellent harbor for the biggest vessels was opened for trade in 1899.

Between 1900 and 1914, Great Britain caused China to open the ports of Tengyueh, far in the southwestern Chinese interior; Kongmoon, southwest of Canton; and Nanning, located on the West River and the chief trading center for up-river and overland traffic with the province of Yunnan. In 1904, a treaty with Japan opened Changsha, the capital of Hunan Province. In 1907-1908, Darien, Tatungkow, and Suifenhoo, in Manchuria were opened by the Japanese. Approximately twenty-five miles up the Yalu River, Antung, in 1907, was opened by the United States. After the Russo-Japanese War and the treaty of 1905, Manchouli, Aigun, Harbin, Sansing, Hunchun, and

Lungchingsun, in Manchuria were opened for commercial relations with other foreign powers.⁵

The treaty ports are not located exclusively on the extensive coast line. Indeed more than one-half of the cities which were opened to foreign commerce under treaty regulations or by imperial decree are located in the interior, some of them hundreds of miles from the coast. Less than half of the cities classed as treaty ports are upon or immediately adjacent to the coast, and while most of the remainder are located upon navigable streams in the interior, some are not even accessible by waterways or land transportation systems.⁶

Among the many events prior to 1900 that attracted attention toward China was the leasing to foreign nations^{of} important strategic "concessions" on the coast of

⁵It is worth noting that the dates above mentioned and those given according to the treaties show slight discrepancies; this is due to the fact that the actual opening of the treaty ports was in many cases delayed beyond the time named in the agreements.

⁶Besides the numerous treaty ports, there were other places declared opened for foreign trade in various ports throughout China and in the frontier provinces of Mongolia and Tibet. Julean Arnold, Commercial Handbook of China (Washington, 1920), II, 131.

the Chinese Empire.⁷ The Portuguese, since 1534, had controlled the island of Macao and occupation was confirmed by treaty in 1887; and the English, by the Treaty of Nanking in 1842, had become the owners of the island of Hongkong, but no other nation had any possessions on or near the coast of China until the 1890's.

One result of the Sino-Japanese War was that Japan obtained the island of Formosa ninety miles off the coast of China.⁸ By this treaty Japan was also to have certain territory on the Liaotung Peninsula which would have commanded the entrance toward the Chinese capital, but due to the protests of France, Germany, and Russia this aim of the Japanese was abandoned.

On November 4, 1897, the German government seized the port of Kiaochow, in Shantung, asserting as the cause of

⁷From 1893 to 1914 this meant that foreigners could reside in these areas, but the sovereignty remained with the Chinese government. W. W. Willoughby, Foreign Rights and Interests in China (Baltimore, 1920), pp. 208-213.

⁸J. V. A. MacMurray, Treaties and Agreements With or Concerning China; 1894-1919 (2 Vols.: New York, 1921), I, 18-25. Document serial: 1895/3. Hereafter cited as MacMurray, Treaties.

Table 1: Opening of the Treaty Ports: Period and Location

Location	1842- 1860	1860- 1880	1881- 1899	1900- 1913	Total
Central and South China seaports	Shanghai Canton Ningpo Foochow Amoy	Swatow Lappa Kiungchow Kowloon Pakhoi Wenchow	Hangchow Samshui Wuchow Santuaio	Kongmoon	16
Yangtze River ports		Chinkiang Kiukiang Hankow Ichang Wuhu	Chungking Soochow Shasi Nanking Yochow	Changsha	11
Southwest China ports			Lungchow Mengtze Szemao	Tengyueh Nanning	5
North China ports		Tientsin Chefoo	Tsingtau	Chinwang-tao	4
Manchurian ports		Newchwang		Darien Tatungkow Suifenho Antung Manchouli Aigun Harbin Sansing Hunchun Lung-chingtsun	11

its action the desire to obtain satisfaction for the murder of two German missionaries by a band of Chinese robbers. Kiaochow was held by a German warship until the announcement of the convention of March 6, 1898, whereby the port of Kiaochow and the adjacent territory were leased to Germany for ninety-nine years, the German government being given the right to land troops, construct fortifications, establish a coaling and naval station, while German citizens had the right to build railroads, open mines, and transact business in the rich mineral and agricultural province of Shantung.⁹

Chinese vessels, however, were to have the same privileges in the port of Kiaochow that the German government might decide to give other nations.

Three weeks later, in December, 1897, the Russian government obtained permission for its naval squadron to spend the winter at Port Arthur, in Southern Manchuria on the Liaotung Peninsula, which it had with Germany and France, in 1895, required the Japanese to abandon. On March 27, 1898, an agreement was signed by the Chinese government whereby Port Arthur and the

⁹MacMurray, Treaties, I, 112-116. Document serial: 1898/4.

adjacent port of Talienwan (Dalny) were leased for a period of twenty-five years to the Russian government, the lease to be subsequently extended by mutual agreement. This lease included approximately eight hundred square miles of territory and all harbors between Port Arthur and Dalny, the harbor of Port Arthur and a part of Dalny to be for the sole use of Russian and Chinese vessels, Russia was also to have the privilege of extending the trans-Siberian railroad line through Manchuria to Port Arthur and Dalny and to protect it, during and after its construction, by Russian troops.¹⁰ The treaty of lease in March, 1898, was supplemented by an agreement of May 7, 1898, which established the limit of the area transferred to Russia.¹¹

A demand for similiar privileges by the French government came on May 27, 1898, whereby the Chinese government would lease to France the harbor of Kwang-chouwan on the southern Chinese coast. This lease also

¹⁰MacMurray, Treaties, I, 119-122. Document serial: 1898/5.

¹¹MacMurray, Treaties, I, 127-128. Document serial: 1898/9. This lease was transferred to Japan after the Russo-Japanese War and extended by China to ninety-nine years.

gave the privilege of connecting the French territory of Tongking with the Chinese province of Yunnan by extending the Annam railway; the harbor of Kwangchowwan could be used as a naval station; the lease was for ninety-nine years; and also the exclusive right for mining rights in the area to be traversed by the proposed railroads.¹²

On June 9, 1898, a lease was made by Great Britain for an area of approximately two hundred square miles on the mainland opposite its island of Hongkong, and surrounding the Chinese city of Kowloon; including the waters of Mirs Bay and Deep Bay. This territory was to remain under Chinese jurisdiction; the lease to continue for a term of ninety-nine years.¹³

Action whereby the northern side of the entrance to the Gulf of Pohai, leading to Peking, was placed under the control of Russia, being unsatisfactory to the English government, resulted in the leasing of the harbor of Weihaiwei "for so long a period as Port Arthur shall remain in the occupation of Russia" on July 1, 1898.¹⁴

¹²MacMurray, Treaties, I,128-30. Document serial: 1898/10.

¹³MacMurray, Treaties, I,130-131. Document serial: 1898/11.

¹⁴MacMurray, Treaties, I,152-153. Document serial: 1898/14.

The lease was to be on the same terms as that by which Port Arthur was granted to Russia and to continue as long as Russia should occupy the Liaotung Peninsula.

These concessions to Germany, Russia, France, and Great Britain, which followed each other so rapidly in 1897 and 1898, were followed on February 28, 1899, by a demand by the Italian government for similar privileges at Sanmen Bay; China refused to grant a lease and all Italy received was a mining concession in northern Cheiang Province.

The treaties of 1898 all included the provision that China would not "alienate to a third power by cession, sale, mortgage, or otherwise, certain territories in which by implication the treaty power has been held to possess thereafter special or exclusive rights."¹⁵ It was this provision that constituted what was known as a sphere of influence. The treaties also provided that the foreign power would receive preferential treatment or rights concerning railroads, mines, public works, and loans.

¹⁵ Julean Arnold, Commercial Handbook of China (Washington, 1920), II 224.

The French sphere of influence lying in the southern portion of China consisted in part of Kwangsi, Kwangtung, and Yunnan Provinces. Preferential treatment was given to France by China in 1895, 1897, and in 1898 by treaty and declaration. This included transit of goods, railroad construction, and the island of Hainan.¹⁶

Great Britain's sphere of influence obtained from the Chinese government was in the Yangtze Valley region.¹⁷ To keep the balance of spheres in China, Great Britain concluded with Russia and Germany an understanding for the respective areas in question. By treaty with Russia (Anglo-Russian Agreement of April 28, 1899), Russia guaranteed to restrict activity in the Yangtze Valley and Great Britain promised not to interfere with Russia's sphere north of the Great Wall of China.¹⁸

¹⁶ MacMurray, Treaties, I, 128-32. Document Serial: 1895/5; I, 123-124. Document serial: 1898/6; I, 98. Document serial: 1897/2.

¹⁷ MacMurray, Treaties, I, 104-105. Document serial: 1898/1.

¹⁸ Scott-Mouravieff Agreement. MacMurray, Treaties, I, 204-205. Document serial: 1899/3.

England and Germany reached an understanding concerning the British lease of Weihaiwei in the German leased territory in the province of Shantung.¹⁹

Russia's sphere rested in the northeastern portion of Eastern China, particularly, Manchuria. As a result of the Li Hung Chang-Lobanoff Treaty of Alliance of 1896, Russia and China would support each other in case of aggression by Japan, and Russia was entitled to extend the trans-Siberian railway across Manchuria to Vladivostock.²⁰ After the Boxer Revolt Russia occupied Manchuria, and it appeared that she was intent on adding the area to her Far Eastern maritime provinces. But in 1902, Russia and China agreed to the re-establishment of Chinese authority in Manchuria; including the evacuation of Russian troops from the area.²¹

¹⁹MacMurray, Treaties, I, 152-153. Document serial: 1898/14; I, 263. Document serial: 1900/5.

²⁰MacMurray, Treaties, I, 81. Document serial:1896/5.

²¹MacMurray, Treaties, I, 326-329. Document serial: 1902/3.

Russia, failing to carry out the agreement by withdrawing her troops, and pressing new demands on China, aggravated Japan to the point of war.²²

The Treaty of Portsmouth which followed the Russo-Japanese War was concluded on September 5, 1905; by this treaty Russian rights, including the Southern Manchurian Railroad, were transferred to Japan. After 1905, Russia's sphere of influence was restricted to the northern portion of Manchuria, and Japan consolidated her hold in Southern Manchuria.

Other minor institutional arrangements included the right of inland navigation and the collection of revenue at treaty ports. The right of inland navigation is generally reserved to nationals of the country and is granted to foreigners only under strict restrictions. The treaties of 1858 opened the main inland waterways to all vessels under foreign flags; foreign warships could also have transit on inland waterways.²³ Foreign

²²Papers Relating to the Foreign Relations of the United States with the Annual Message of the President, 1903 (Washington, 1904), pp. 53-54.

²³W. W. Willoughby, Foreign Rights and Interests in China (Baltimore, 1920), pp. 161-167.

participation in the river traffic undoubtedly assisted the movement of foreign goods, but at the same time it hindered the Chinese shipping business which relied on the junks.

Tariff duties and customs procedures were administered by the Inspectorate General of Customs and its local officers. This institution was created by the Imperial Government in 1853 when the customs house was closed by the Taiping Rebels in Shanghai. As a result, a board of three foreign inspectors ~~was~~ nominated by local Chinese officials to collect the customs revenue. In 1863, an Englishman, Sir Robert Hart, was appointed as the Inspector-General of Customs and he held this post until his death in 1911. All customs on foreign goods were brought under the control of alien staffs to collect the duties and to handle matters which concerned the local foreign trade.²⁴ After 1901, by treaty provision, all customs receipts which constituted the majority of the government's revenue, were put under the exclusive charge of the Inspectorate-General of the Customs. Due

²⁴W. W. Willoughby, Foreign Rights and Interests in China (Baltimore, 1920), p. 137.

to the Revolution of 1911, the customs receipts were deposited in the foreign banks and by 1914, under agreement with the new government, the receipts from the customs were deposited in one of the branches of the Bank of China.

The western merchants desiring to export goods to China were concerned with the conditions of trade in China prior to 1842. However, after 1842, certain legal arrangements were forced upon the Chinese Empire in numerous treaties. These included extraterritorial rights, a treaty tariff, treaty ports, and leased territorial concessions and spheres of influence. The fact that the concessions in the treaties were not voluntarily made, but rather under compulsion helps to explain why the Chinese did not like to accept the provisions.

Trade during the 1890's fluctuated erratically, but it increased considerably by 1900, and further increased by 1914. At the same time Germany, France, Russia, England, and Japan were obtaining spheres of influence. The American consuls in China thought that these spheres of influence would be harmful to the American-Chinese trade. Furthermore, the consuls concluded that the United States would not be able to extend its influence

within the areas granted to the foreign powers. However, within these areas, as will be shown, trade increased between 1893 and 1914.

Chapter III

American-Chinese Trade

There is much evidence of Europe's early outreach to the Far East, but little is known or has been written about the commerce between the United States and the Chinese Empire. During the period, 1893 to 1914, trade between the two countries expanded moderately. In terms of dollar values, the exports of the United States to China (including Hongkong and leased territories) in 1893 amounted to \$9,114,988; in 1900, \$20,624,705; as against \$30,537,906 in 1914; or an increase of over \$21,000,000 within twenty-one years. What types of goods were exported and imported between the two countries? What was the percentage distribution of United States trade and shipping in comparison with the other foreign countries in China's total trade? Was this trade one of consistent increase or was it characterized by erratic moves both upwards and downwards? What brought about the sharp increases and decreases? And how did the marking out of the spheres of influence held by the foreign powers within the Chinese Empire influence the American-Chinese trade between 1893 and 1914?

The description of the American-Chinese exchange of goods will concern, first, a number of the leading exports to China from America, and second, a number of representative import commodities from China to the United States. In order to gauge the progress of the American-Chinese trade in imports and exports, the figures for 1894, 1904, and 1913, which was the last normal year before the War, shall be used. In 1894, American exports to China and Hongkong were valued at \$9,011,833; in 1904, \$39,581,728; and in 1913, \$37,929,792.

Cotton goods: The chief item in American exports from 1893 to 1914 was cotton goods. China was the largest market in the world for cotton yarn and the second biggest for cotton piece goods. In 1893 cotton manufactures were exported to the value of \$2,582,531; or 27.5 percent of the total exports from the United States to China; in 1904, \$14,107,066 or 35.6 percent; and in 1913, \$8,280,416 or 21.8 percent. It is interesting to note at least 90 percent of all cotton piece goods (plain: gray and white shirtings, sheetings, drills, jeans and T-Cloths, and fancy cottons) imported into China came from England, Japan and the United States. Previous to the war the British share of cotton imports held fairly

steady; and that while Japan's quota increased that of the United States from 1905 to 1913 showed a serious falling off.

Kerosene Oil: In 1894 the United States exported to China \$1, 955,272 worth of kerosene oil. Up to 1889 American oil dominated the market, and in that year Russian oil entered the field, followed in 1894 by Sumatran oil, and in 1901, by varieties of Borneo oil; and last, in 1910, by a cheaper and inferior Japanese oil. By 1904 American kerosene oil exported to China was \$9,750,823; or 24.6 percent; and in 1913, \$7,169,523, or 18.8 percent. The quantities taken in 1907 and 1913 were divided among the countries of origin as follows: 1907, American, 95,565,409 gallons; Sumatran, 39,116,281 gallons; Borneo, 25,923,215 gallons; and Russian 679,450 gallons; and in 1913, American 112,459,925 gallons; Sumatran, 41,915,648 gallons; Borneo, 23,603,943 gallons; Russian 5,970,271 gallons; and Japanese 34,265 gallons.¹

¹After the war American, Sumatran, Borneo, and Russian kerosene oil exported declined considerably, while Japanese exports of this product increased over 5,000,000 gallons.

Tobacco: The Chinese had been tobacco producers for a long time and generally only home-grown tobacco was used. As a result, in 1894 only \$17,825 was exported to China, but as cigarettes became better known to the Chinese trade from the United States **grew to** \$1,393,892, and in 1913, increased to \$3,515,888.

Wheat flour: Flour, which was unknown in the early years, amounted to \$65,240 in 1894; \$5,064,196 in 1904; and in 1913, increased to \$6,306,939 of the total American exports.

Timber: Hard and soft timber **accounted** for \$64,042 in 1894; as against \$330,254 in 1904; and \$1,065,922 in 1913, when this product came from mainly America and Japan.

Meat and dairy products: Food products, including fishery goods were always in demand in China. American exports in 1894, accounted for \$20,372, and by 1904 the demand for goods rose 13 percent or to \$149,882.

The value for this merchandise in 1913 amounted to \$145,409.

Iron and steel manufactures: The export trade of machines and machinery from the United States to China in 1894 was valued at \$149,526; and in 1904, \$223,046; and in 1913, \$139,066. Why then in such an undeveloped country

did American exports in this field in 1913 fall below those of 1894? Electrical materials and fittings, railway materials, and motor vehicles (locomotives, railway carriages and cars) entered China in greater quantities year after year. During the last years of the nineteenth century, when exports of American machinery first became significant, China was backward technically, and in obtaining, setting up, and operating this equipment she had to lean heavily on the experience of the Westerners. Furthermore, Chinese firms interested in obtaining equipment often lacked the resources necessary for the initial investment, and as a result, they relied upon the Americans to furnish long-term credit. Consequently, United States exports decreased when credit was refused and American merchants retained much of the machinery exports in their own hands even when the Chinese merchants had taken over many of their functions in the consumer goods trade.

The import trade of Chinese goods into the United States may be classified under three general headings, namely, tea, silk and wool and hair of animals.

Tea: There are two principal kinds of tea (leaf tea and brick tea) which are distributed in China.

China exported to America in 1894, \$8,111,800 of tea; in 1904, \$6,161,530; and this trade further decreased to \$2,690,297, in 1913. A striking feature of this trade was that in America and Europe, which were the markets for teas of finer quality, the demand for the Chinese tea steadily decreased, but increasing quantities of brick tea were exported to Russia and Siberia at the same time. The decline in the Chinese trade of tea was brought about by the intense competition of Ceylon and India, which gradually became more important in the principal tea markets.

Silk: Silk alone constituted a much larger share than any other single product exported to the United States from China; tea which had been in the lead, was by 1913 far behind. In 1894 silk accounted for \$5,317,891 to America; in 1904, \$10,219,219; and by 1913 had multiplied three times or \$15,523,856. However, by 1905, the rate of progress of the Chinese silk trade became slower than was experienced by the other silk producing countries. This slow progress may be attributed mainly to the absence of scientific methods of cultivation and preparation, which was used by Japan and Italy.

Wool and hair of animals: Wool and hair exports, which were insignificant in the early trade reached \$1,342,985, in 1894; and advanced to \$2,531,859 in 1904. In 1913 the trade further increased to \$5,085,631. By far the greatest part of the export consisted of sheep's wool; the remainder was made up of camels' hair and a small quantity of goats' hair. The total export of this product was mostly taken by the United States and to a lesser extent by Japan.

Like the export of above goods, the trade of other goods was capable of great expansion. Types of products of interest to Americans could also have included mineral products, animal products, i.e., bristles, dog-skins, human hair, vegetable products, and miscellaneous articles, such as, artificial flowers, dyes, fireworks, hats, mats, rugs, and strawbraid.²

It must not be forgotten, however, that just as in the case of exports from China, there were still many lines in the export trade of America to China which were undeveloped and offered great opportunities to the far-sighted merchant.

² Julean Arnold, Commercial Handbook of China (Washington, 1920), II, 261-305.

The percentage proportions of China's foreign trade (both imports and exports) among the various nations in this period is approximately shown in Table 2.

The trade of the United States to China in 1896 was 6.7 percent of the total; in 1906, 10.5 percent and in the years 1907-1913 averaged 8.6 percent. How does this compare with the other countries who also had interests in the markets of the Chinese Empire? The British Empire dominated China's trade, especially her imports, but after 1893 her trade was challenged by other powers. In 1896 England's share of the trade was vastly superior with almost 70 percent, but during the years 1906 until 1913, when competition from the other powers increased the annual average enjoyed by Britain was approximately only 51.5 percent of the total trade of China. Japan's trade with China after the Sino-Japanese War grew, and this trade increased further after she obtained most of Russia's privileges in Manchuria after the Russo-Japanese Treaty of 1905 in Portsmouth. This is seen in the statistics; in 1896 the Japanese share was 8.4 percent which increased to 14.2 percent in 1906, and averaged 16.5 percent between 1907 and 1913. In comparison the United States trade between 1907 and 1913

was only slightly over half of Japan's. Trade between Russia and China accounted for 5.0 percent in 1896, but following the Russo-Japanese War decreased to 2.9 percent in 1906, and averaged 6.4 percent from 1907 to 1913. Germany and France each had a share of less than 5 percent in the total of China's trade in 1906; and from 1907 to 1913 France averaged 5.8 percent, Germany 3.7 percent of the trade. Such was the situation before World War I. In 1913 the British Empire controlled 48.2 percent of the total trade; Japan's share was 19.7 percent and that of the United States was 7.6 percent. Great Britain and her Empire have always been far in the lead, with Japan after her, while the United States was satisfied with a poor third.³

An analysis of the growth of American shipping in comparison with other foreign powers is another index of the general commercial conditions. It must be realized, however, that in addition to the overseas trade, China had a large coastal trade which mainly was carried on by foreign vessels.

³In 1917, the British lead dropped to 40.8 percent, while the Japanese trade increased to 34.4 percent and the American share increased to 15.7 percent, or more than doubled the percentage in 1913.

Table 2. Percentage Proportions of China's Total Foreign Trade by Countries

Country	1896	1906	1909	1911	1915
British Empire (including Hongkong)	68.8	55.3	52.2	48.5	48.2
Japan	8.4	14.2	15.3	17.1	19.7
United States	6.7	10.5	8.8	8.7	7.6
Russia	5.0	2.9	7.3	7.9	6.7
France	-	4.5	6.4	5.4	5.3
Germany	-	3.5	3.0	4.2	4.5
Other countries ^a	11.1	9.1	7.0	8.2	8.0

^aBelgium, Netherlands, Portugal, Italy, and others.

With the establishment of the Chinese Maritime Customs the tonnage increased considerably, but America's tonnage ratio in comparison was small. In 1893; 29,318,811 tons entered and cleared Chinese ports, 65.5 percent of this tonnage was employed by England, 5.1 percent German, 1.9 percent Japanese, and .2 percent American. The tonnage of vessels entering and clearing in 1897 was 33,752,362, of which British ships shared 64.8 percent; German 4.9 percent; Japanese 1.0 percent and American .7 percent. In 1907 the tonnage amounted to 80,109,424, 41.6 percent was entered and cleared in British ships, 19.5 percent Japanese; 8.3 percent German; French, 5.8 percent and American 1.3 percent. The year before World War I steamers and sailing vessels had a capacity of 93,334,830 tons, of which 40.8 percent was British, 25.1 percent Japanese, 6.8 percent German, 1.8 percent Russian, 1.3 percent French, and 1 percent American.⁴

It can be concluded that between 1893 and 1913 tonnage of steamer and sailing vessels multiplied itself more than three times, and that, like the total

⁴After the war British shipping was 38.6 percent; Japanese, 28.3 percent; Russian, 1.6 percent, and American, 1.3 percent.

volume of trade, the British always had taken the lead, with the Japanese in second place, but growing rapidly, while the other foreign countries, particularly the United States, were far behind.⁵

Trade between the United States and China during the years 1893 to 1914 is characterized by erratic moves both upwards and downwards. For example, in 1893 American exports to China were valued at \$9,114,988; in 1895 this trade amounted to \$8,164,788; and by 1900, this trade increased to \$20,624,705. The trade statistics show the same inconsistencies in the first decade of the twentieth century. In 1905, the export value of trade from the United States to China was \$67,158,244, although after that year the United States witnessed sharp declines in the trade. Such was the case in 1906 with \$36,945,842 being exported; in 1908, \$33,118,431; and in 1910, \$22,559,759. Prior to the first World War, the trade again rose to \$37,929,792 in 1913, but fell sharply by the end of 1914. The American-Chinese trade between 1893 and 1914 increased, but the commercial trade was not one

⁵ The Chinese vessels, during these years, took an increasing amount of the carrying trade, but they operated only in the Far Eastern waters.

characterized by consistent and continued increases. Instead this trade fluctuated from one extreme to another during the twenty-one years under consideration.

There were many factors which caused these deviations in the American-Chinese trade. By far the most important of these factors was the repeated disturbance of China by war and rebellion. A second factor was the economic fluctuation within China itself. Crop failures and changes in the value of silver were particularly important. The competition of other foreign countries, the decline of the American merchant marine, and also because of primary American concern with the development of the West, were factors which in the early years of the 1890's affected the American outlook toward China.

One of the factors hindering the movement of the goods was the Sino-Japanese War of 1894-95 which caused a temporary setback. The reports prepared by the Department of State claimed that "no ports were blocked, there was no harassing of the merchants, no seizing or overhauling of their ships . . . in fact, no

Table 3. Value of Exports of Merchandise from the United States into China in Dollars
During the Calendar Years 1893 to 1914

Year	China	Hongkong	British China	French China	German China	Russian China	Japanese China
1893	4,875,301	4,239,687					
1894	5,158,215	3,853,618					
1895	3,702,922	4,462,856					
1896	9,839,316	5,789,730					
1897	11,276,289	5,737,763					
1898	12,258,620	6,699,514			29,202	194,183	
1899	15,225,294	7,787,719				165,320	
1900	11,081,146	9,378,239			2,271	703,138	
1901	18,175,484	8,058,873	5,582			421,163	
1902	22,698,282	8,751,779	4,848		87	846,310	
1903	14,970,138	9,792,193	2,834	51,801		142,918	
1904	27,921,033	11,279,353	175,144	63,280		8,500	
1905	58,974,793	8,071,826	846	102,279		21,512	127,587
1906	29,934,015	6,525,460	1,293	335,975			7,139,113
1907	23,097,310	9,444,501	17,391	192,007	279,571		2,631,560
1908	21,741,455	8,177,302			568,114		205,712
1909	19,574,013	7,437,627		8,319	3,752		192,486
1910	15,832,092	5,849,470	3,492	242,129	440,090		413,441
1911	23,366,505	9,772,730		4,009	343,718		757,586
1912	19,799,556	9,730,878	1,889		481,515		1,342,827
1913	25,299,802	11,085,608	6,107	13,230	182,218		604,876
1914	20,367,701	9,258,542		306,787	3,850		

For the calendar years 1893-1901: Monthly Summary of Commerce and Finance of the United States, No. 6, Series 1901-1902 (Washington, 1902), p. 2571. For calendar years 1902-1912: Monthly Summary of Commerce and Finance of the United States, No. 6, Series 1912-1913 (Washington, 1913), p. 765. For calendar years 1913-1914: Monthly Summary of the Foreign Commerce of the United States, No. 6, Series 1914-1915 (Washington, 1915), p. 508.

Table 4. Value of Imports of Merchandise into the United States from China in Dollars During the Calendar Years 1893 to 1914

Year	China	Hongkong	British China	French China	German China	Russian China	Japanese China
1893	18,364,089	882,504					
1894	19,837,375	833,885					
1895	21,842,860	1,393,920					
1896	17,707,317	794,136					
1897	23,087,740	929,054					
1898	17,388,462	992,714					
1899	24,196,476	2,399,943	4,760				
1900	22,940,397	1,296,771	81				
1901	18,125,836	1,299,722	822			1,117	
1902	26,102,113	2,063,196	18,451	1,101	1,655		
1903	24,985,510	1,587,641	6,717			6,494	
1904	28,952,997	1,479,811	4,841			2,143	
1905	28,113,811	1,685,063	6,600		21,187		
1906	30,774,680	2,029,611	8,509	11,264	361		2,114
1907	34,424,684	2,704,119	10,039	16,520	555,756		
1908	22,320,263	1,896,131	28,265	20	525,844		
1909	29,066,113	1,851,609	42,260	6,442	794,737		142
1910	33,109,472	2,895,575	10,959		1,293,235		107,859
1911	31,768,838	2,813,788	5,259		684,458		57,726
1912	34,147,181	3,352,505	2,542		951,314		25,189
1913	40,120,828	3,474,840	277		566,986		123,880
1914	36,313,770	2,664,136			547,025		348,144

For the calendar years 1893-1901: Monthly Summary of Commerce and Finance of the United States, No. 6, Series 1901-1902 (Washington, 1902), p. 2570. For calendar years 1902-1912: Monthly Summary of Commerce and Finance of the United States, No. 6, Series 1912-1913 (Washington, 1913), p. 764. For calendar years 1913-1914: Monthly Summary of the Foreign Commerce of the United States, No. 6, Series 1914-1915 (Washington, 1915), p. 508.

interference whatever with the ordinary course of business."⁶ The war nevertheless, created uncertainty in China that curtailed the demand for American goods.

Another incident which did not help the expansion of the Chinese market for the United States was the Boxer movement which gained strength in Northern China. By June, 1900, trade in that area had been seriously interfered with. All trade at Newchwang and Tientsin stopped and this in turn had the effect of decreased foreign intercourse throughout many of the ports.

Unlike the Sino-Japanese War and the Boxer Revolt, the Russo-Japanese War, 1904-1905, appears to have been of minor importance in the trade between America and China. However, in Manchuria where American interests were important trade rapidly declined, because Japanese aggressiveness made navigation dangerous and in turn caused high insurance rates.

From 1907 to 1910 the total value of American exports to China decreased seriously due to a number of factors. The boycott against the products of the United

⁶Consular Reports, No. 182 (Washington, 1895), XLIX, 360.

States at Hongkong and Shanghai constituted a menace to the foreign commerce between the two countries, for the distribution of American goods throughout China from that area was extremely important.⁷

Internal conditions within the Chinese Empire during these years also caused setbacks in the trade, such as, fluctuations of the currency, crop failures, and in some of the ports there were large quantities of unsold goods, which meant heavy financial burdens and strained credits. The development of native industries and in part the high price of rice further hindered the trade. According to the consuls, the price of rice was an important factor in regulating China's capacity to buy; if the price of rice was low then more money could be used to buy foreign goods. China faced an almost continual financial crisis during these years due to heavy foreign loans, the burden of payments on the Boxer indemnity, and the decline of the value of silver. By 1910 the exports

⁷The movement of American goods in Hongkong and Shanghai still continued, but their sale and transshipment was almost exclusively confined to foreigners. The boycott was launched as a protest against treatment of the Chinese in the United States and also against the exclusion of Chinese immigrants.

of the United States to China had fallen to the lowest point in the decade. This decrease in value of American exports occurred chiefly in cotton and mineral oils. The export of cotton cloths to China ~~was~~ approximately four and one-half million dollars in value in 1910 against nine million in 1909, sixteen and three-quarter million in 1906, and thirty-three and one-half million in 1905. The oil exports to China were about five million dollars in the calendar year 1910, against six million in 1909, two and three-quarter million in 1908, and six and one-half million in 1905.⁸

Lastly, World War I hindered the American-Chinese trade. Conditions during the first part of the year were fair, but following the closing of the American and European markets, proved disastrous during the latter half of 1914. Exports not only from America, but also from Europe practically stopped. Many of the articles shipped to China before the war were not paid for and banks refused to finance shipments, as a result, there was the stagnation of business. Prices began to decline, many of

⁸Daily Consular and Trade Reports, No. 114 (Washington, November 15, 1910), p. 615.

the Chinese middlemen were compelled to stop business; trade became paralyzed indefinitely. The European War quickly resulted in the full employment of western owned shipping in the Atlantic. As a result the China trade suffered. There was no competition in the carrying trade, freights increased, prices rose, and with heavy war risks, these conditions all contributed to the setbacks in American-Chinese trade.

Turning now to the regional distribution of the American-Chinese trade, how did the marking out of the spheres of influence held by the foreign powers, influence the trade? The degree of trade domination enjoyed by the major treaty powers in the different spheres of influence within the Empire was not heavily influenced by the scope of special privileges given to the foreigners in unequal treaties. The "cutting of the Chinese melon" into the various spheres of influence did not hinder the United States trade in those areas. Furthermore, the trade in these special areas was characterized by erratic fluctuations, as was the total American-Chinese commerce. Table 5 shows the percentage of exports of merchandise from the United States to the Chinese spheres of influence or leased territorial concessions.

Table 5. Percentage of Exports from the United States to the Chinese Spheres of Influence or Leased Territorial Concessions

Year	Hong-kong	British China	French China	German China	Russian China	Japanese China
1899	33.5	-		.1	.8	
1900	45.4	-		-	.8	
1901	30.0	.02		.008	2.6	
1902	27.4	.01		-	1.3	
1903	38.1	.01	.2		3.2	
1904	28.0	.4	.2		.3	
1905	12.0	.001	.1		.01	
1906	17.6	.003	.9		.05	.3
1907	23.5	.04	.4	.6		17.7
1908	24.6	-	-	1.7		7.9
1909	27.0	-	.03	.01		.8
1910	26.3	.01	1.07	1.9		.8
1911	28.8	-	.01	1.01		1.2
1912	31.6	.006	.002	1.5		2.4
1913	29.2	.01	.03	.4		3.5
1914	30.3	.01	1.04	.01		1.9

Analysis of the direction of the export trade from the United States to China is difficult due to the puzzling position of Hongkong, which was the greatest redistribution center in China. In 1899, exports credited to Hongkong were as high as 33.5 percent of the American total exports to China. This percentage decreased to 28 in 1904, to 24.6 in 1908, and had increased to 29.2 percent in 1913. However, the final destination of the American exports declared for Hongkong is not known. The statistics showed, in some cases, the destination of some of the imports, but not the country of origin of these imports re-shipped to the various spheres of influence within China. Hence the sources are not sufficiently detailed for further analysis of the Hongkong imports from America.

The trade distribution in Southern China where the British dominated the area presents a different picture from the other areas due to the commercial importance of Hongkong. England played a more important role in the commerce of Southern China than did the United States, but American commercial interests were not excluded from the area with the territorial concession of Hongkong to England. Before World War I, Hongkong handled

approximately 80 percent of the regions imports from the United States, although the actual distribution of the merchandise is not ascertainable.

In Central China or the British sphere of influence, most of the American exports were sent to Shanghai which also acted as a re-distribution center for American exports within the Empire. Although the British had created a sphere of influence the value of the American trade increased. In 1903 the amount exported to this area was valued at \$2,834; in 1910, \$3,492, and in 1913, \$6,107. In turn, the United States was foremost among the powers as a customer for the area's exports, followed respectively by Japan, England, France, and Germany. Trade was not hindered by the sphere of influence created in this area of China by the British.

The French occupied a sphere of influence in Southwest China; particularly Yunnan province. Inasmuch as the hinterland is mountainous and traveling was dangerous the French did not exploit the area to a great extent. However the value of the American exports to this French sphere of influence increased as the statistics show. In 1903 the French sphere received exports valued at \$51,801; in 1906, \$192,007; in 1910, \$242,129; and in

1914, \$306,787. These amounts are small in comparison to the total value of exports from America to the Empire, but the fact that the American commerce to the French leased territory and sphere increased from .2 percent in 1903 to 1.04 percent by 1914 shows a remarkable growth within the span of a few years where France was granted a territorial concession.

In Northern China where Germany was conceded special rights in the Shantung, Japan took full advantage of the greater share in the trade of the region. The United States stood second in the total trade exported to the region with \$29,202 or .1 percent of the total American exports in 1899; in 1907 this amount increased to \$279,571 or .6 percent; and in 1912, the American trade further increased to \$481,515 or 1.5 percent. Furthermore, Great Britain and Germany had still smaller shares. Germany did not curtail the trade between the United States and her respective sphere in the Orient, and as a result American trade in Northeastern China expanded.

Lastly, in Manchuria, where Russian interests were at stake from 1899 to 1905, American exports increased from .8 percent in 1899 to 3.2 percent in 1903 (\$194,183

to \$846,310), but with the Russo-Japanese War, the trade dwindled to .01 percent (\$8,500). The sphere which Russia had created for her own special interests had not affected the American trade; prior to the war the Russian sphere imported more goods from the United States than from any other foreign country. It also should be noted, that even with Russia's militaristic policy during the war of 1904-05, American cotton goods were being imported into the sphere in approximately the same quantity as before. In "Southern Manchuria," where Japanese interests became entrenched after the Russo-Japanese War, the majority of the trade to and from this region was dominated by Japan. American trade improved but little after 1907 in Manchuria, and the consuls reported serious decreases in the value of goods from America. However, the American trade increased within the Japanese sphere to \$1,342,827 in 1913. Again, within a sphere created by a foreign power within the Chinese Empire, American trade fluctuated and profited by the commerce between the Japanese sphere and the United States. In short, the American, and also the Japanese trade interests were predominant and were growing in Manchuria and decreased the farther south one traveled.

The spheres of influence created by the foreign powers, did not, as one might expect, hamper, or effect, the United States trade with China. The fluctuations of the trade were not the result of the spheres, but rather the result of China's weak governmental administration, the wars, and an unstable currency system, along with other factors. The commercial statistics show that even with the inconsistencies in the American-Chinese trade, in the long run, the trade increased between China and the United States. This fact also can be applied to the trade of the United States and spheres of influence and the territorial concessions granted by the Chinese government to the numerous foreign powers having interests in the Empire.

Chapter IV

Obstacles to American-Chinese Trade as seen by the Consuls

China was an empire with a vast potential market. The American businessman had only to look at a map to measure its value. Unfortunately, only slow progress was made in the development of the United States trade with China. Why? Part of the answer lies within the East Asian country itself and another segment rests with the Americans engaged in the commerce.

According to the consuls reporting from China the most serious obstacles hampering commercial relations within China included: 1. currency; 2. taxes and duties; 3. poverty of the Chinese; and 4. lack of adequate transportation facilities in much of China.

Foreign trade is vitally dependent upon stable currencies. During the period, 1893 to 1914, China was on a silver standard and the value of the currency fluctuated with the frequent changes in the market price of silver. The normal relationship between the Chinese currency (Yuan) and the United States gold dollars from 1893 to 1914 was approximately 2:1. To add to the confusion the Chinese Maritime Customs computed all

statistics in terms of the Haikwan tael. This tael was not to be confused with the other taels, such as the Shanghai, Canton, Chefoo, Foochow, Tientsin taels, which correspond to commercial transactions. Every port had two taels, the Haikwan tael (governmental) and the market tael, the values of which varied in the different ports. Generally, the Haikwan tael exceeded the commercial tael by approximately eleven percent.¹ Time and again the consuls commented on the unfavorable effect of the changed value of the tael.

In addition to the duties collected at the ports, there were other duties or internal taxes levied upon most native and foreign goods.² China's primary internal taxes included the likin, a transit tax, and a destination tax.³ As a result, foreign importers paid 1. an

¹The Haikwan tael has had the following average values in American currency: 1893, 76¢; 1895, 73¢; 1899, 72¢; 1903, 64¢; 1907, 79¢; 1911, 65¢; and 1914, 67¢.

²Commercial Relations of the United States with Foreign Countries during the Year 1896 (2 Vols., Washington, 1897), I, 796-797. Hereafter cited as Commercial Relations. Monthly Consular and Trade Reports, No. 300 (Washington, September, 1905), p. 96.

³Julean Arnold, China; A Commercial and Industrial Handbook (Washington, 1926), pp. 339-341.

import tax about five percent ad valorem, whereby the goods could be reshipped to other treaty ports without being retaxed; 2. if imports were to be shipped into the interior of China, an additional two and one-half percent duty was levied under the transit tax system; and 3. a destination tax was imposed on the goods when they reached the Chinese consumers. This was an additional tax of about two percent. These taxes were imposed in one place and neglected in another, the methods of collecting the duties were not uniform, and throughout the various provinces different names were applied to the same taxes, but in all cases the internal tax situation discouraged foreign trade. These provincial taxes were commonly collected at inland or likin stations.

Consuls likewise viewed the reluctance of the Chinese to adopt modern ways as a major hindrance to the development of trade. The unwillingness to accept the new conditions of life in the modern world and developing foreign intercourse can be seen in China's internal political situation. The Chinese Empire was administered by incompetent Manchu rulers, who were generally opposed to change, fearing that change would undermine

their position. They failed to face the many problems confronting China. China was weak and as a result in danger. According to the Consul-General at Shanghai in 1896:

The greatest obstacle to Chinese prosperity has been . . . unwillingness to change. Happily, there are signs of repentance now. There is a strong and rapidly growing party determined to arouse their countrymen from their lethargy and to secure the support of the government, if possible for the development of their country's resources, the improvement of her communications, and the application of western methods for the furtherance of her industrial progress. Such a movement deserves the sympathy of the civilized world. It would be to the great benefit of China and her people, and must therefore be beneficial also to those who have commercial dealing with her. There is reason, therefore, to hope for a steady enlargement of foreign trade in the future, and I trust that my countrymen may be prepared to take advantage of it.⁴

Political practices were eventually, and then only slightly, changed to meet the need for foreign commerce.

The consuls did not place all the blame for the slow development of the market on factors in China. Consuls were highly critical of the attitude of American businessmen. They frequently complained that American merchants were indifferent and showed no serious interest

⁴Commercial Relations (Washington, 1897), I, 789.

in developing the trade. The vast home market was the focus of the American businessman and there was less pressure on American business to put forth great effort to develop the foreign market. Merchants in the United States were content to rely upon the response of only a few Chinese dealers. The majority of the commercial enterprises had little interest in arranging for the supply of goods required for the export markets, and as a result, failed to make any effort to adjust to the peculiarities of the Chinese market. Therefore, Americans had little influence or effect in the external trade to China. In 1898 it was reported, "the value of these markets is sufficiently exemplified by the eager rivalry of the European powers in obtaining the largest possible spheres of influence. . . ."⁵ Although the United States had not obtained or acquired any portion of the Chinese Empire, it was in a position of being able to gain favorable trade concessions and extend its influence, but the lack of interest by American businessmen to develop trade relationships hindered the American-Chinese commerce.

⁵Commercial Relations (Washington, 1899), I, 130.

An important obstacle to American trade in China was undoubtedly the failure of Americans to establish a banking institution for credits and loans to the Chinese. One basic need for business transactions is a bank. In various lines of trade the Western merchant was called upon to provide extensive credit to the native dealers, in as much, as they were too poor to pay for the goods until they had sold them. The Chinese merchants, the consuls testified, should have been able to obtain credit from the foreigner for not less than ninety days; in this way he would ^{be} providing most of the Chinese businessman's working capital. Much longer credits would have been needed on capital goods and machinery. Such an extension of credit would have been good business practice, for generally the Chinese merchant was "reliable and trustworthy, [where] large transactions [were] often successfully financed with nothing stronger as a bond than his word or a book record of the facts, written and retained by the principal."⁶ The American merchant would have shared the risks with other foreign bankers, industrialists, and governmental agencies in giving credits and loans.

⁶ Commercial Relations (Washington, 1899), I, 1063.

The absence of American banks in China meant that those who bought and sold goods had to arrange their own financing. The wide differences between the rates of interest in the Western world and China, moreover, gave remunerative opportunities to those who had a foothold in China to inevitably control the commerce with respect to supplying capital.⁷ Only a few Chinese firms had direct dealings with foreign countries due to the various methods of conducting business; most of the time the Chinese dealt through a foreign bank. The European merchants, as a result, created what was lacking; for trade could not develop without an efficient organization for financing and transacting commerce. In the political and economic conditions which prevailed within the Chinese Empire, it was unavoidable that once the foreign banks had begun to participate in the Chinese trade they would extend their range of activities into other areas. In the future years the British, Germans, Russians, French, and Japanese controlled a wide diversity of financial

⁷Reported the Consul-General, T. R. Jernigan, in Shanghai: ". . . if there is one agency more than another that has strengthened British trade and influence in China . . . the Hongkong and Shanghai Bank is that one agency." Commercial Relations (Washington, 1897), I, 799.

activities and became important agencies of Western enterprise in the Orient.

The motives of the foreign banks in China were predominantly commercial and they treated and dealt with all nationalities without discrimination. Up to 1890 British banks did not have much competition, although the trade of other nations in Eastern Asia was not hindered. Later, other non-British banks were established. A few were influenced by political considerations in conducting their business, and they were sometimes used in influencing governmental policies.

One of the earliest banks was the Deutsch-Asiatische Bank, a subsidiary of a group of German banks. It was followed by the Yokohama Specie Bank (Limited), established by the Japanese which opened a branch in Shanghai in 1892. Before 1900, the Russo-Chinese Bank (Russian chartered) and the French Banque de L'Indo-China had begun business in China. Other important banking houses included the Sino-Belgian Bank (Belgium), Nederlandsche Handel Maatschappij, Chartered Bank of India, Australia,

and China; and the Bank of Taiwan (Japanese).⁸ The financing of foreign trade was primarily the chief function of the banks listed above.

England, France, Germany, and Russia had established banks in order to promote a favorable balance of trade and to protect their nationals within China, as well as to protect the Chinese merchants with whom they were doing business. Chinese merchants, however, dealing with American businessmen could not understand why the representatives of such a wealthy country as the United States had to rely upon the foreign banks for transacting business between the United States and the Chinese Empire. The loans and credits given to China prior to 1900, by the European powers were negotiated through the foreign banks and one major reason why no contracts of value went to Americans, was the absence of an American banking institution within China. This is

⁸For listings of the most important banking houses, their capital and surplus, and branches or agencies, note the Monthly Consular and Trade Reports, No. 300 (Washington, September, 1905), pp. 92-93; Julean Arnold, Commercial Handbook of China (Washington, 1920), II, 196.

evident in the numerous statements by the consuls. T. R. Jernigan, in 1896, reported:

It will be understood that Americans are placed at a disadvantage in their efforts to contract for the building of railroads and the internal development of China generally. Not only are our countrymen compelled to transact their mercantile business through foreign banks, but other contracts they may make necessarily, directly or indirectly, come under review or to the knowledge of such banks, which are naturally interested in furthering the interests of their respective nationals, the business rivals of our countrymen.⁹

Although the foreign banks extended credits to merchants buying American goods, American consuls charged that foreign owned banks promoted the interests of their own nationals. American industry was growing rapidly and as a result needed foreign markets for the goods produced. The consuls foresaw in China, through an American bank, the possibility of sound investments for available capital into the proper channels. With the increased investments foreign trade could be stimulated and thereby the influence of the United States might be increased.

Consuls testified that another great handicap to the growth of American trade was the absence of an American merchant marine. In the early years of the Chinese trade

⁹ Commercial Relations (Washington, 1897), I, 799.

the ships that carried the cargoes between China and the West were the Yankee Clippers, but by the 1890's American ships were almost wholly absent from this trade. Direct shipping between the major treaty ports and America was favored by the consuls. The lack of direct commerce did not aid in developing the overseas market. John Fowler, the representative at Chefoo, related that no American sailing vessels of any kind entered Chefoo between 1890 and 1893 or in the year 1896. The number of sailing ships (not steamers) entering in 1894 was one; in 1895, four; and in 1897 the number of vessels accounted for from the United States amounted to three. Mr. Fowler explained the situation at Chefoo:

We know that we are a great and powerful nation, but do others know it, especially the nations of the East? The old saying 'seeing is believing' is especially applicable in China. What evidence have the Chinese that America is one of the great nations of the earth? In this harbor are daily seen British, German, Russian, French, Chinese, Norwegian, Dutch, and Japanese steamers, but our flag is missing . . . I show them photographs of our inventions, of our beautiful cities; they smile, thank me, and then blandly ask 'where are your ships?' accentuating the question by looking at the harbor full of ships of all nations but mine.¹⁰

To Mr. Fowler, and according to the reports from the other consuls throughout China, it was imperative that

¹⁰ Commercial Relations (Washington, 1899), I, 990.

America establish direct shipping with the numerous treaty ports. Comparing the tonnage of steamers and sailing vessels from the various foreign countries to China, for example in 1908, shows that British tonnage was 41 percent of the whole and the Japanese aggregated 21.5 percent. American tonnage in comparison was only 1.1 percent. It is clear from these reports that during the last decade of the nineteenth century and the earlier years of the twentieth century that the American merchant marine had to be encouraged to start regular services from the United States to China.

Before this was likely to develop it would be necessary to construct the Nicaraguan Canal which would place the Atlantic side of the United States closer to China than it was. The routes from New York to Shanghai that were used include: the route by way of the Cape of Good Hope around Africa, 14,340 nautical miles, and by the Suez Canal, a trip of 12,360 nautical miles. The shipment of goods by land from the Atlantic to the Pacific was too expensive, but with the construction of a Central American canal the distance from New York to Shanghai would be approximately 10,640 nautical miles. Lower insurance rates would also be possible with such a canal, due to

the relative absence of storm areas in the route from the Pacific coast of the United States to China.¹¹

Business methods such as, making goods that appealed to Chinese tastes, sending commercial agents, exhibition halls and samples of goods, quality of products, and packaging were a constant complaint of the consuls. During those years the introduction of new types of goods into the export trade and advances in techniques could have had a powerful impact on business, but American businessmen showed a unique lack of imagination in the procedures of buying and selling goods.

Of the trade transacted in China, the consular reports show that Americans did not cater to the demands of the Chinese. The United States consuls refer continually to price lists sent to them by numerous merchants listing such articles as boots, shoes, and other goods for which there was basically no demand by the Chinese. Instead of sending price lists, it was necessary that samples of the goods be forwarded, along with prices which should also have been inclusive of cost, freight, and insurance.

¹¹Charles S. Campbell, Special Business Interests and the Open Door Policy (New Haven, 1951), p. 14.

The Chinese dealers could only appreciate American goods by seeing samples of the products, and not by obtaining price lists. Americans also failed to cater to the Chinese trade by settling disputes which arose with regard to damages in shipment and to the quality and breaches of contract. In doing business with the Chinese it was of the greatest importance for Americans to have commodities which suited the mass of 400,000,000 people who needed the mere necessities of life to survive and where no luxury merchandise, to any great extent, was in demand.

Consuls were also of the opinion that trade would benefit by the construction of exhibition buildings, commercial museums, or show rooms whereby the samples of American manufactured goods and products could be displayed. These exhibits were to be for display purposes only, without admission charges to visitors, and a staff of intelligent and educated persons were to be employed to meet the requirements of the Chinese customs. Consuls recommended that permanent expositions be established in Shanghai, Canton, Chefoo, Tientsin, Hankow, and Manchuria for the exhibit of American products. Such expositions could serve as bureaus of information and as

a place for the introduction of the representatives.

Few Chinese could speak English and the Western traders could not speak Chinese, moreover, they did not fully understand the exceedingly complex social and commercial structure of China, It was therefore, necessary for western enterprises to employ an official who understood the Chinese commercial practices and who had connections with the Chinese business houses. Through the compradore the western merchants made contacts with their Chinese customers and suppliers.¹² Charles Seymour from Canton stated, "I find that nearly all goods of foreign production consumed here are sold in Hongkong by European merchants through Chinese compradores and brokers . . . there is not one American merchant in southern China devoted to sales of American and foreign goods."¹³ Competent American salesmen in the Far Eastern

¹²In the earlier part of the nineteenth century the foreign traders of Canton were allowed to deal with the Chinese only through the Hong merchants. When this restriction was abolished in 1842, the westerners were allowed to enter into direct relationships with the Chinese; as a result, it might be expected that the Hong merchant would have disappeared. But when he left the trade arena a substitute known as the compradore came into existence.

¹³Consular Reports, No. 162 (Washington, March, 1894), XLIV, 489.

market were needed for selling and delivering American goods. According to the consul at Shanghai, advance agents would come to China with good intentions of doing business, but the majority of these agents would come only with letters of introduction to their respective consular representatives and without legal evidence that they were representatives of companies who could execute contracts.¹⁴ Therefore, when agents or salesmen would come to the Orient, it was strongly urged and recommended that these persons come with the proper credentials for conducting business.

If there was to be any significant development of the United States trade with China, the quality of goods must be consistently maintained and that the goods actually sent be equal to the sample products. The merchandise sent to China, if of a lower quality than that of the sale sample did infinite damage in China's increasing and potential market. There were complaints from the consuls that this was the case.¹⁵

¹⁴Commercial Relations (Washington, 1897), I, 800.

¹⁵A. C. Jones, consul at Chinkiang, stated, "reports have reached me from several ports in China of shipments of gray sheetings and shirtings having to be disposed at a loss, owing to inferiority." Commercial Relations (Washington, 1898), I, 998.

In many cases, what was required in China, were capable representatives to study the supply and demand of the market. American businessmen seemed rather indifferent to this. For example, in Hongkong, there was a good market for California wines and Pacific coast redwood and pine. The main obstacle to the development of a trade in California wines was that American exporters would send low grade wine to compete with high grades of French and Italian wine. There was no demand for a cheap wine. Considering the possibility for exporting lumber into China, the introduction of the best grades of wood would have constituted a more profitable trade if an American exporter had sent a shipment of this product on approval in the early years of the 1890's.¹⁶

The other side must not be ignored either. Sometimes American goods were too good for the market, too heavy for easy transport, or were not in sufficient demand, such as, certain types of cotton goods, leather articles, and labor saving machinery. It can be easily understood

¹⁶ However, from 1894 to 1913 the value of lumber exported from the United States to China increased over one million dollars.

that to the Chinese it was necessary that the quality of the goods be maintained, but that in some types of products, although not of superior quality, there was a sufficient demand for their exportation to China.

The packaging of merchandise constituted another obstacle to the American-Chinese trade. Bales of sheeting, for example, from American mills many times were too heavy for the Chinese coolies to carry. Included in the suggestions reported by the consuls for American manufactures were, "make the package smaller. Pack [produce] in boxes that do not have to be destroyed in taking out the contents. Line all cases containing merchandise affected by dampness with tin or waterproof material. Use screws, not nails, on wooden boxes, and when an order for certain goods is received fill that order; don't substitute something else."¹⁷

The trade of kerosene was extremely important since the Chinese preferred it to their own bean and peanut oil, but the United States could lose "their monopoly of this trade because the Russians [gave] more care and attention to their packing" reported the consul at Amoy.¹⁸

¹⁷ Commercial Relations (Washington, 1900), I, 823.

¹⁸ Consular Reports, No. 160 (Washington, 1894), XLIV, 222.

Special packaging of numerous goods to China was needed not only for the long distance to be undertaken in shipment, but also for the conditions within China of handling the products.¹⁹

The great commercial development of America during the nineteenth century was made possible by improvements in transport systems, Railway transportation was of special importance in the great continental land mass and with the American expansionistic experience, it was only natural that Americans concerned with the

¹⁹For export packing and shipments to China note the Monthly Consular and Trade Reports, No. 304 (Washington, 1906), pp. 3-38. Daily Consular and Trade Reports, No. 135 (Washington, June 8, 1912), pp. 993-1001. It might be noted that the Standard Oil Company of New York established in China an elaborate distributive organization which directed itself toward the goal of extending the sale of oil throughout the country. Their network of agents, under company supervision, ensured a wide distribution and the improvements in transport and storage aided in keeping the prices low even in remote areas. This company showed greater initiative and overcame many of the obstacles in the foreign intercourse within China.

developments of China's trade should also have considered the problem of developing a low price transport system into China's vast interior. The many and long water routes offered fine facilities for many areas, but there were huge parts within the Empire which could only be opened by improved methods of land transport; notably railroads.

Railroad construction in China, however, raised numerous problems. In the first place, railroad construction in China was only possible if capital was available and if experts could be provided. Secondly, the means of obtaining land needed for the lines was complicated in China by the conditions under which foreign economic activities could be conducted.

American businessmen did not have any great interest in railway construction until the turn of the century. American railway concessions were solely confined to two lines of railroads: one between Canton and British Kowloon, and the other from Canton to Hankow. The American China Development Company secured the contract for the latter in April, 1898. This railway which had received Imperial sanction and had concluded preliminary surveys, was still a project at the end of 1901.

This proposed line, approximately 720 miles long, passed through a rich agricultural section and its center connected an important iron and coal area; yet American businessmen showed no enthusiasm to invest their money for the construction of a low priced transportation system. Americans did not construct one inch of the line from Canton to Hankow, therefore, the American company sold the concession to a Belgium syndicate. American enterprise in railroad development was not well recognized by the Chinese, but in July, 1898, they did select an American, Captain Watson W. Rider, as the chief engineer of the Chinese Imperial Railway system, and during that year ordered several United States locomotives and a quantity of American rails.

American mining businesses in China encountered problems similar to those found in the development of railroads. For the undertaking of both, the land and the rights over its use had to be acquired. Also, for the success in operating a mining enterprise an effective transportation system was needed to carry the minerals to the market, and since China lacked an adequate railroad system, those who developed the mining enterprises also had to concern themselves with introducing the railroad,

On the other hand, the Chinese who desired to develop the mining industry lacked the capital and the technical experience in operating modern mines.

Mining had been conducted in China only in a primitive fashion. The consul at Chefoo reported, "the province of Shantung is one vast mineral field. Gold, silver, copper, iron, lead, coal. . . . It is expected that, with the advent of the locomotive in the near future, great activity will be shown in exploiting gold, coal, and other minerals."²⁰ In 1905, Consul-General James Ragsdale, in listing the mining concessions granted by the Chinese government to foreigners, stated that the United States claim was a gold mining enterprise in Chihli Province to two Americans, Lowry and Jameson.²¹ With its vast amount and rich mineral resources China needed foreign engineering skill and foreign machinery to make these treasures available, but America remained largely indifferent.

²⁰Consular Reports, No. 198 (Washington, March, 1897), LIII, 384.

²¹Monthly Consular and Trade Reports, No. 296 (Washington, May, 1905), p. 226. More extensive mining concessions were granted to Russia, Germany, France, England, Japan, and Italy, all having millions of dollars invested in their respective mining claims.

The obstacles to American-Chinese trade were numerous and sometimes exceedingly complex. The consuls in the Far East continually offered suggestions and even plans for increasing the commercial intercourse between the United States and China, for example:

Let all the boards of trade, chambers of commerce, export associations and manufacturers associations, subscribe an annual sum, according to the interest they have in China's trade, to establish show rooms, a paper, and a general information bureau in China. . . . With this organization in the field, we could compete for the building of all kinds of mills, mints, railroads, forts, ships, electric works, for furnishing supplies to the government, for opening mines; in fact, we would be able to compete in enterprises of which we now know nothing.²²

Unfortunately, the hints and warnings to American businessmen from the consuls throughout China went without heed or notice. The Chinese Empire, with 400,000,000 people, having the greatest potential market in the world, did not in reality develop to the fullest possible extent. In 1904, there were eleven treaty ports having more than 100,000 inhabitants each and nine ports with more than 500,000 persons each; the total population of the treaty ports was estimated at 6,500,000--all exceedingly favorable for the development of commercial trade. The United States consuls were necessary in

²² Commercial Relations (Washington, 1898), I, 993-994.

every port, but mainly American commercial and industrial representatives having an interest in the market were needed to study and to carry through the business transactions for the advancement of commerce and influence. This was not only to help Americans to promote investment and the exportation of its trade, but also it was a step in order that the Chinese themselves might understand progress in a western sense.

Chapter V

Summary

In the 1890's the process of opening the China markets to Americans had begun. In the United States there was a great deal of discussion of the potentialities of the China market. Four hundred million prospective customers, it was said, would absorb the surplus of the American factory production. The American public seems to have been aware of only one obstacle to the development of the market.

In 1898, the major powers had carved out spheres of influence within China. The Open Door notes have sometimes been interpreted purely as an attempt to preserve equality of commercial opportunity. In brief, it has been said that the notes were inspired by the desire to protect the market for American goods.

The most important point to be made as a result of this study is that American trade was not hindered by the creation of the spheres of influence. American trade within the respective foreign spheres did not decrease, it increased.

The reasons for the erratic fluctuations of trade were not the creation of the spheres of influence, but were caused by the internal conditions within the Chinese Empire and the lack of serious effort by American merchants. One of these factors was the Chinese currency which continually fluctuated with the frequent changes in the market price of silver.

Another hindrance to trade was the system of internal taxes. The means of collecting these taxes was not uniform throughout the Empire, and different names for the same taxes added to the confusion within the provinces.

The internal political situation also caused setbacks in the trade. China under the Manchu rulers was weak in 1893, and continued to grow weaker until their abdication. Afraid that change would undermine their own position, they ignored solving the questions facing the Empire. As a result, wars and rebellions frequently occurred hindering the trade.

Other conditions causing setbacks in the American-Chinese trade included the boycott of goods at Hongkong, crop failures, particularly that of rice, floods, and in some ports a large surplus of goods accumulated because

credit had been refused. Native industries, especially in cotton, which developed curtailed the trade, and competition of Russian and Sumatran oils cut down the purchase of American goods.

The blame for the lack of commerce was not entirely placed upon the Chinese. The American consuls in China continually pleaded for American businessmen to take a more active interest in the China market. But the United States merchants showed a unique lack of imagination in the procedure of buying and selling of goods.

Their relative indifference was reflected in their unwillingness to establish a banking institution for credits and loans to the Chinese merchants to buy the American goods. This was absolutely necessary for the Chinese merchants were seldom able to finance the transactions.

Another influence upon the trade was the lack of an American merchant marine. The share of the United States tonnage in shipping was less than two percent of the total tonnage entering China from 1893 to 1914.

American businessmen, furthermore, needed to comprehend the vast complexities of laws, regulations, languages, rates, trading methods, and conditions different

from those they had not previously encountered in doing business with other nations. Careful studies of the local conditions and the special needs of the China market had to be made through personal visits by agents of the exporting firms. Businessmen had looked forward to the expansion of trade during the 1890's but by 1914 the market had expanded only moderately. The trade could have been considerably larger had a more serious interest been taken by the businessmen.

Many Americans thought that the marking out of the spheres of influence would be harmful to the trade. However, the partitioning of the Chinese Empire did not affect the American-Chinese trade. This trade was influenced by other conditions and factors.

It even appears that the creation of the spheres of influence by the foreign nations aided the United States trade. The establishment of some of the necessary institutions, such as banks and transportation facilities, required in doing business aided the commerce. With the establishment of temporary law and order within a sphere by the foreign nation controlling it the trade between the countries tended to grow.

The American-Chinese trade expanded moderately in the years under consideration. When one considers the imposing restrictions forced upon the Empire, the immensity of the country inhabited by a population many times greater than that of the United States, speaking numerous dialects and trying to assimilate a modern culture from different sources, it is possible to see why only moderate progress in trade was made.

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