

AMERICAN TRADE AND INVESTMENT IN
CHINA, 1890 - 1910

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ABSTRACT

AMERICAN TRADE AND INVESTMENT IN CHINA, 1890-1910

By

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The closing years of the nineteenth century witnessed a widespread interest in foreign markets for American goods. The search for markets was generated by the perplexities and fears that arose from the tremendous growth of manufacturing in the United States and the much heralded closing of the frontier as well as by the desire to win world power and prestige. That the future importance of the China market figured prominently is amply demonstrated in the speeches, letters, articles, and books of such expansionists as Theodore Roosevelt, Josiah Strong, Alfred Thayer Mahan, Brooks Adams, and Henry Cabot Lodge. Hundreds, perhaps thousands, of articles in prominent journals, magazines, and newspapers carried the discussion well into the twentieth century and dwelt upon the vast opportunities offered by 400 million Chinese customers simply awaiting the delivery of surplus goods of every description and the lucrative returns and impetus to trade to be expected from American dollars invested in the Empire of the Manchus.

Historians too have focused on this effusion of optimistic expectations in the period. Recent studies have carefully and convincingly documented the importance of China in the search

by publicists, diplomats, politicians, and missionaries for a solution to the economic ills believed to beset the American nation. The market potential of the Celestial Empire was pictured as near fruition, and the possibilities of such a denouement were described as dazzling. Almost exclusive reliance upon this contemporary opinion has led to the development of the historical interpretation that both the business community and the American government felt a need for the China market and set out to create an "informal empire" via a "pragmatic imperialism" to meet the demand.

But the student of history must concern himself not only with the hopes and beliefs of men but also with their accomplishments. If, as is often the case, the two do not concur, truth and understanding may be achieved only through a synthesis. In the case of America's role in the China market, the task of testing the rhetoric of American expansionists against the reality of American involvement and achievement remains and forms the object of this study. The period covered extends from the early 1890's when interest in the China market began to grow rapidly through 1910 when the pattern of United States' involvement had become quite set. The realities of China's market potential, the attitudes and activities exhibited by the American business community toward the China trade, the nature and extent of government efforts to foster American trade and investment there, and the successes and failures encountered form the major areas of the inquiry.

Government documents of the period offer the most useful and penetrating source for such an undertaking. The American

consular officers in China were assigned the primary task of promoting American economic interests in China. Many of them became intimately acquainted with the Chinese situation and the American reaction to it. Their letters and reports are full of invaluable insights as to what went right and wrong with American endeavors and why. Their views are contained in the published Consular Reports, Special Consular Reports, Special Agents Series, and Commercial Relations of the United States with Foreign Countries. These combined with the unpublished correspondence between the State Department and the American Legation in Peking and the Consular posts along the China coast and the annual statistics compiled in Commerce and Navigation of the United States are the major sources used in the attempt to define America's economic connection with the Middle Kingdom. Other primary sources such as the Congressional Record and pertinent periodicals and newspapers are employed to further illuminate and clarify American thoughts and actions toward the market.

The materials found in these sources has led to the adoption of the thesis that the China market was far more accurately identified by its limitations than by its future potential. The American business community, discouraged by the shortcomings of the market in China and experiencing little of the need for increased sales prophesied in the analysis of China enthusiasts, recorded a pattern of languid interest and small sales. These conditions in turn resulted in a policy of moderate support for American interests by the government that was fully attuned with the nation's small economic stake.

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CHAPTER I

AMERICA AND THE CHINA MARKET: AN INTRODUCTION

On August 28, 1784, the Empress of China sailing from New York set anchor at the Canton anchorage at Whampoa. The arrival of the little 360-ton vessel, sent "in the adventurous pursuit of commerce," marked the beginning of America's economic connection with China. Trade and investment in China never achieved great or lasting significance in the total effort of the nation. The undeveloped nature of the Celestial Empire, however, captured the imagination of many Americans and, in the period following 1890, figured large in the expansionist surge and widespread interest in foreign markets.

(The sixty years of trade that followed that initial contact were unique in that no formal economic or political connections existed between the United States and China.) To the Chinese, the western traders who visited her shores were representatives of barbaric civilizations. Canton was the only entrepôt open to the Americans, and that due only to the "august clemency of the Son of Heaven" who ruled over what he considered a self-sufficient Chinese Empire.¹ (Throughout

¹Foster Bhea Dulles, The Old China Trade (Boston: Houghton Mifflin Company, 1930), p. 13.

the period, foreigners, with the exception of missionaries, had no rights outside their individual settlements and were required to conduct themselves in strict accordance with the dictates of their disdainful hosts who prohibited the presence of both women and guns in the factories as equally dangerous to the calm of their domain.) Totally without the protection of their government, Americans at Canton "were governed by one consideration: the promotion of their trade." Little wonder that adventure and daring rather than a large trade were to characterize the annals of the early intercourse between the two nations.²

(Despite these obstacles, Americans were untiring in the period from 1784 to 1844 in their efforts to find goods marketable in Canton in exchange for the silk, tea, muslin, and nankeens that were in demand at home.) In the later part of the eighteenth century, ginseng, a thick, forked, aromatic root used medicinally by the Chinese, hard money, and other miscellaneous products served as the American exchange medium. By 1800, it became apparent that ginseng had but a limited market. But the young American traders soon discovered that there was a market for sea otter furs, beaver, fox, and seal skins, steel, copper, and sandalwood. These along with small quantities of merchandise formed the bulk of the cargo carried to China.³)

²Ibid., pp. 23-25, 123-138.

³Ibid., pp. 26-49, 106-122.

Heroic exploits, bold financiers, and, of course, the absence of other viable markets for the rebellious nation caused the trade to reach some prominence in its earliest years and to demonstrate a readiness to grow, subject to rather severe fluctuations, through the first two decades of the nineteenth century. Complete statistics are not available for the period from 1784 to 1800. A fair summary, however, of its significance is obtained in the following:

About 1790, it was estimated that the China trade accounted for approximately one seventh of the country's imports. . . . It brought the greatest profits of any branch of our foreign trade, founded the fortunes of a long line of merchants in New York, Philadelphia, Boston, and Salem, and attracted the best ships and most daring seamen of the Atlantic ports.⁴

(American exports to China after 1800, as taken from estimates provided by the Senate Finance Committee) increased rather dramatically in the periods prior to and following the War of 1812. Between 1804 and 1809, they grew from approximately \$3,555,818 to \$5,744,600. Even more impressive is the expansion from \$2,527,500 in 1815 to \$8,185,800 in 1819.⁵

(With the year 1821, however, when the United States Treasury began issuing annual reports on American trade, the commercial connection with Canton entered a prosaic period, if contrasted with the romantic atmosphere that prevailed earlier.) Ships became larger, crews became smaller, and, with improved nautical instruments, the passage became less

⁴Ibid., p. 49.

⁵Ibid., p. 210.

risky and dangerous. (Independent merchants were replaced by large companies such as Perkins and Company of Boston or Jones Oakford and Company of Philadelphia) Profits in the trade fell considerably. But, most important, while American foreign commerce in general increased "by leaps and bounds" and in 1841 was "more than six times what it had been fifty years earlier," the trade with Canton stagnated and then fell off drastically. Peaks of over five million dollars in American exports to China were reached in 1821, 1823, and 1824, but the real trend is better revealed by the fact that while the average value of exports for the decade of the 1820's was four million dollars, the average for the 1840's was less than two million.⁶

(With the signing of the Treaty of Wanghia the old China trade was brought to a close and a new era in Sino-American relations was launched.) (Caleb Cushing, a member of the Committee of Foreign Affairs of the House of Representatives, was selected to lead the mission, and the "Newburyport lawyer totally without experience in the wiles of Eastern diplomacy" performed magnificently.) He secured full trading privileges for American citizens and most-favored nation guaranties in the newly-opened treaty ports of Shanghai, Amoy, Ningpo, and Foochow. Americans could establish consuls in these ports and hire land for residential and business buildings. Finally, Cushing was able to gain definite extraterritorial privileges

⁶Ibid., pp. 113-114, 209-211.

in return for the promise not to protect smugglers or defend the opium traffic. (Negotiated in the wake of British military success in the Opium Wars, the American treaty brought aid and protection to the trade that existed without benefit of diplomacy.) It opened China on a limited basis to American trade and investment and first asserted that equality was to prevail in the relations between China and the foreign powers.⁷

Even with these aids and the opening of the Yangtze ports in 1858 by the Treaty of Tientsin, American commercial connections with China failed to reach respectable proportions. In the period from 1845 to 1860, exports from America to China increased from \$2,276,000 to \$8,906,000. (The Civil War, however, and the absorption of interest and productive capacity in the development of the American West saw the commercial connection languish.) (Trade with China dropped in the period 1860 to 1897 from 3 to 2 percent of the total for American foreign commerce.) When it is known that exports were small in comparison with imports, forming from a third to a tenth as much, the decline becomes even more startling. For over half of the years between 1865 and 1890, American exports were less than \$4,000,000 and even the peak year of 1886 saw only \$7,520,581 worth of the nation's goods going to China.⁸

⁷Ibid., pp. 201-207; Samuel Flagg Bemis, A Diplomatic History of the United States (New York: Henry Holt and Company, 1936), pp. 344-346.

⁸Tyler Dennett, Americans in Eastern Asia; A Critical Study of the Policy of the United States with Reference to China, Japan and Korea in the 19th Century (New York: Macmillan Company, 1922), pp. 580-581.

If commercial prospects had remained visionary, investment had not reached even that stage. Many of the American firms withdrew in the period following 1860. Americans played almost no part in railroad, mining, or industrial projects. Even with the inclusion of mission property, total investments in China after the Civil War amounted to no more than \$25,000,000.⁹) This occurred at a time when for the period following 1874 Americans were investing an average of \$85,000,000 a year in foreign areas.¹⁰ Such statistics help demonstrate the validity of the sentiment that it was only "the missionary and political interests of America in Asia which kept the Far Eastern problem before the American people to even the slight degree in which it held their attention."¹¹ The remark is not inaccurate if applied to almost the whole of the first century of American economic endeavor in China.

The two decades following 1890 saw little change in American activity in China. Exports to the Celestial Empire did increase from \$2,946,209 in 1890 to \$12,682,202 in 1904. But even the latter figure represented barely three percent of the nation's exports. Cotton and oil found a substantial

⁹Foster Rhea Dulles, China and America: The Story of Their Relations Since 1784 (Princeton, N.J.: Princeton University Press, 1946), pp. 99-100.

¹⁰Edward C. Kirkland, Industry Comes of Age: Business, Labor, and Public Policy 1860-1897 (New York: Holt, Rinehart and Winston, 1961), pp. 304-305.

¹¹Dennett, Americans in Eastern Asia, p. 580.

market in China, "but in agricultural implements, boots, shoes and copper, Europe not Asia was the largest taker."¹² The list of goods that found no market in China could be greatly extended. As for investments, the testimony of Willard Straight, American consul at Seoul, that the United States could attribute its lack of power in the Far East to the small amount of American capital invested in China amply reflects the lack of effort exerted there.) In 1908, when Straight made this observation, Americans had a financial stake in Japan triple that in China, and all of the Far East attracted a much smaller proportion of American investment than either Europe, Canada, Central, or South America.¹³

But it was not with such inauspicious statistics that many American leaders were concerned when their thoughts turned to China in the period following 1890. Haltingly at first and then with quickening pace and fervor, the nation was made aware of the vast potential of the markets of the Celestial Empire for American goods and financial interests as well as of the need for such an outlet. The writings of contemporaries and those contained in later historical monographs focused not on the realities of the China market or the American business community's relation to it, but rather upon the

¹²Kirkland, Industry Comes of Age, p. 282.

¹³A. Whitney Griswold, The Far Eastern Policy of the United States (New York: Harcourt, Brace and Company, 1938), pp. 137-138.

future opportunities that awaited. Indeed, the image of China became one of a gigantic treasure house awaiting the entrance of the United States.)

The "bogey of the surplus," as one historian has called it, was one of the key challenges as Americans took mental stock of the economic situation that, it was believed, faced the nation. (In the period following the Civil War, the United States had experienced a tremendous growth in manufacturing.) Steel production alone increased from 389,799 tons in 1875 to 8,932,857 tons in 1898. (In the closing decade of the nineteenth century, the growth in the value of exports of manufactures were greater than in the entire preceding century.) By 1900, they formed 31.65 per cent of the nation's domestic exports. (Inventions and advances in technology and industrial organization had and would continue to cause astounding increases in productive capacity. In the 1890's, the balance of trade shifted from a slight excess of imports to well over a half billion dollars of excess exports. To many, these statistics portended a far too rapid growth as well as a home market dangerously saturated. The much heralded closing of the frontier only increased their apprehension.¹⁴

Such a dramatic transformation called for a radical adjustment in policy. Most importantly, it produced a widespread interest in foreign markets for American surplus goods.

¹⁴Kirkland, Industry Comes of Age, p. 282; Charles S. Campbell, Jr., Special Business Interests and the Open Door Policy (New Haven: Yale University Press, 1951), pp. 1-2.

The nation faced, it was thought, a staggering challenge. The most dire consequences awaited if great effort was not exerted to relieve the pressure of booming production figures through access to large overseas outlets. The alternative was utterly unthinkable. Americans were told they could expect "an ever growing surplus," a declining standard of living, and a seriously disturbed social order. Indeed revolution might well be the end result.¹⁵ To be sure, even the most lethargic citizen could not but be stirred by such convictions.

Nor was the hue and cry for trade expansion lacking in effusive pride and bluster. In 1880, John W. Fiske told his readers confidently that the United States would soon "begin to compete with European countries in all the markets of the world. . . . The economic pressure exerted upon Europe by the United States will soon become very great indeed."¹⁶ Five years later, Josiah Strong spoke of the nation's need for "ultimate supremacy" in world markets. The United States, he wrote, was to become "the mighty workshop of the world, and our people 'the hands of mankind'."¹⁷

¹⁵Campbell, Special Business Interests, p. 2.

¹⁶American Political Ideas Viewed from the Standpoint of Universal History (New York: Harper and Brothers, 1885), pp. 148-149.

¹⁷Our Country: Its Possible Future and Its Present Crisis (New York: The Baker and Taylor Co., 1885), pp. 13-15.

The concentration on foreign markets by an alarmist press was to do wondrous things to the image of the China market. Commercial newspapers began viewing China as an area "holding out greater possibilities for trade than any other part of the world.") The Journal of Commerce announced that if the American businessman would only exert more effort in the Far East and achieve access to the China market, "the problem of disposing of our manufactures would be largely solved."¹⁸ As the topic became more heated, the same paper would emphasize "the necessity of being ready to defend by force of arms if need be, the right to share on equal terms with all other nations the opportunities of trade which the vast and undeveloped Chinese market affords."¹⁹ Publishing articles on "Our Future in the Pacific," "America's Interest in China," and "America's Opportunity in Asia," the North American Review added to the exaggerated hopes for the future of the market in China.²⁰ In an article in the January, 1899 edition of Munsey's Magazine, Charles Denby, a former American minister to China, focused on the tremendous opportunity offered by one-fifth of the population of the world consuming one ounce of wheat a day or purchasing a pair of pants and one shirt a year. The fact that Mr. Denby was not a businessman or that perhaps

¹⁸Dulles, China and America, p. 100.

¹⁹Albert K. Weinberg, Manifest Destiny: A Study of Nationalist Expansionism in American History (Baltimore: The John Hopkins Press, 1935), p. 274.

²⁰Dulles, China and America, p. 100.

more was involved than simply whetting the Chinaman's appetite for watches, bicycles, or sewing machines, were not allowed to deter the growing enthusiasm.²¹

(Investment potential in China was not overlooked. The Engineering Magazine viewed the prospects for industrial advance there as sure to reach dizzying heights. Buildings, roads, plants, railroads--all these and more would be in demand and required only the initiative, materials, and manpower the United States could supply. American travelers found the future for railroad development particularly alluring as engines, rails, and couplings of American manufacture began to find a small market in China in the 1890's.) (The American experiment with railroad concessions in China, however, proved disappointing.) The Outlook found the fault to lie with the American investor as opposed to conditions maintaining in China, remarking caustically that American inactivity was simply evidence that investors were overlooking a profitable and important field. Only the excellent topography and large population of China which offered tremendous potential for a lucrative operation need be considered in declaring investment potential in the Celestial Empire as unlimited.²²

While these spokesmen were seldom businessmen, small segments of the business community shared the idealistic hopes elicited for the China market. Most notably, the American

²¹Robert Farrel McClellan, "The American Image of China, 1890-1905" (unpublished Ph.D. dissertation, Department of History, Michigan State University, 1964), pp. 186-187.

²²Ibid., pp. 187-189.

Asiatic Association, a group of merchants and industrialists engaged in trade with China, placed considerable faith in the supposed commercial possibilities available in China in the late 1890's. John Barrett, an honorary member and former resident-minister to Siam, expressed well the exuberance of the Association when he described his "hope of thus awakening our Government, as well as our manufacturers and exporters, to an appreciation of the splendid field [in the Far East and especially in China] awaiting their best efforts." Charles Denby, another honorary member and adviser to the group, offered dramatic testimony of the length to which such enthusiasm could go when he proclaimed China "the greatest market of the world."²³

The all-pervasive nature as well as the maturation of the concept of China as a great opportunity were clearly expressed in the writings of government officials. (The report of the Department of State's Bureau of Foreign Commerce for 1896-1897 spoke glowingly of an American invasion of the markets of the world. China was viewed as "one of the most promising." American businessmen, the Bureau advised, should secure a position in the economic life of the Celestial Empire because such an effort "would doubtless result in immense gains to our manufacturers in the demand, sure to follow, for lines of supplies and goods of various descriptions that we are pre-eminently fitted to provide."²⁴

²³Campbell, Special Business Interests, pp. 25, 43-44.

²⁴Griswold, Far Eastern Policy, pp. 56-57.

The debate on Hawaiian annexation produced exciting and convincing oratory on the subject. In a speech often interrupted by applause, Representative William Sulzer of New York reminded his colleagues that "the land of the setting sun" contained "teeming millions" who would "ere long want to be fed and clothed the same as we are." The Islands formed "the key that will unlock to us the commerce of the Orient, and in a commercial sense make us rich and prosperous." Americans could not compete with England, France, or Germany in the markets of Europe. The solution was simple. America had to garner its "share of the trade of the Orient" which "the great and growing commercial interests of this country" demanded.²⁵ The surplus was a great problem, but there was little doubt in such circles that China offered a sure solution.

But it was not only the conviction that economic adjustment was vitally required that fostered grossly unrealistic expectations of the China market. As Americans looked up from the task of conquering their own empire, an imperialistic sentiment grew in the 1890's and demanded world power and world prestige for the nation. In the same debate over Hawaiian annexation, Representative Joseph B. Showalter of Pennsylvania, caught by the exciting events surrounding the Spanish-American War and by the arguments for the greater role America should and could play in world affairs, pleaded with his audience along already familiar lines:

²⁵U.S., Congressional Record, 55th Cong., 2d Sess., 1898, XXXI, Part 6, 5905-5906.

When we have fought this war to a glorious finish and the Stars and Stripes wave proudly over Cuba, Puerto Rico, Hawaii, and the Philippines, let us build a navy that will have no equal upon the seas. Let us take our place as the greatest maritime power upon the earth. . . . Mr. Speaker, the guns of the immortal Dewey and his brave men have boomed in the dawning of a new day, when American ideas, American civilization and commerce, and American Christianity shall permeate and influence every section of this old earth of ours. . . .²⁶

The scope of such thought was broader and more basic than that which dwelt upon outlets for surplus goods and the challenge of a closed frontier. Likewise, it did more to encourage an idealized image of the "vast potentialities" of the Chinese market for American commercial and financial interests.

The advocates of the "large policy" were the most potent force in the creation and dissemination of the new gospel of power through expansion. Alfred Thayer Mahan was to sound the opening note of the chorus when he told Americans they "must begin to look outward."²⁷ In 1897 in his The Interest of America in Sea Power (Boston), Mahan spoke of the sea and its control as the primary source of power. Much of his argument centered, however, around the need for Americans to possess the Hawaiian Islands, to build an interoceanic canal, and to develop coaling stations in the Caribbean as essential geographical means for control of the sea, and, of course, the achievement of power in the international community. Henry

²⁶Ibid., p. 5928.

²⁷Dulles, China and America, p. 100.

Cabot Lodge displayed the urgency and "spread eagle" tone of the movement.

The great nations are rapidly absorbing for their future expansion and their present defence [sic] all the waste places of the earth. . . . As one of the great nations of the world, the United States must not fall out of the line of march.

These "waste places" included Canada, Cuba, the Hawaiian Islands, a canal through Nicaragua, and at least one island in the West Indies (as a coaling station), as well as "a navy strong enough to give protection to Americans in every corner of the globe."²⁸ Theodore Roosevelt was in complete accord with Lodge, his cohort, and Mahan, his mentor, in these matters. As regards the Far East, he was even more expansive. In 1900 he wrote, "I wish to see the United States the dominant power on the Pacific Ocean," and again "Our people are neither cravens nor weaklings and we face the future high of heart and confident of soul, eager to do the great work of a great world power."²⁹ While the thoughts and actions of this marvelous group may and have been analyzed from many points of view, it is enough here to note that the primary concern was power and prestige, the scope involved the greater portion of the world, and the message was both exciting and convincing.

²⁸"Our Blundering Foreign Policy," The Forum, March, 1895, pp. 16-17.

²⁹Elting E. Morison (editor), The Letters of Theodore Roosevelt, Vol. I: The Years of Preparation, 1868-1898 (Cambridge: Harvard University Press, 1951), pp. 404, 567, 607, 725-726; Howard K. Beale, Theodore Roosevelt and the Rise of America to World Power (Baltimore: The Johns Hopkins Press, 1956), p. 38.

There was a commercial side to the "large policy." Economic advantages brought support for imperialistic policies, but, more pertinent, their consideration of and concern for the potential of the China market "assured an easy passage of estimates and predictions from the realm of fact into the realm of fancy."³⁰ In the Yangtze Valley, Mahan wrote confidently, lay a little known, slightly exploited field, offering lucrative, even fabulous opportunities for American trade. "Seed sown here will yield a hundredfold," he assured his readers, "as to thirtyfold elsewhere."³¹ Brooks Adams, a charter member of the "large policy" organization, viewed the question of who would control the destiny and commercial future of China as "the great problem of the future." The wealth, geographical position, and energy of the United States would cause the nation "to enter upon the development of eastern Asia, and to reduce it to a part of our economic system."³² Roosevelt carried the image into the twentieth century, stating categorically in 1903 that "the commerce and the command of the Pacific will be factors of incalculable moment in the world's history." In 1905 he declared that

³⁰Paul A. Varg, Open Door Diplomats: The Life of W. W. Rockhill (Urbana, The University of Illinois Press, 1952), p. 27.

³¹The Problem of Asia and Its Effect Upon International Policies (Boston: Little, Brown, and Company, 1900), pp. 164-165.

³²America's Economic Supremacy (New York: Harper and Brothers, 1947), p. 194.

America's economic and political future "will be more determined by our position on the Pacific facing China than by our position on the Atlantic facing Europe."³³ Even an expert like William Woodville Rockhill announced in Colliers Weekly that nothing stood in the path if the nation wished to increase its trade with China.³⁴ The markets of the Chinese empire fairly basked in such adulation.

While, as indicated in the foregoing, historians have amply demonstrated the extravagant hopes for trade and investment in China, they have also focused on the potency of such beliefs in the formulation of American foreign policy. Julius Pratt has demonstrated that the desire to safeguard the China market was a key factor in the annexation of the Philippines.³⁵ The bounteous expectations of the American Asiatic Association, it has been argued, prompted the despatch of the September, 1899 edition of the Open Door notes.³⁶ Walter LaFeber has argued that the vast potential purported to exist in China

³³Beale, Theodore Roosevelt and the Rise of America, pp. 172-174.

³⁴McClellan, "The Image of the China Market," p. 187.

³⁵Expansionists of 1898: The Acquisition of Hawaii and the Spanish Islands (Baltimore: The Johns Hopkins Press, 1936), pp. 319-340.

³⁶Campbell, Special Business Interests, pp. 73-74.

played an important role in the development of the "new empire" that was to thrive on controlling the Asian markets for commercial, not political, expansion in the post-1890 period.³⁷

In a more recent study, Thomas McCormick has focused specifically on China. His purpose was to demonstrate that expansion was found by American leaders to be a rational, pragmatic solution to the social and economic instability apparent by the mid-1890's. The conquest of the China market he argued was the key as it could in itself absorb excess manufactures and offer new prosperity to the nation.³⁸

Little, however, has been done with regard to examining what Americans did in China. The anxieties, hopes, and beliefs of any generation have an important place in history, but their actions must be given equal consideration. There is usually a gap between the two, and at times the gap may become a gulf. Only after a synthesis of both elements can truth be approached.

Given then the existence of so many words so convincingly written and spoken concerning the potentialities and opportunities for trade and investment, the task of determining what Americans did in China remains and forms the object of this study. The discussion will focus on the period extending

³⁷The New Empire: An Interpretation of American Expansion 1860-1898 (Ithaca, New York: The Cornell University Press, 1963), pp. 300-311.

³⁸China Market: America's Quest for Informal Empire, 1893-1901 (Chicago: Quadrangle Books, 1967), passim.

from 1890, when the interest in China began to grow noticeably, through the first decade of the twentieth century by which time the patterns of American activity became quite clear. The condition of the China market, the nature and extent of the effort expended by the American government and business sector to foster commercial and financial development there, the motivation behind such efforts, and the successes and failures encountered form the major areas of inquiry.

CHAPTER II

THE REALITIES OF THE CHINA MARKET, 1890-1910

As While the image of the China market, promoted in the ever-increasing literature on the subject following 1890, was indeed awe-inspiring and found favor with a reading public whose ego was well-served by glowing prophecies that conjured up visions of the United States supplying the material desires of a large segment of the world's population and at the same time disposing with what seemed a serious problem of overproduction and growing social unrest, a have-your-cake-and-eat-it-too philosophy was far removed from the realities of the China market. Few, if any, of the enthusiastic writings concerning trade and investment opportunities in China were written by businessmen. American officials experienced in the wiles of Far Eastern trade and high finance often spoke with enthusiasm of the Chinese market, but their optimism was also balanced by more cautious observations. The purpose here will be to examine the serious obstacles presented in their reports as well as in other sources that served to dissipate the dream of China providing, before long, a large market for the goods and services of the United States.

Some justification for an optimistic outlook regarding the China market was to be found in the fact that American exports to that country increased from \$4,787,606 in 1890 to \$15,225,294 in 1899.¹ Even the latter figure, however, represented less than three per cent of total American exports and the most basic facts contradicted the belief that trade with China would soon reach sizable proportions.

The first of these considerations was that only a very small segment of the Chinese empire was open to the trade of the West. With the exception of cities located along the coast and a small number of ports on major rivers, China remained off-limits for the foreign trader. Samuel L. Gracey, Consul at Foochow, dwelt on this point in defending the immigration laws of the United States in a confrontation with Hsu Ying Kuei, the Viceroy of Min-che. While American policy did prohibit the coolie class from visiting her shores, Chinese businessmen, students, scholars, and travelers were allowed to roam freely over the States and engage in business everywhere. Americans in China, on the other hand, were "excluded from all places, but some twenty cities called Treaty Ports." Businessmen from the United States, Gracey continued, were not allowed "to go to any of the thousands of cities, large towns, or villages, and open places of

¹U.S., Bureau of Foreign Commerce, Department of State, Commercial Relations of the United States with Foreign Countries During the Year 1899, I, 37.

business." Finally, he reminded the viceroy that no foreign firm was "allowed to open a store or do business in Peking, ^{the} your capital."² Rounsevelle Wildman, United States Consul-General at Hongkong, emphasized the same limitation in 1899 when he cautioned that American exporters often overlooked the "great point" that "99 percent of China" remained closed to the world. "When the magazine writer refers in glowing terms to the 400,000,000 inhabitants of China," he wrote, "he forgets that 350,000,000 are a dead letter so far as commerce is concerned."³ In 1901, Burlingame Johnson, American Consul at Amoy, campaigned for effective treaty revision which would allow businessmen to penetrate further into China's interior regions. He complained that kerosene and flour rarely got further than fifty miles from treaty ports and "few other goods that far."⁴ In 1926, C. F. Remer concluded his study of China's foreign trade through 1921 with the following admonition:

²Samuel L. Gracey, Consul at Foochow to H. D. Peirce, Third Assistant Secretary of State, March 24, 1902. Consular dispatches cited in this form in subsequent notes are taken from the Department of State Archives. The author used the microfilm copies of these dispatches available at the Michigan State University Library.

³U.S., Bureau of Foreign Commerce, Department of State, Commercial Relations of the United States with Foreign Countries During the Year 1899, I, 874.

⁴Burlingame Johnson, Consul at Amoy, to David J. Hill, Assistant Secretary of State, March 20, 1901.

What has been presented in the preceding chapters as the foreign trade of China is the trade between exterior China and the outside world. For the purposes of international trade interior China does not exist. Viewed thus the smallness of the foreign trade figures is no longer surprising.⁵

Thus immediately, we are discussing, for purposes of trade, a population of about fifty million and an area of trade not thousands of miles deep but rather a narrow belt fifty miles wide at scattered points along the China coast.

The western trader was confronted in China with a very primitive transportation system that served to restrict the influx of his wares. Descriptions of the roadways of China in this period call to mind a medieval setting. T. R. Jernigan, United States Consul-General at Shanghai, wrote as follows on the topic in 1895:

The famed highways which excited the admiration of the early European travelers are now in an almost impassable state. Their condition is such that passage over them is virtually stopped, as the holes and ruts that deface them force travelers to desert them for the tracks by the sides, although these in wet weather are but quagmires, and in dry weather several inches deep in dust.⁶

If one described one road, he continued, he had described them all, and they were "uniformly bad."⁷ In his report from Tientsin, Consul Sheridan P. Read explained that his dis-

⁵Charles Frederick Remer, The Foreign Trade of China (Shanghai: The Commercial Press Limited, 1926), p. 241.

⁶U.S. Bureau of Statistics, Department of State, Special Consular Reports. Highways of Commerce. The Ocean Lines, Railways, Canals, and Other Trade Routes of Foreign Countries XII, 598.

⁷Ibid.

cussion would deal only with ocean traffic. There were no highways, paved or macadamized, and it was "unnecessary to touch upon the manner of distributing cargo into the interior."⁸

In 1890, the China branch of the Royal Asiatic Society conducted a study "as to the routes and means of carriage existing in the various parts of China and the facilities for the transportation of passengers and merchandise." The notes in the preface of the resulting publication spoke in most depressing tones on the subject of roads in China. Its conclusion was that "no country in the world, certainly none aiming at civilization even of the most rudimentary nature, has paid so little attention to roads and means of communication as has the Chinese Empire." If roads were thought of in a European sense, "as an artificially constructed viaduct, laid out with engineering skill even of the crudest description," none existed from one end of China to the other. Roads were merely "the customary tracks from one town or village to another, are never macadamized, and follow all the natural irregularities of the surface."⁹ In addition, such roads were often the subject of contention between the farmers and the carriers, resulting from the fact that the farmer possessed the right to plow up the road running through his land and the carrier had the right to drive over any part of the land-

⁸Ibid., p. 604.

⁹Ibid., p. 600

scape. A compromise was usually arrived at by the two parties, but the resulting customary paths were hardly conducive to the needs of the western businessman for quick locomotion of his goods to the estimated 10,000 villages of China where three fourths of the population resided.¹⁰

The rivers and canals of China formed a more viable system of transportation than did movement over its roads. But even this most praiseworthy of all means of internal transportation had experienced little, if any, improvement in recent years. In 1656, a traveler had recounted his navigation of the Grand Canal and other rivers "for more than 1,500 miles without going by land more than one day's journey."¹¹ By 1895, however, the effects of the lack of attention given by the Chinese to such natural and artificial waterways was vividly captured by Consul-General Jernigan:

But unfortunately, the principal channels for the internal commerce of China do not appear to have been touched by the hand of modern improvement. The large vessels which Marco Polo saw on the Grand Canal have given place to small junks, and even these navigate it with much difficulty. The Yellow River remains a menace to the rich meadows through which it flows and to the lives of the thousands of inhabitants who live on its banks. Impediments to navigation and obstructions which change the course of rivers remain untouched as the years go on.¹²

¹⁰Ibid., p. 601.

¹¹Ibid., pp. 597-598.

¹²Ibid., p. 598.

Such a condition offered little hope of foreign goods reaching the Chinese consumer in any quantity or with sufficient speed via inland waterways.

Railroad development was not to contribute a solution to the problem of the inaccessibility of the country to foreign goods. Public opinion in China opposed the building of railroads. Particularly, the strong localism of the farmers, centering around the market town, provided little incentive for the development of railroads or other improvements in transportation. "Whenever such works have been in contemplation," lamented T. R. Jernigan from Shanghai in 1895, "this hostile opinion energetically shows itself, and the solid wall of resistance has never been overcome."¹³ In 1911, George B. Anderson, Consul General at Hongkong and one of the most experienced American officials in China, was assigned the task of surveying the railroad situation in China. His report emphasized the small degree of progress made in the two decades preceeding 1911. During the year 1910, for example, less than 500 miles of new construction had been added. Only about 5,000 miles of railways were in operation or near completion in all of China.¹⁴ The figure is more meaningful if it is remembered that even the Confederacy could boast of over 8,500 miles of track in 1860 and that the United States had more than 350,000 miles by 1910.

¹³Ibid.

¹⁴U.S., Department of Commerce and Labor, Bureau of Manufactures, Special Consular Reports. Railway Situation in China, No. 48, 5-6.

The dismal tone of Jernigan's earlier comments as to the future of railroads in China formed the burden as well of this survey compiled fifteen years later:

The fact is that while plans for new railways in China are common, actual development is proceeding slowly. New plans are carried out with difficulty, modified, or abandoned. For this there are several causes, most of which appear reducible to one or two circumstances--either the people are unwilling that other nations should furnish the money to build the roads, and have not the money themselves, or, if willing to borrow from abroad for such work, other considerations have so far prevented the placing of the necessary loans under admissible conditions and circumstances.¹⁵

By 1910, then, railroads had opened but little of the country to the Western trader. Certainly a complete system of railways, connecting the major commercial centers and reaching into the interior of the country, did not approach fruition.

The problem of inaccessibility ran deeper, however, than the mere absence of a transportation system. Further obstacles along the roads and waterways confronted the foreigner in China. Many sections of the country, ostensibly open to trade, were so beset by regulations and piracy as to make commercial activity impossible. Rounsevelle Wildman reported in 1899 that while the right of foreigners to trade along the inland waters of the West River had been granted by the Chinese government, "defective regulations, the enforcement of the transit pass system, illegal exactions, and piracy have nearly defeated the object of the treaty." Every-

¹⁵Ibid., p. 6.

day one could read descriptions in the Hongkong papers "of piracy as sanguinary as the deeds of the old Spanish buccaneers." Neither English patrols nor the armed launches employed by the Chinese were able to cope with the situation.¹⁶ His report continued with an account of a mine opened at Wuchow on the river to extract gold, copper, and silver. The company was forced to employ 500 soldiers from the Viceroy as protection against pirates. Wildman explained that he went into such details "so as to explain to American firms desiring to sell mining machinery that it is impossible to do so under existing conditions." Even with an armed guard, the American engineer of the company was robbed and imprisoned for a short period by one of the numerous bands of pirates operating in the area.¹⁷

That the fare along the "customary tracks" was equally hazardous may be seen in the experiences of W. W. Rockhill. Traveling from Peking to Lan-Chou Fu, he found that even "within the immediate vicinity of Peking and notwithstanding the strenuous efforts of the high officials, highway robbery and brigandage break out afresh every winter." The number of "watchhouses" and patrolmen along the roads provided ample testimony of the seriousness of the problem. Completely in character for him, Rockhill sympathized with the impoverished peasants involved in such nefarious activities, explaining

¹⁷Ibid., p. 875.

that for many it was the only means "of making both ends meet."¹⁸ Such compassion could be but of little solace to those engaged in the China trade.

The most formidable of such obstacles was the likin tax system. Until 1853, China, as other nations, limited herself to taxing the movement of merchandise only at the established custom houses. In that year, however, the expenses involved in suppressing the Taiping Rebellion caused the government to seek additional means of revenue, and likin (meaning "contribution of a thousandth") was instituted. Originally, the likin tax called only for a levy of one tenth of one per cent on the value of goods in transit and posed no great burden.

Theory and practice, however, soon parted ways, and the official rates were gradually increased. Nor did the tax remain uniform in all provinces. In Hunan the payment of the tax once exempted goods from further payments within the province. Kwangtung was far more typical, however. There between Canton and Wuchow, a distance of about two-hundred miles along the West River, one found six likin stations each constituting, according to one authority, "a barrier to the free movement of traffic, and each involving delay, vexation and payment." Between Hankow and Chinkiang, likin stations "alternately collecting and preventive," were only 10 miles

¹⁸William Woodville Rockhill, The Land of the Lamas (London: Longmans, Green, and Co., 1891), p. 4.

apart on an average, and in the section of the province of Kiangsu lying south of the Yangtze there were over 250 stations.¹⁹ The likin system was made more oppressive by the fact that it was controlled by its own administration, independent of all other taxing agencies, and its collection was controlled far more by the officers in charge of each barrier than was possible with other taxes. Graft was the common result of such loose administration. In many instances merchants paid almost double the official fees which were themselves raised in 1895 and again in 1900. When in disgust western merchants challenged such irregularities they were often told the incredible story that it cost 100 per cent of the official fees to pay the costs of collection. Such "accretion" of official rates was conservatively estimated to average 162 per cent in the year 1900.²⁰

More than these statistics, however, the frequent complaints registered against the system serve as a monument to its effectiveness as a barrier to trade. Among consular officials, no one was more vehement on the subject than A. Burlingame Johnson, Consul at Amoy. In 1901, he wrote as follows:

(Foreign goods pay their import duties at the open port. They start up country and once every five or ten miles they are stopped by a likin officer and arbitrarily squeezed an additional sum. This usually results in making the goods cost so much

¹⁹Hosea Ballou Morse, The Trade and Administration of China (Shanghai: Kelly and Walsh Limited, 1913), pp. 104-105.

²⁰Ibid., pp. 105-106.

(by the time they get fifty miles to the interior that no native can afford to buy them.²¹)

In an editorial of May 18, 1903, the New York Journal of Commerce and Commercial Bulletin, an enthusiastic exponent of increased American commercial effort in China, repeated a familiar theme, declaring that the first requirement of the creation in China of a "great market" was the elimination of this odious taxation of goods in transit. In the treaties negotiated after the Boxer uprising of 1900, the powers attempted to secure the complete abolition of likin. While the government at Peking agreed to such a provision in return for the increase of import duties to a total of 12½ per cent ad valorem in the first treaty signed by James S. Mackay of Great Britain, the necessary condition of the agreement of all the powers entitled to most-favored-nation treatment in China was a stumbling bloc. Neither that condition nor the abolition of likin were fulfilled. The republican government formed in 1911 showed some enthusiasm for its elimination, but "the need of revenue and the difficulties of administrative centralization proved insuperable obstacles." Thus at the Washington Conference of 1921, the abolition of likin still found a prominent place in the agenda.²²

²¹A. Burlingame Johnson to David J. Hill, Assistant Secretary of State, March 20, 1901.

²²Remer, Foreign Trade of China, pp. 119, 180.

~~Chinese preferences and Chinese pocketbooks presented another great obstacle to the Western trader.~~ Neither augured well for the introduction of American manufactures. Consular officials spoke often of these realities. Those, for example, who dreamed of covering the China landscape with American paint were offered little encouragement. In reply to a circular requesting information on the possibility of finding markets abroad for American ready-mixed paints, Hamilton Butler, Deputy Consul-General at Canton reported that the market in South China for foreign house paints was very limited. What demand there was stemmed from the establishment of foreign contractors and builders in China. When the work was done entirely by Chinese contractors only native paints were used. In addition, soft brick was the normal building material and native paints and washes alone were used. "In many of the smaller villages and hamlets," he noted, "most of the Chinese houses are no more than adobe huts of field stone plastered with mud, untouched by paint, lime wash, or color wash."²³ Samuel S. Knabenshue, Consul-General at Tientsin found the situation in northern China to be equally bleak for American paints. House paints were used only on modern buildings in the foreign settlements, as most of the native houses were "clay-built, one story structures on which any kind of paint would be useless."²⁴

²³U.S., Department of Commerce and Labor, Bureau of Foreign and Domestic Commerce, Special Consular Reports. Foreign Trade in Paints and Varnishes, No. 56 (1912), pp. 50-51.

²⁴Ibid., p. 56.

The fact that China's largest industry was agriculture caused great expectations to be registered concerning the possibilities for American agricultural vehicles and implements. Familiarity with the real market for such products, however, served to replace dreams with forebodings. Rounseville Wildman, speaking of Southern China, noted in 1901 that most peasants lived on an income of from 2 to 5 cents a day and that if they could afford to buy American farming machinery, there was still the problem of no room to use it on, small holdings being the norm, "many of which are not over an acre in size, and very few running over 18 acres."²⁵ "Go into the country," wrote James L. Rogers from Shanghai, "and you will hunt for a day before you will find in this section of China an agricultural implement of foreign make."²⁶ American windmills, it had been said, could be used by the Chinese in the irrigation of their rice fields in place of their primitive pumps and water wheels. The proposition had, however, been greatly oversimplified:

But whoever gave currency to the idea forgot that this system of raising water was used long before the Christian era began, that the people using it were Chinese who change but little, and, more

²⁵U.S., Department of State, Consular Reports: Commerce, Manufactures, etc., LXVI (1901), 121-122.

²⁶James L. Rodgers, Consul at Shanghai to Robert Bacon, Assistant Secretary of State, January 8, 1906.

important than all that the institution of a wind-mill would cost many rice crops, or perhaps the savings of a life time, and would therefore be beyond the reach of any but a rich Chinese who does not practice agriculture to any extent.²⁷

A report from Hankow in 1904, more hopeful than most, underlined the fact that no demand for American agricultural implements existed in China and that it would be a long time, except perhaps in Manchuria and North China, before conditions in China would admit of any need for modern farm machinery by the Chinese with their small garden farms and cheap labor.²⁸

The utter poverty of a vast majority of the Chinese formed an insurmountable obstacle. To Americans who saw many Chinese involved in the laundering trade at home, wrote E. T. Williams, Vice Consul-General at Shanghai in 1898, "it may seem a matter of course that China would be a great consumer of soap." In fact, however, the masses in China were almost wholly ignorant of its use. As to the reason for this, he explained:

^{new}
The people of China are extremely poor. Their wages are paid in copper cash, one of which equals one-twentieth of a cent. One hundred to one hundred and fifty of these cash, that is, from five to seven and a half cents, form the average daily

²⁷Ibid.

²⁸U.S. Department of State, Consular Reports: Commerce, Manufactures, etc., LXXVII (1904), 52-53.

wage of the ordinary working man. It is evident that such an article as soap, which from the Chinese point of view is an article of luxury rather than of necessity, however much desired, can be purchased only when furnished at a very low price.²⁹

In a special report on canned goods issued in 1912, the low earning capacity and scale of living of the Chinese population were stressed as the central cause of the extremely limited market available for such goods.³⁰ In 1904, writing of yet another product--American raisins and dried fruits, George E. Anderson, Consul at Hankow, reported there was no hope of the majority of the people consuming any quantity of either. "Where the great mass of people live for less than 10 cents a day for each grown person," he explained, "it is safe to say that it will be some time before they will use much in the way of raisins at from 4 to 10 cents a pound."³¹ Complaining of Chinese imitations of American products, John Goodnow wrote from Shanghai in 1898 that while such ingenuine articles did not match the quality of the original, they did "drive the original out of the market, for the time being, in this country

²⁹U.S., Bureau of Foreign Commerce, Department of State, Special Consular Reports. Soap Trade in Foreign Countries, XV (1898), 34-35.

³⁰U.S., Bureau of Foreign and Domestic Commerce, Special Consular Reports. Foreign Trade in Canned Goods, No. 54 (1912), 139-148.

³¹U.S., Department of State, Consular Reports: Commerce Manufactures, etc., LXXVII (1904), 76.

where the standard coin is a copper "cash" worth about one-twentieth of an American cent and where a common laborer receives 100-150 such 'cash' for a day's work."³²

Oil, cotton, flour, and lumber were four American products that coincided with native consumer habits and found a growing market in China. But a report by James Rodgers at Shanghai in 1906 eloquently outlined the disappointing fate of majority of American offerings while generalizing accurately from the specific objections offered by many of his comrades. While consuls did receive requests for information, he wrote, "there are very few of these correspondents who seem to realize or understand the limitations put upon the general market for foreign commodities and manufactures by the disposition and characteristics of the Chinese people." The natives did use foreign cloth and foreign oil in their lamps, buy foreign flour, "leather, lamps, clocks, watches, carpets, sewing machines" and some foodstuffs, but this could not be interpreted to mean that there was a market for a foreign shoe, machinery of various kinds, or "the infinite variety of manufactured articles which distinguish the industry of the United States, Great Britain and Germany." The market might change in the future, but "for the present at least it must be understood that this market is open to a limited few who produce the things wanted and that education is required

³²John Goodnow, Consul-General at Shanghai to William R. Day, Assistant Secretary of State, February 5, 1898.

before there can be anything approximating a general market."³³ One must note, however, that if educating the native had been all that was necessary for success, the situation would have been hopeful indeed.

Rodgers took a long look at the market available in Shanghai, or Soochow and Hankow, each with over a million inhabitants, and found few foreign products in evidence aside from "staple commodities." Whether in such cities or in the countryside the situation was the same:

Numberless instances might be cited to show how limited a Chinese market is for things which encroach upon their customs or which will supplant the articles handed down from generation to generation. It is the same in relation to articles of apparel. The coolie who wears a foreign hat or shoes is the exception who proves the rule, and similar³⁴ examples might be given almost ad infinitum.

His remarks, Rodgers explained, were not designed to discourage those who read "glowing prophecies" of the trade to be had with the four-hundred million in China and are "straightway moved to attempt an export business to China." Rather, his purpose was to expose the "plain truth that the Chinese people are yet practically sufficient unto themselves, that they will have to live many more years before they can cast aside their ways that seem to us so peculiar," and finally

³³James L. Rodgers, Consul-General at Shanghai to Robert Bacon, Assistant Secretary of State, January 8, 1906.

³⁴Ibid.

that China "even under the reformation now beginning will take at first only in a small way of the things she does not seem to need in the light of her present scheme of civilization."³⁵ As will be seen later, the statistics of American trade provided solid backing for this prognosis. China was at best a potential but poverty-stricken market for Western manufactured goods.

Many Americans based their hopes for a large trade with China on the belief that she would emulate the feats of her neighbor Japan. But China was not able to turn a rich supply of natural resources and cheap labor to advantage by way of rapid industrial development. Nationalism, an important inducement to industrialization, was lost in the family system and local loyalties. As one authority has expressed it:

The family lies behind the importance of the partnership as a form of business organization. It makes for nepotism in government and business. It provides for old age and is a defense against employer and official. The family system carries with it the need for children. In short, it may be said that whatever can be done through the family the Chinese do well, and they do less well whatever calls for greater individualism or wider solidarity.³⁶

Industrial development, unfortunately, fell in the latter category. Financing industrialization was beyond the power of the central government. Such projects were driven underground by the lack of sufficient revenue to be derived from the tribute system of taxation used in China. When officials

³⁵Ibid.

³⁶C. F. Remer, Foreign Investments in China (New York: The Macmillan Company, 1933), p. 31.

or individuals did succeed in getting their fortunes together, "the funds went into land and impressive or luxurious consumer's goods, rather than into trade and industry."³⁷

Economic development that might enhance the China market would be seriously curtailed by these customs and social values for many years beyond the period of this study.

After 1894, another barrier to the development of a large trade was to be found in the steady growth of an unfavorable trade balance. With the statistics available, it has been estimated that the period from 1871 to 1884 saw an excess of exports from China averaging 14 millions of dollars per year. But by 1898, imports exceeded exports by 203 millions and, in the period from 1899 to 1913, averaged 1,155 millions each year.³⁸ A report issued by the Imperial Maritime Customs in 1904 centered on the problem. China had, it warned, incurred an adverse balance of trade that found imports a third greater than exports. Before the war with Japan, China had not been burdened with foreign debts. The defeat at the hands of Japan, however, resulted in a debt of nearly 300 millions of dollars. This combined with the indemnities due foreign powers for their rescue efforts and other losses in the Boxer Revolt meant that China was paying

³⁷Ibid., p. 36.

³⁸Remer, Foreign Trade of China, p. 209; Remer, Foreign Investments in China, pp. 151, 246.

more than \$31,000,000 per year.³⁹ In 1897, Consul-General Jernigan at Shanghai wrote that while exports from China to the United States had decreased considerably, American imports had so increased as to make the "aggregate value" larger than for any previous year.⁴⁰ In the long run, however, China could not purchase American goods unless she could sell abroad.

Investment potential in China was seriously impaired by like obstacles. The assets offered by her undeveloped resources, a relatively high degree of economic organization, a hard-working populace, poor capital equipment, and high interest rates were more than offset by the passive resistance of the government spurred by a public opinion that feared direct investments in combination with extraterritoriality would lead to foreign political interference and ultimately to foreign control in China. C. F. Remer focused on this problem in his study of investments in China:

Since China did not go abroad for capital, she received only the capital which the foreigner brought in and to the introduction of this capital she offered the same passive resistance that she did to foreign trade and Western or modern concepts. Direct business investments were important because other forms of foreign investment were unimportant.⁴¹

³⁹This report was entitled An Inquiry into the Commercial Liabilities and Assets of China in International Trade. It was forwarded to the State Department by John Goodnow, Consul-General at Shanghai, in December, 1904 and is included in the dispatches from that consulate.

⁴⁰U.S., Department of State, Consular Reports: Commerce, Manufactures, etc., IV (1897), 122.

⁴¹Foreign Investments in China, p. 103.

These other firms involved investment by the Chinese government and by the Chinese corporation. But the corporate form, Remer demonstrated, had not been successful in China, and even in 1933 no Chinese corporation existed "whose bonds could be floated in a foreign money market." As for government borrowing, the weight of Chinese tradition stood in the way along with the limited view of governmental responsibility prevalent among even the highest officials.⁴² The effect of these deterrents to investment are best seen in the case of Great Britain. In 1931, while she was the largest investor in China, British holdings there, although nearly twice as large as in 1914, still amounted to only 5.9 per cent of her total foreign investments.⁴³

The vicious struggle for sales and contracts that was waged among foreigners in China provided yet another factor limiting the appeal of the market for American firms. Foreign markets formed a more important part of the economies of Great Britain, France, Germany, Russia, and Japan than they did for the United States. The efforts of each were directed toward controlling as much of the available market in China as possible. The result was extensive price competition in many lines and, of course, a very unequal and arduous struggle for survival on the part of American business concerns.

⁴²Ibid., pp. 103-104, 117.

⁴³Ibid., p. 77.

The governments of those nations provided their nationals with greater support than did the United States. A large degree of British aid was constantly in evidence. In June, 1896, a deputation from the Associated Chambers of Commerce visited the foreign office asking for the help of the Government in creating trade routes in China by constructing or guaranteeing the construction of railroads. Lord Salisbury replied the same day that both the British and Indian governments would provide assistance "to the utmost of their power." All that was required of the Association was to provide a solvent company to carry on the project.⁴⁴ In comparing American and British trade methods, Edward S. Bragg, Consul-General at Hongkong, reminded his readers that American enterprise had no status at all in South China. The government of Great Britain in contrast had "steadily plodded on for the conquest of Chinese trade for more than a half century, never abating her efforts, but pushing patiently on, protecting her trade, whenever acquired, as circumstances demanded."⁴⁵

Germany and Russia were no less expert in organizing a well-oiled partnership of government and business. A report from J. C. Monaghan, American Consul at Chemnitz, Germany, in 1898, focused on the increase of German trade in the East. She had of late increased the number of her large establish-

⁴⁴U.S., Department of State, Consular Reports: Commerce Manufactures, etc., LI (1896), 597-598.

⁴⁵Ibid., LXXV (1904), 777-778.

ments from 56 to 92. "This Empire," he stated categorically, "neglects nothing that aids her foreign commerce." Certainly, it was "governmental aid, encouragement from chambers of commerce, boards of trade, commissions, etc.," given "to incite German merchants and manufactures" that played a considerable role in the German successes in China.⁴⁶ Edward Bedloe at Canton looked with envy upon the strong backing given Russian enterprises in China. In 1898 he made the following observation concerning the system employed in China:

The Russian bounty system has been applied in Central Asia and adjoining frontier lands, with the result that no foreign product which Russia produces has been able to hold its own in the Eastern markets accessible to Russia or within her "sphere of influence." Competition has been killed by the device of a counter-vailing grant or bounty in aid of Russia's industry. Of course, this rebate or bounty system of Russia does not come under the head of preferential duties, but it works wonders for Russian trade. Why not help our American trade by similar means?⁴⁷

The Russian method would certainly, he continued, do injury to our trade in oil, flour, piece goods, and other products prominent in American commercial efforts in the Chinese Empire.⁴⁸ Of course, his plea for emulation of Russian methods by the American government went unheeded, if not unnoticed.

⁴⁶U.S., Department of State, Consular Reports: Commerce, Manufactures, etc., LVII (1898), 227-228.

⁴⁷U.S., Department of State, Consular Reports: Commerce, Manufactures, etc., LVIII (1898), 399.

⁴⁸Ibid.

More importantly, (the businessmen of these countries demonstrated greater energy and initiative in China than did their American counterparts. Two special agents assigned by the State Department to study developments in the China market reported that in Tientsin all of the import business was in the hands of German and English houses. Later in the same report their remarks became more pointed:

There is without doubt more expenditure of time, energy, and money annually by English manufacturers in efforts to control that part of the gray-cotton piece goods trade which is still retained by them and in endeavoring to reclaim the ground won by America than American cotton manufactures spend in five years looking for new markets for, not their surplus stock, but the employment of their surplus energy.⁴⁹

Speaking of Japanese success in China, Consul George E. Anderson noted that they had "not only studied the trade to be supplied but they have gone after each particular dealer in the field working and presenting their goods in the manner of traveling salesmen in the United States." He argued that there was trade to be had but not without great effort as competition was "keen" in China.⁵⁰ Consul-General W. A. Rublee remarked caustically that the trade in rubber shoes and cotton socks would probably not interest American manufactures. Germany and England, however, would "overlook

⁴⁹U.S., Department of State, Consular Reports: Commerce, Manufactures, etc., No. 304 (January, 1906), p. 59.

⁵⁰Ibid., No. 301 (April, 1905), 7-8.

none of these opportunities."⁵¹ Each bit of such attention, of course, served to lessen American opportunities for trade in a market already seriously curtailed by inaccessibility, poverty, a lack of affinity for western manufactures, and an unfavorable balance of payments.

The Standard Oil Company, more than any other American firm, employed a well-organized and effective sales and distribution system in China. It set its sights on dominating the growing market in China for kerosene. To meet the competition from Russian and Dutch oil after 1890, Standard sent several representatives to China in order to determine how best to increase sales. The result of such investigations was several attempts by the company to reach agreement on marketing spheres, special pamphlets in various languages outlining the best methods of using and caring for kerosene lamps, and the production and sale of lamps and wicks at low prices. Beginning in 1890, Standard had ceased f.o.b. deliveries to Atlantic coast merchants who sold the oil in China in favor of distributing its products through its British affiliate, the Anglo-American Oil Company.⁵² In 1898, the company went so far as to purchase Russian kerosene which was sold as a second grade to compete with the oils of Shell

⁵¹Ibid., LXIX (1902), 35.

⁵²Ralph and Muriel E. Hidy, Pioneering in Big Business, 1882-1911 (New York: Harper and Brothers, 1955), p. 152.

and Royal Dutch.⁵³ These efforts met with disappointment, however, and failed to offset the shorter transportation routes, lower production costs, and the advantage, due to bulk shipments, of tariffs levied on value as opposed to volume enjoyed by its Russian and Dutch competitors. Speaking of the situation in 1899, the historians of the company declared that Standard "would never again be anything more than one of several contenders for the leaders crown in the Far Eastern petroleum markets." By 1908, far from dominating the market in China, statistics demonstrated that Standard fell far short of supplying half of the oil imported.⁵⁴

The barriers to trade and investment previously discussed paled into relative insignificance as compared with the hostility of the Chinese toward all foreigners.

After fifteen years of careful study of the High Officials; Viceroy's, Tartar Generals, Provincial Judges, Treasurers, Etc. [sic] at a Provincial capital, and all grades of Chinese, from the above named, to the common coolie class, I am persuaded that, speaking broadly, all are unfavorable to foreigners.

So wrote Consul Samuel F. Gracey at Foochow in 1906. They resented the coming of the foreigner because they were convinced of their superiority in all things. The official

⁵³Harold F. Williamson and Arnold R. Daum, The American Petroleum Industry: The Age of Illumination, 1859-1899 (Evanston: Northwestern University Press, 1959), p. 676.

⁵⁴Hidy, Pioneering in Big Business, p. 262.

classes, he wrote, found themselves very uncomfortable as the result of contact with the western world "which is forcing upon them reforms, the trend of which is all toward great changes in their cherished beliefs, customs, learnings and methods; and they cannot see whereunto all this is leading them."⁵⁵ E. H. Conger, American Minister to China, surmised that either China had to be left to herself "to proceed alone and in the same way that she has for thousands of years, with her inexhaustible resources of material and trade still undeveloped; or her mines must be opened and her railways built and trade developed by foreigners."⁵⁶ If the latter course were chosen the path would be strewn with opposition which Chinese officials would be "unable to promptly suppress." Such an obstacle was so formidable in his view as to cause the effort to maintain China's integrity to be a somewhat less than worthwhile task.⁵⁷ That the hostility of the Chinese was the common fare to be expected by foreigners, wrote L. S. Wilcox from Hankow, was not surprising when the antipathy of the Chinaman toward his countrymen from any province but his own was so intense.⁵⁸

⁵⁵Samuel Gracey, Consul at Foochow, to Robert Bacon, Assistant Secretary of State, December 11, 1906.

⁵⁶Edwin H. Conger, Minister to China, to Secretary of State John Hay, November 3, 1898.

⁵⁷Ibid.

⁵⁸L. S. Wilcox, Consul at Hankow to David J. Hill, Assistant Secretary of State, October 4, 1900.

The hatred of the Chinese assumed a more overt character during and after such incidents as the Boxer uprising in 1900 and the Russo-Japanese War. Samuel Gracey reported in 1900 that in Foochow there was "a great increase of inflammatory posters appearing on the streets and many more people salute foreigners with threats, saying 'you will be all killed [sic] in a few days.'"⁵⁹ On August 25, 1900, John Goodnow reported the deaths of two American missionaries and the fact that other missionaries on the scene found these deaths "directly chargeable to the Chinese Government which issued an Edict ordering the extermination of foreigners, which Edict was promulgated by Yu Hsien, Governor of Shansi and acted upon by the local officials."⁶⁰ In February, 1906, William Martin reported that the Chinese seemed to make a conscious effort "to do nothing the foreigner wants, but as far as possible to place every conceivable obstacle in the way of securing the rights pledged him under the treaty."⁶¹ Later in the same year he noted that the 7,000 to 10,000 coolies working in the shipping yards and tea factories of foreigners were "like wolves, one will slink away but a number of them will attack with their carrying sticks."⁶²

⁵⁹Samuel L. Gracey, Consul at Foochow to Thomas W. Cridler, Assistant Secretary of State, July 23, 1900.

⁶⁰John Goodnow, Consul-General at Shanghai to T. W. Cridler, Assistant Secretary of State, August 25, 1900.

⁶¹William Martin, Consul at Hankow, to Robert Bacon, Assistant Secretary of State, February 6, 1906.

⁶²Ibid., June 30, 1906.

The fact that China was militarily impotent in the face of the far superior strength of the West should not be interpreted to mean that she was incapable of effectively resisting the attempts to open China to business by means of treaties. While the government affixed its signature to many such instruments, the Chinese were unexcelled in the delicate but potent art of substituting delayed negotiations and meaningless gestures for direct confrontation. In 1899 the Consul-General at Shanghai was able to report that the privilege of expanding the international settlement there had been granted satisfactorily.⁶³ The jubilant telegram bearing this news had been preceded by three full years of dogged negotiations and had left the impression with those involved that nothing could be gained in China through diplomacy unsupported by the determination of force.⁶⁴ Even though the provisions for abolition of the likin tax in the American Treaty of 1903 were never to become effective, L. S. Wilcox at Hankow complained that Chinese authorities had already made arrangements to change the likin stations, barriers, and tax to "Chew Hing Chu." Roughly translated, the term meant "Government devised office to ration troops, or a measure to furnish supplies for troops."⁶⁵ Whatever the new

⁶³Telegram from John Goodnow, Consul-General at Shanghai, to Thomas Cridler, Assistant Secretary of State, May 3, 1899.

⁶⁴See the clipping concerning Settlement Extension forwarded by Goodnow in a dispatch to David J. Hill, March 17, 1899.

⁶⁵L. S. Wilcox, Consul at Hankow, to Francis B. Loomis, Assistant Secretary of State, December 3, 1903.

name, however, the real point was that once again the Chinese intended to circumvent the provisions of a treaty by eliminating the title rather than the obstacle. The American consul at Foochow negotiated for six months in an attempt to secure a piece of land desired by the Standard Oil Company. Both the viceroy and the Foreign Board made every effort to obstruct the deal with a series of "unusual obstacles." The latest device, he reported, was their insistence that the seller's present themselves at the yamen. While the demand sounded innocent enough, he wrote, it was "well known, that in many parts of the Empire, when sellers of land were required to go to the yamens they were not only unmercifully squeezed, but in many cases were beaten, for selling to foreigners, thus defeating treaty provisions."⁶⁶ Such deviltry was enough to cool the ardor of the most enthusiastic advocates of expanded American trade and investment in China.

In the few cases where China seemed to countenance changes designed to facilitate trade with the West, the conservative and often corrupt nature of its officials and the vacillation of the government ruined the prospects. The area of financial reform offers a good example. Following 1900, China, a silver-standard nation, found its exchange position worsening due to the decline in value of silver in relation to gold. Her trade suffered greatly, and most of the loans and indemnities she had incurred called for payment on a gold basis. In January,

⁶⁶Samuel L. Gracey, Consul at Foochow, to Robert Bacon, Assistant Secretary of State, December 11, 1906.

1903, China in league with Mexico, presented a memorandum to the United States which dwelt on the serious threat posed by the issue. The document was an appeal for aid, and skillfully emphasized the fact that if developments were not arrested both nations would be crippled as markets for the goods of the gold-standard nations. Specifically, both requested that a definite ratio between gold and silver be established so that they might remain on a silver standard and yet improve the possibilities of trade with western nations.⁶⁷ The United States sent an expert who proposed a feasible gold-exchange standard that met with the approval of the foreign powers and of foreign businessmen and was designed to bring order out of the chaos of the currency system. The proposal, however, met with objections from the bankers and officials who were making great profits from exchange manipulation, and from the irresolute government at Peking. Several other plans to correct the problem were proposed prior to the advent of the revolution in 1911, but all met with variations of the same fate as had the American proposal.⁶⁸ While hostility was not the key factor in the failure to remove this barrier to trade, the result was the same. The

⁶⁷Meribeth E. Cameron, The Reform Movement in China, 1898-1912 (Stanford: Stanford University Press, 1931), p. 166.

⁶⁸Ibid., pp. 167-171

long and agitated discussions concerning the currency, as one scholar has put it, "had been productive of much sound and no substance."⁶⁹

The briefest survey, then, of informed contemporary opinion on the China market suffices to demonstrate that it provided many more of the elements of a nightmare than of a dream. Only unquestioning and uninformed rhetoric, as opposed to a factual analysis, could find in the China market the makings of a sizable and lucrative outlet for American goods. Such rhetoric took little or no account of the obstacles to trade on a large scale. Indeed any such image so grossly misrepresented the actualities as to assume the proportions of a myth.

⁶⁹Ibid., p. 171.

CHAPTER III

THE BUSINESSMAN WITHOUT A COUNTRY

The unusual strength of the anti-foreign sentiment in China combined with the aggressive tactics of America's competitors for the trade and investment opportunities that were available there made the position of the American businessman most tenuous and difficult. Particularly, these factors dictated the need for effective and bounteous aid and council to American business concerns on the part of the government in Washington. Next to the efforts of the business community itself, the support of the government provides the most telling test of the accuracy of the view, so often expressed in the period 1890 to 1910, that America was ready and eager to enter into combat for the China market.

The results of such an inquiry reveal again that the gap between rhetoric and deed was rather sizable. The attitude of the government was not, until the closing years of the period, productive of any meaningful measures of support beyond frequent expressions of good will. Both the Department of Commerce and the Department of State urged consuls to submit reports on the openings available in China for numerous manufactured products. These reports were then published in great numbers. This information, while useful,

hardly met the needs of the American businessman beset in China with the competition of other foreigners whose governments provided subsidies, support for banking establishments, and definite concessions.

No one described the issue more tersely at an early date than did T. R. Jernigan, American Consul-General at Shanghai. His observations were so cogently stated in 1896 that they warrant reproduction here:

European nations are sustaining the efforts of European merchants more substantially than the American merchant is sustained. The latter, in the competition for Asiatic trade, has to rely upon his own skill and energy, while the merchants of Europe are encouraged by the aid given to the great steamship lines which carry their flags and pour the productions of Europe into Asiatic ports. At the port of Shanghai, the great commercial and distributing center of Asiatic trade, Great Britain, France, and Germany have direct mail and commercial communication--the steamers entering and leaving the port every week, carrying the flags of their respective nationalities, while no ship carrying the American mail and flying the Stars and Stripes touches at Shanghai at all. . . . The trade relations of the United States with China can not [sic] be satisfactorily enlarged until American merchants are secured a more advantageous position. They can not [sic] successfully compete for Asiatic trade, even with the natural advantages of their geographical position, when such advantages are so greatly neutralized by such resources and means at the command of their competitors as referred to.¹

In addition to governmental subsidies to shipping, Jernigan pleaded that the government in Washington should foster the establishment of an American bank and journal in China and

¹U.S., Department of State, Consular Reports: Commerce, Manufactures, etc., L (1896), 95-96.

bring to fruition quickly the proposed canal through Nicaragua.² All these projects, he made clear, required immediate attention. But the actions of the State Department in the years that followed were not to reflect Mr. Jernigan's concern and enthusiasm for a strong supporting role in commercial endeavors by the American government.

Charles Denby and his successor as American Minister to China, Edwin H. Conger, were advocates of American investment in China as a means of increasing sales of American goods. Both were restricted, however, by the cautious attitude prevalent in the State Department with regard to the degree and nature of governmental support to private enterprise overseas. In 1895, Denby was a warm supporter of American concerns in pursuit of railway, mining, and military contracts to be awarded by the Chinese government. On June 22, 1895, however, his ardor was considerably cooled by instructions from Secretary of State Richard Olney, reminding him that American citizens could be "introduced and vouched for as such," but that he was not to use his diplomatic position to further their business enterprises.³ In 1898, Conger quickly learned the tolerances of the Department. He reported that the aid of the Legation at Peking would be "cheerfully and

²Ibid., p. 96.

³William R. Braisted, "The United States and the American China Development Company," The Far Eastern Quarterly, XI (February, 1952), 147.

actively given" along the lines established by Denby "so far as wise and proper; but experience has long since proven that neither legislation nor official aid can take the place of business enterprise in business affairs."⁴

Willard Straight was an enthusiastic exponent by 1907 of investment as a spur to increased trade. From his consular post at Mukden in Manchuria, he labored incessantly for such goals. But even at that late date, he had to deal with the limited view of proper assistance still prevalent in official circles and exemplified by the American minister, W. W. Rockhill. Contrasting the two points of view, Straight's assistant George Marvin wrote:

Straight's attitude toward China and especially toward the Manchurian situation was entirely different from that of the American Minister. Mr. Rockhill was content to affirm the doctrine of the 'Open Door'; Straight jeopardized his life and nearly brought about a break in diplomatic relations with Japan by his insistence on maintaining the Door in Manchuria actually open. He saw opportunities for development of American trade in North China and for railway building which Mr. Rockhill ignored. He detected and reported Japanese treaty infringements which were very disturbing in Peking and Washington. So it is easy to understand how for a long time there was a lack of understanding between Mukden and Peking.⁵

⁴E. H. Conger, Minister to China, to Secretary of State William R. Day, July 31, 1898. This correspondence was taken from the microfilm copy of the Department of State Archives located in the Michigan State University Library. All citations hereafter of dispatches from the Minister at Peking are taken from these microfilm copies.

⁵Herbert Croly, Williard Straight (New York: The Macmillan Company, 1924), p. 235.

While Japan, Germany, Russia, and Great Britain were using every means to aid their nationals in increasing their trade with China, the American diplomatic corps often spent its time carefully refraining from introducing one American company more strongly than another to the Chinese government.⁶

The real responsibility for the promotion of American trade lay with the consular service as opposed to the legation in Peking. The small degree of support extended to the service provides ample evidence of the lack of serious purpose in Washington. Indeed, government support here approached apathy. W. W. Rockhill focused on the problem in 1897:

Incredible as it may seem, the consular service of the United States has, since 1789,--when the first consul was commissioned,--down to the present day, received such scant recognition from the legislative branch of the Federal Government that, in this period of one hundred and eight years, but one general act (that of 1856) looking to its improvement has been passed. Presidents, Secretaries of State, and committees of both Houses have, time and again, urged on Congress the necessity of making changes in the mode of appointing and compensating our consular officers, and have called its attention to the impossibility of securing efficient officers without permanency of tenure; but all to no avail.⁷

The act of 1856, he explained, provided for a corps of consular clerks from which consuls would be drawn. Since its inception, however, while sixty-four clerks had been appointed to the corps, only eight had been promoted to consulships.

⁶Braisted, "American China Development Company," p. 148.

⁷"Evils To Be Remedied In Our Consular Service," The Forum, XXII (February, 1897), 673.

Most clerks, in fact, preferred to remain at the "meagre salary of \$1,200 a year" rather than take the chance of being dropped from the service a year or two after being appointed consul in favor of a man awarded the post as a political favor.⁸ In addition to a poor mode of selection and the lack of provisions for permanency of tenure, other evils outlined by the author were inadequate compensation, an overabundance of "feed consulates" and commercial agencies, and imperfect enforcement of regulations.⁹

While these general defects and omissions were strongly evidenced in the case of China, a review of consular dispatches reveals that several other categories of complaint had to be added. Criticisms as to the sorry condition of consular offices in China were frequent. The facilities were viewed as not only inadequate but as reflecting unfavorably on the United States. In 1892, J. A. Leonard, Consul-General at Shanghai, reported that the office furniture of the consulate had been purchased many years before and no longer was commensurate with "the appearance that our government's consulate should maintain."¹⁰ His successor, T. R. Jernigan asked the State Department for \$350 to buy "suitable furniture" for the office. "The Consulate," he wrote, "is with-

⁸Ibid.

⁹Ibid., p. 679.

¹⁰J. A. Leonard, Consul-General at Shanghai, to William F. Wharton, Assistant Secretary of State, April 29, 1892.

out even the necessary furniture, and the writing desks and chairs in my office, including the chairs and tables in the Court Room would not sell for seventy-five Mexican dollars."¹¹ After he had dwelt on the subject several more times over the next year, he was finally allowed to expend \$175 for new furniture--exactly half of what he had requested as a bare minimum.¹² That this allowance did not go far and that little else was done to improve the furnishings is indicated in a report from James L. Rodgers in 1905. He found the furniture of the Consulate-General in "a ruinous condition." "That of the Court Room," he wrote, "is especially so nearly all chairs being broken and the tables and desks beyond repair."¹³

The importance of the Canton consular district, comprising a Chinese population of eighty million, made the complaints of the American consul, Edward Bedloe, most instructive. After arriving at his new post, he found the offices so poorly cared for and furnished that he used his hotel room, instead of the consulate, for his business. When he could no longer avoid giving a reception for Chinese officials and the consuls of other nations, he found it necessary to borrow furniture for the consulate from his friends.¹⁴

¹²Jernigan was notified of the allowance on July 31, 1895.

¹³James L. Rodgers, Consul-General at Shanghai, to Francis B. Loomis, Assistant Secretary of State, July 6, 1905.

¹⁴Edward Bedloe, Consul at Canton, to William R. Day, Assistant Secretary of State, April 7, 1898.

There was no problem with consular buildings harmonizing perfectly with the furnishings within. In 1900, John Goodnow at Shanghai wrote that both Minister Conger and himself had pronounced the quarters there "unfit."¹⁵ No improvements were provided for by the State Department, and in 1905 one finds the following comments in a report from James Rodgers at Shanghai:

Second to tell you privately about the Consulate-- I mean the building. It is a wretched place. The Jail is a disgrace to a civilized nation, the post office the same and the Consular quarters about as bad. The location (behind a lot of warehouses) should be changed and it cannot be done too soon.¹⁶

The quarters were the poorest of any nation except Portugal, Rodgers declared, and he would not live at the Consulate as it was not a "fit place" for his wife and children. "With one exception," he concluded, "I will be the only Consular representative not housed by his Government and under present Shanghai rents that means a good deal."¹⁷ In September, he contrasted his dismal predicament with that of the other powers represented at Shanghai and found there was real significance in the exploitation of the other nations, particularly to the Chinese, "for whom display is an essential," just as there

¹⁵John Goodnow, Consul-General at Shanghai, to T. W. Cridler, Assistant Secretary of State, November 27, 1900.

¹⁶James L. Rodgers, Consul-General at Shanghai, to Francis B. Loomis, Assistant Secretary of State, June 17, 1905.

¹⁷Ibid.

was great harm done to American interests by "the seeming indifference" of the United States. "The handsome English, French, and German Consulates on the water front of Shanghai," he wrote, "do not fail to make an impression on the Chinese."¹⁸

Upon assuming responsibilities as Consul at Amoy in June of 1897, Burlingame Johnson was dismayed by the condition of the structure housing the consular offices. He wrote immediately to the Department in Washington complaining that the property was "in a most dilapidated condition." The building was thirty years old and no repairs of any kind had been made in four years. The flagstaff was "uselessly decaying." As to the building itself: "The verandas are falling, posts have rotted off, plastings [sic] falling, and the roof needs thorough repairs." Four of the rooms, he noted, had been abandoned completely as unfit for occupation which meant that desks were crowded into the remaining rooms and that Johnson had to use one room in his residence for official business.¹⁹ He was authorized to have the flagstaff painted immediately. Within the next year, \$1700 was allowed for other repairs--ample testimony to the accuracy of his description.

¹⁸James L. Rodgers, Consul-General at Shanghai, to Francis B. Loomis, Assistant Secretary of State, September 14, 1905.

¹⁹Burlingame Johnson, Consul at Amoy, to the Department of State, June 26, 1897.

While reports from other consular areas abounded in like complaints, no one found better reason for depression on the score of consular quarters than did John Fowler at Chefoo. This was an important post due to the rather large sale of cotton goods in this period. Yet while the Japanese government had erected a new consular building and the Russians a new post office, and while the Germans were planning a new consulate in the city, Fowler and his staff found themselves homeless, and without any prospects of securing "another place even approximately approaching this in situation or convenience." Fowler had asked the government to purchase the Consulate from its Chinese owner who had indicated that he no longer wished to rent the building. Washington had delayed, and, in the interval, the Russians bought the building even though there was "neither a single Russian merchant or non-Government (Russian) enterprise here."²⁰ In addition to totally disrupting the work of the consulate, such a display could not fail to create a poor impression in the minds of the Chinese in the area and prove harmful to the trading efforts of Americans working for the sale of their products.

The inadequacy of the operating budgets allowed by the government to the consular posts established in China resulted in a seriously curtailed effectiveness. John Goodnow at

²⁰John Fowler, Consul at Chefoo, to the Assistant Secretary of State, October 31, 1905.

Shanghai forwarded to the department in 1902 a request from John Miller for a traveling allowance of \$250.00. Goodnow asked that the request be granted to Consul Miller and that all consuls be given this type of allowance. "I think I am within bounds," he added, "in saying that most every Consul in China has paid that amount out of his private pocket during the past year in traveling within his district."²¹ In 1906, Harry J. Paddock, Consul at Amoy, stated that his dispatch was not intended as a complaint, "but is merely to show what the present inadequate allowance for contingent expenses forces upon a Consulate where there is an enormous amount of work to be done, and upon the consul, in personally meeting expenses for services he is bound by law to perform."²² He, like his predecessor George Anderson, felt compelled to ask for an increase of his allowance from \$135.00 a quarter to \$250.00 so that he would no longer find it necessary "to meet personally charges that are absolutely necessary." Otherwise, he declared, "the consular work in this office cannot be performed."²³ An official reading the letter noted only that Paddock should be informed that his dispatch had been received. The consulate at Chefoo had a particularly long history of problems stemming from inadequate support. As late as 1906,

²¹John Goodnow, Consul-General at Shanghai, to H. H. D. Peirce, Assistant Secretary of State, July 2, 1902.

²²Harry J. Paddock, Consul at Amoy, to the Assistant Secretary of State, June 12, 1906.

²³Ibid.

Consul Fowler remonstrated that his allowance of \$1795 for contingent expenses was insufficient to meet the minimum expenses which had averaged \$3209.85 over the previous five years. He too met the difference out of his own pocket.²⁴

Far more serious and indicative of a lack of real purpose on the part of the government in lending assistance to her merchants in China were the small staffs and niggardly salaries prevalent in the consular service there. Speaking to the former point, Consul-General Rodgers at Shanghai discussed the significance in the eyes of the Chinese of the gap between the extensive efforts of Great Britain, Germany, France, and Japan and the small staff provided by the United States when he wrote in 1905:

They know for instance that Great Britain has a force of Englishmen in the various departments of its representation; that Germany has not only a large number here, but also has men traveling on trade matters; that France is likewise provided and that Japan is represented elsewhere. They know that absolute count will show that in Shanghai where the United States has one employee, Great Britain and Germany have six, France about four, and Japan counting only those in evidence three.²⁵

If it seemed probable that American interests would decline in the future, such a small force in Shanghai would be sufficient and seem reasonable, he wrote. Since all indications pointed

²⁴John Fowler, Consul at Chefoo, to the Secretary of State, May 29, 1905.

²⁵James L. Rodgers, Consul General at Shanghai, to Francis B. Loomis, Assistant Secretary of State, September 14, 1905.

to a gradually increasing American interest, however, the indifference of the government would soon be regretted. In November of the same year, Rodgers received instructions from the Department to prepare and forward to the Bureau of Trade Relations a report of the commerce and industries of his district. He replied that he would do what he could, but reminded the Department that due to the large amount of work and his small staff, he had to concern himself with many routine and time-consuming matters. The result was that it had "been almost an impossibility to devote any time to trade reports," and to studies such as the one called for in the present case. "I may say in addition," wrote Rodgers, "that each employee of this Consular establishment is kept exceedingly busy and that an ample amount of work could be found for many more men."²⁶

In October, 1903, L. S. Wilcox at Hankow on the Yangtze River wrote that he had never been able to secure the services of a man to serve as marshall who was competent to aid in the clerical work of the office, given the salary of \$950.00 per year. In fact, he wrote, since 1900, "we have been without a marshall most of the time." This meant that there was no one to attend to the office if he was taken ill "or found it necessary to visit other areas of his district while gathering material for trade reports."²⁷ Despite the

²⁶Ibid., November 9, 1905.

²⁷L. S. Wilcox, Consul-General at Hankow, to Francis B. Loomis, Assistant Secretary of State, October 6, 1903.

fact that the Hankow consular district was the largest the United States had in China and contained seven treaty ports, Wilcox's successor, William Martin complained in 1906 "that all the force in this office at present, capable of doing clerical work, consists of Mr. W. B. Hull, Student Interpreter, Mr. Kong Chen-ren the Chinese writer and myself."²⁸ A stenographer and a typewriter were needed immediately, he wrote. Standard oil's business in the area had increased sharply and a great deal of correspondence was required with the many missionaries in the area. With proper help he might be able "to give more time to investigating matters of interest to businessmen of the United States. . . on the various conditions relating to the business in which they are engaged."²⁹ Indeed, while Martin expressed the desire to make the Hankow Consulate-General into a model operation, he found American affairs so poorly handled at the time that the most optimistic report he forwarded concerned his finding that there were fewer American prostitutes in China "than any other power could boast." His survey revealed only three American girls of easy virtue.³⁰

²⁸William Martin, Consul at Hankow, to the Department of State, April 5, 1906.

²⁹Ibid.

³⁰William Martin, Consul-General at Hankow, to Robert Bacon, Assistant Secretary of State, December 2, 1905.

Canton was second only to Shanghai in importance as an American consular district throughout much of the period 1890 to 1910. Great Britain and Germany had a consular official at each of seven cities that had been made into treaty ports by 1897. When Edward Bedloe assumed his duties as American consul he was the only official representing the United States. He had no vice-consul and no clerk. He hired a clerk whom he was forced to pay out of his own salary during his first several months in office. Only after a missionary group had petitioned the Department of State was a vice-consul appointed late in 1898.³¹ The effects of such policies became apparent in a later dispatch from Bedloe:

I have the honor to enclose herewith a newspaper clipping from the Hong Kong Telegraph of February 19th, 1898 in reference to the illegal seizure of American Kerosene Oil in this district. Such seizures are of frequent occurrence and complaint in this district but the inadequate force of the staff in this Consulate, of only one consular officer and an interpreter, cannot afford protection nor relief in such cases.³²

In a similar case involving seizure of kerosene at Wuchow, the German consul stationed there was able to take effective action on behalf of his nationals so interfered with by the Chinese.³³

³¹Edward Bedloe, Consul at Canton, to the Assistant Secretary of State, February 10, 1898. See also Bedloe's letters of April 11, 1898 and July 18, 1898.

³²Bedloe to William R. Day, Assistant Secretary of State, February 25, 1898.

³³Ibid.

As to salaries, Samuel Gracey asked once again in 1902 that the Department see to the restoration of his salary to the \$3,500 it had stood at twelve years earlier when he had first joined the consular service. "The salary of this consulate," he wrote, "was cut down \$500 by a Democratic House in 1892 in a spasm of retrenchment, while the other two consulates located at Provincial capitals as this is, Canton and Tientsin, were continued at the old rate, as was also Amoy, which is not nearly so important a place as Foochow."³⁴ John Fowler, a veteran consul stationed at Chefoo, was hardly overjoyed with the raise to \$3,500 he received in 1905 after many protestations on his part. It was the smallest salary any consul or vice-consul stationed there was receiving. The raise meant that "after fifteen years, the salary of my post is increased to the figure that was recommended in 1890 [sic]."³⁵ Comparatively speaking, he wrote, the salary simply did not come up to standards:

Three British Consuls are now in England, who at one time or another have been stationed in the same port with me, two of whom were made Consuls long after I was, and the lowest any of these receive as pension is \$3750 gold.³⁶

³⁴Samuel Gracey, Consul at Foochow to H. H. D. Peirce, Third Assistant Secretary of State, September 26, 1902.

³⁵John Fowler, Consul at Chefoo, to the Secretary of State, May 29, 1905.

³⁶Ibid.

Prior to leaving his post at Foochow, Consul J. Courtney Hixson dispatched a lengthy letter to the department criticizing the condition of the consular service. He believed that this was entirely proper as he was "in nowise personally interested in what I am about to suggest." The salary of \$3000 was insufficient to enable a consul with a family to live comfortably in Foochow. More important, however, were the handicaps to effective work placed on the American consul where he was brought into competition with the consuls of other nations. Europeans might understand that a "cheap" consul did not imply "an inferior country with indifferent manufactures and shoddy goods," but with the Chinese it was a far different matter. When they saw French and English vice-consuls there receiving much larger salaries than the American consul, when they witnessed the far better facilities and larger staffs of all other delegations, and when they but rarely saw the American flag upon merchant ships in the China sea, the results could be anticipated:

This fact has provoked and always will provoke, undesirable comment and censure on what the oriental publicists term the littleness [sic] of our Government. As long as such a state of affairs exists the influence of the American Consulate, other things being equal, is necessarily bound to be seriously weakened; and the office itself will at times be held up as an object of ridicule, much to the humiliation of all American citizens.³⁷

³⁷J. Courtney Hixson, Consul at Foochow, to W. W. Rockhill, Assistant Secretary of State, July 1, 1897.

He urged the government to abandon a policy which was based on such false economy and which committed "our country's interests out here to certain injury." Particularly, he stressed the absolute need to increase salaries "seemingly calculated upon a starvation basis."³⁸

Complaints were registered from all the consular districts in China. No one, however, demonstrated greater desperation than did the American Consul-General at Hankow, William Martin. In March, 1905, after assuming his duties, he wrote complaining that the salary at Hankow was \$788.10 less than what he had received in Nanking and that he had found it very difficult to live on his former income. "Left in this situation," he declared, "I will simply go bankrupt." His problem was compounded by the fact that he had to pay the rent for his quarters, \$984.00 per year, out of this, "the smallest salary of any American Consul-General in China."³⁹

The problems of these officials were magnified greatly as one moved down the scale to the lower job classifications. The yearly salary on an average for marshalls, clerks, and interpreters ranged from \$750.00 to \$1000.00. Incompetence, rapid turnover, and corrupt practices at all levels were common as a result of such barren policies. In a span of two years the consularship at Amoy changed hands four times.

³⁸Ibid.

³⁹William Martin, Consul-General at Hankow, to Francis B. Loomis, Assistant Secretary of State, March 27, 1905.

Edward Bedloe was followed by a German resident who in turn was followed in a few months by Delaware Kemper. In June, 1897, Burlingame Johnson took over. He found the property in a dilapidated state and the work of the office left in a very unsatisfactory condition. "Notwithstanding this," he wrote, "I find that absolutely no attention was given to the openings for American products and that for three years there has not been a single trade report to the Department calling the attention of exporters to existing conditions."⁴⁰ The practice of collecting "unofficial" fees which found their way to the consul's pocket was one defense perfected against the penurious outlook of the government. W. W. Rockhill noted that "consuls have been allowed to remain underpaid and to collect, often in violation of statutes and regulations, fees to eke out their meagre salaries."⁴¹ The case of the marshall at Hankow who was found guilty in 1899 of smuggling opium was by no means unique.⁴² The method of selection provided exactly the right element to foster such practices. In 1868, Senator Patterson of New Hampshire spoke to the point before the Senate:

⁴⁰Burlingame Johnson, Consul at Amoy, to the Department of State, June 26, 1897.

⁴¹"Evils to be Remedied," Forum, p. 674.

⁴²Letter from the Consular Bureau found in the dispatches from the Shanghai Consulate, March 8, 1899.

Under our present system, consular and diplomatic agents are selected without regard to their qualifications. As a rule, these appointments are bestowed as a reward or inducement to political service, rather than to secure, in the interests of trade and diplomacy, the best ability which the country affords. Not one-tenth of the whole number of appointees are conversant with the language, geography, laws, political economy, or material resources of the countries to which they are accredited. . . .⁴³

Such evils had only intensified in the years following his remarks. Particularly was this so in China.

In 1906, after sixteen years of efforts to secure reform, Congress was able to pass a bill for the "Reorganization of the Consular Service" which did make for improvement of the corps. The new law provided that all fees, official and non-official, had to be recorded and forwarded to the Treasury Department. Also eliminated was the practice of hiring foreigners to positions paying \$1000.00 or more. A new consular inspection system was created with a provision for five Consul-Generals-at-large who were to be selected on the basis of experience and performance in the service and to be paid \$5,000.00 per year. One such officer was to be stationed in Asia and required to inspect each consulate at least once in every two years. These officials were empowered to report any irregularities and recommend proper punishment which might include the removal of officials involved.⁴⁴

⁴³"Evils to be Remedied," Forum, p. 675.

⁴⁴U.S., Congressional Record, 59th Cong., 1st Sess., 1906, XL, Part 4, 3968.

Most importantly, the bill established a classification of consular posts according to the importance of the commercial city where each was situated. Seven categories of Consuls-General were created. Shanghai and Hongkong were placed in the second category with a salary increase to a respectable salary of \$8,000. Canton and Tientsin were placed in the fourth class and the salaries at each raised to \$5,500. Among the eight categories of consulates created by the bill, Amoy and Foochow were put in the third with an increase in salary to \$4,500.⁴⁵ These measures were a first indication of a degree of serious purpose concerning American commercial interests in China.

Consular posts were an important source of patronage for members of Congress. It was this fact, more than any other, that caused the long delay in the realization of consular reform. Likewise it caused the civil-service features of the bill that was passed to be stricken out at any early stage of its legislative career. President Roosevelt, however, promulgated an Executive Order on June 27, 1906, drafted by Secretary of State Root, which extended the merit system to the consular service and incorporated the very provisions that had been dropped out of the Reorganization Bill. Original appointment was to be secured only through searching oral and written examinations in at least one foreign language; "the

⁴⁵Ibid.

natural, industrial and commercial resources and the commerce of the United States, especially with reference to the possibilities of increasing and extending the trade of the United States with foreign countries; political economy; elements of international, commercial, and maritime law."⁴⁶ The applicant was required to achieve a score of at least 80 out of a possible 100 points to become eligible for appointment to a consular position. Promotion in the service was made contingent upon demonstrated efficiency and faithful service. The measure also sought to divorce appointments to the consular service from the domain of partisan politics stating that "neither in the designation for examination or certification or appointment will the political affiliations of the candidate be considered."⁴⁷ John Ball Osborne correctly praised the Order as transforming the consular system from a haven for defeated politicians, broken-down clergymen, and unsuccessful businessmen into "a most attractive career to ambitious young men" whose record would "no longer be written on the sands of one administration only to be washed away by the next political tide."⁴⁸

⁴⁶John Ball Osborne, "The Reorganized American Consular Service As A Career," The Forum, XXXIX (July, 1907), 129.

⁴⁷Ibid., p. 132.

⁴⁸Ibid., pp. 131-134.

The increasing importance placed on foreign trade in Washington could be seen in other actions favoring commerce. The encouragement given economic interests in Cuba, Santo Domingo, and the Philippines following the Spanish-American War is a good example. Another was the construction of the canal through Panama.

At times, the government served American commercial interests by its failure to apply pressure in China on behalf of its merchants. Some advantage accrued because their proposals were viewed as being free of political ambitions. T. R. Jernigan made this point in 1895:

China has cause to be cautious in her dealings with the nations of Europe, but more than ever is she convinced that the United States have [sic] no aggressive design save in the legitimate field of commercial and industrial enterprise. . . . The field is inviting and American business men may enter it free from the prejudices which often prove unfavorable passports to the marts of trade.⁴⁹

American support for the open door and the return of her segment of indemnity levied against China after the Boxer Revolt continued to relieve Chinese suspicions and to enhance somewhat the bargaining position of American traders and investors.

These measures, while important, were too long delayed and scarcely matched the actions of the other governments in China. The predicament of American trading interests in China was well described by Frederick McCormick in 1911. The vaunted

⁴⁹T. R. Jernigan, Consul-General at Shanghai, to Edwin F. Uhl, Assistant Secretary of State, September 7, 1895.

prophecies at the turn of the century that the Pacific would soon become "an American lake," had to be viewed against what McCormick called the "rout" of American trade. American exports to China had declined from \$58,600,000 in 1905 to \$15,500,000 in 1910. The intervening years had shown a steady decline. A central cause of such a denouement lay with the lack of assistance proffered to American trade by the government in Washington. "While the American Government has not yet taken measures adequate to protect America's trade in the Pacific," he wrote, "economic and political measures of other nations have dealt it the severe blow now realized through the Government's reports."⁵⁰ Great Britain, France, and Germany had subsidized their shipping to China and then secured large loans in China by which great volumes of trade were controlled. Japan's tactics were even more interesting because they epitomized the effective use of subsidies, loans, and official encouragement. In Manchuria, for example, the Japanese flour mills, McCormick noted, "financed by Government money loaned at four per cent, are meeting all competition."⁵¹ Against these efforts the United States could boast of only a few individuals who tried to uphold American interests in China "where American enterprise has repeatedly failed through lack of support of united American industry and Government protection."⁵²

⁵⁰"American Defeat in the Pacific," The Outlook, VIIC January 14, 1911), 68.

⁵¹Ibid., pp. 68-69.

⁵²Ibid., p. 72.

The fact that the government had been successful in maintaining a nearly untarnished policy of no assistance to commercial efforts in China reflected the increasing concern for expanding the already bounteous home market and securing tariff protection for it. The depression of the 1890's far from causing a turn en masse by government agencies to the foreign market, had resulted in increased efforts to develop viable outlets for manufactures at home. While there had been an increasing interest in exports since the 1890's, both businessmen and government officials continued to place primary stress on the home market. In 1909, John Barrett, Director of the Bureau of American Republics, in an address delivered at the annual meeting of the National Association of Manufacturers, dwelt on this point. "Our country," he said "cannot become great as a manufacturing nation, our manufacturers cannot reach the very highest degree of prosperity, unless we consider the export market at the same time that we consider the home market." Specifically, he decried the fact that in all the speeches in Congress on the pending tariff bill and in all the comment in the press, there had been "an absolute neglect of the effect the tariff may have upon our export trade."⁵³ In short, concern for the export trade was overshadowed in this period by endeavors at home that evoked greater enthusiasm and served to moderate government action abroad.

⁵³"South America--Our Manufacturers' Greatest Opportunity," The Annals of the American Academy of Political and Social Science, XXXIV (November, 1909), 521.

Turning our attention to government support of American investment in China, we encounter developments closely paralleling those in the commercial field. The gathering of investment contracts in China, especially in railroads, contemporaries agreed, could provide support for American trade and greatly increase the sale of American goods. Americans were well fitted to play an important role, it was thought, given the valuable experience garnered through the construction of their five great transcontinental lines. But while several American officials in China became convinced of these truths and acted upon them, meaningful government assistance did not materialize until late in the period.

Most successful of American concerns seeking concessions in China was the American China Development Company incorporated in December, 1895. On April 14, 1898, the Company secured the right to build and operate a railway from Hankow to Canton. The history of this, the only railway project to be secured by Americans after 1895, was characterized by a lack of good faith and proper regard for commitments that reflected poorly on American business and which will be discussed more fully later in this study.

But the degree of government assistance offered the project was hardly breathtaking. In reply to an appeal from A. W. Bash, the agent for the Company, asking for assistance in protecting its concession against anticipated French interference, Secretary of State, William R. Day wrote that general instructions were not issued by the department covering

"contingencies the nature of which cannot be foreseen and which may never arise." He also refused to join with the British government in guaranteeing the company. His only commitment was that if the company's contract were violated the United States would act "in such manner as might at the time appear lawful and proper."⁵⁴ Government support for the poorly managed company became somewhat more substantial under Secretary of State John Hay. In 1904, the Department was instrumental in helping a group of New York capitalists regain control of the company that had been controlled by a syndicate of French and Belgium capitalists since 1900. Not, however, until 1905, when China made clear its intention of purchasing the concession from the American company which had completed only twenty-seven of the projected 900 mile connection, did the government demonstrate real energy and purpose. The American government protested the sale most vigorously. The American minister, W. W. Rockhill, questioned the Chinese Minister of Foreign Affairs in most pointed and threatening terms.⁵⁵ The loss of the concession was very distressing to both President Roosevelt and the new Secretary of State Elihu Root, and coming at the very time when Americans had regained control of the company, its demise formed a commentary on the ineffectiveness and lack of experience of the American government in such affairs in China.

⁵⁴Braisted, "American China Development Company," pp. 149-150.

⁵⁵Varg, Open Door Diplomat, pp. 72-75.

In September, 1908, Williard Straight returned home from his consular post at Mukden with a draft agreement providing for the investment of American capital in Manchuria. Straight succeeded in convincing enough American bankers, headed by E. H. Harriman, of the value of the concession. The second obstacle--securing the support of the American government for the enterprise--proved to be the faltering point of the scheme. As an official in the employ of the State Department, Straight could not carry on negotiations with American financiers looking toward the investment of capital in China without authorization from the Secretary of State. Secretary Root, however, was negotiating what was to become the Root-Takahira agreement with Japan which lent support to the status quo in the Far East. He was fearful of arousing Japanese opposition. Therefore, he told Straight that he might submit the Chinese plan to Harriman, but that he did not wish Harriman "to venture in as a result of any positive encouragement from the government."⁵⁶ The State Department, then, once again played the role of "a complacent abettor" in this episode. Moreover, the announcement of the agreement between the United States and Japan forged by Root discouraged the officials in China who supported the investment plan and played a key role in its eventual abandonment by both sides.⁵⁷

⁵⁶Croly, Williard Straight, pp. 269-271.

⁵⁷Ibid., pp. 272-276.

At the close of the period under consideration, it became evident that both American trade and influence in China had seriously declined. This realization and the explanation for it that the open door could not be a reality in China when the nations that garnered railroad contracts were able to monopolize the purchase of materials for their own nationals, led to two ventures, spearheaded by the State Department and aimed at promoting American commerce and influence by means of investment. The first involved the Hukuang loans floated originally in May of 1909 by Great Britain, France, and Germany to finance the proposed railways from Hankow to Canton in the south and from Hankow to Szechwan in the west. At the time of the cancellation of the American concession in 1905, the Chinese government had promised Minister Conger that if a loan were needed to build a road from Hankow to Szechwan, American capital would be given equal preference with that of Great Britain. Williard Straight jogged the memory of the Taft administration which in turn demanded the participation of American capital in the loan. Neither the Chinese nor the European bankers were enthralled with the prospect of American entry into the consortium. The Department of State insisted on an equal share for American investors. A final agreement was not realized until May of 1911 when America was admitted on equal footing to the revised four-power consortium.⁵⁸

⁵⁸Edward H. Zabriskie, American-Russian Rivalry in the Far East: A Study in Diplomacy and Power Politics, 1895-1914 (Philadelphia: University of Pennsylvania Press, 1946), pp. 144-148.

In September, 1909, the United States proposed the neutralization of the railroads in Manchuria by means of an international loan to China that would allow her to purchase the roads from Japan and Russia. Both this scheme and the alternative plan of the now famous Knox Neutralization Proposal providing for financing and construction of the proposed Chinchow-Aigun Railway by the United States and other "interested powers" collapsed as a result of clever and determined Russo-Japanese opposition.⁵⁹ In September of the following year, the American government proposed a loan of \$50,000,000 to China for purposes of currency reform and industrial development in Manchuria. Again, however, the opposition, delay, and reservations offered by Japan and Russia discouraged American participants with the result that when the agreement was finally concluded on April 26, 1913, the United States was not a signatory.⁶⁰ While these adventures were productive of little in the way of investment (even the American portion of the Hukuang loans amounted to only \$7,299,000), there was significance in the fact that for the first time the American government attempted to promote trade with China through American investment.

Such latent and largely unsuccessful attempts, however, detracted but little from the predicament of American traders and investors as described in 1909 by C. S. Donaldson, Chief

⁵⁹Ibid., pp. 155-170.

⁶⁰Ibid., pp. 171-188.

of the Consular Division of the Bureau of Manufactures. He offered praise for the work of the Bureau of Manufactures in issuing daily consular and trade reports, noting that they were the only commercial and economic reports issued on a day to day basis by any government. The author also spoke enthusiastically of the new energy and "useful achievements" of the consular service and described the outstanding work done by specific consular officers.⁶¹ But while these new official efforts to foster American business interests abroad were encouraging, they could never become "as potential a factor as the paternalistic aid given in Japan and Germany by the Imperial governments."⁶² The bankers of Germany, France, and Great Britain, he continued, with the support of their governments, had established banking firms in China, South America, and elsewhere, and "turn all the trade possible to their nationals." Such efforts were, in his view, "invincible against the keenest Yankee trader who tries to compete for profitable orders." The record of the past was clear: "Against such tripartite combinations of government, banker, and the manufacturing exporter, the American seeking trade abroad has contended single-handed." As for the future, Americans could

⁶¹"Government Assistance to Export Trade" The Annals of the American Academy of Political and Social Science, XXXIV (November, 1909), pp. 556-562.

⁶²Ibid., p. 555.

only attempt "to make up in activity what these competing nations accomplish through associating public and private interests in strengthening their economic position."⁶³

The position then of the American trader and investor in China was not an enviable one. If his situation is contrasted with that of his competitors in terms of government assistance, it is not unfair to describe him as a man without a country. Certainly, it would appear that the impending conquest of the markets of China, confidently predicted by so many after 1890, had not assumed any urgency in the eyes of the government at Washington if its actions accurately reflected its attitude.

⁶³Ibid., pp. 555-556.

CHAPTER IV
THE AMERICAN TRADER AND THE CHINA
MARKET: A STUDY IN APATHY

Given the poverty and barriers of the China market and its neglect by the American government, the next question--and, of course, the most vital one in a study of America's economic connection with the Celestial Empire--must relate to the attitude and actions of the business community itself. Did the imagination, initiative, and energy of the Yankee manufacturer and exporter extend to his approach to China? Did American firms find themselves in desperate need of the China trade as journalists in the period and some political leaders so often prophesied they would? Was the prosperity of any single line of manufacturing dependent upon sales to China in this period? The answers to these and other pertinent questions provided by contemporaries familiar with American activities in China were in the negative and indicative of a relationship of but little consequence to the nation's pattern of growth in foreign trade.

The historian seeking to determine the attitudes of the business community toward the market in China finds that business itself had little to say on the topic. There was but scant comment on the China trade by businessmen in the journals

and popular magazines that dealt with foreign commerce. Only a few of the companies involved in the Asiatic trade kept records of their affairs in China. Standard Oil provided the most promising but ultimately futile exception, especially in view of the extensive reports submitted by William Herbert Libby, C. F. Lufkin, John H. Fertig, and other officials dispatched to the Far East to study the needs and possibilities for the company's products.¹

Consular reports published in this period did contain penetrating insights into the outlook and approach of American business concerns. Some of the consuls made strenuous efforts to promote American sales to China. They prepared lengthy discussions of the American commercial effort in China detailing the openings available for the nation's goods, the factors that determined success or failure, and the nature of the competition. The majority of these reports were made up of optimistic commentary which heralded each small advance in American sales, but throughout the hundreds of these responses there was registered common complaint of the failure of American interests to do what was necessary to sell to China.

¹It was learned, shortly after the initiation of this study, that the firm had destroyed its papers and established a standard record disposal policy with a seven year limit. This information was contained in a reply by Ralph W. Hidy, the historian of the Standard Oil Company, to a letter written by Professor Stuart Bruchey requesting information on behalf of the author as to the location and the possibility of gaining access to the company's manuscripts.

A lack of assertiveness on the part of American concerns made itself apparent in a variety of ways. Catalogs with descriptions of the goods handled by individual manufacturers were essential to increasing the trade or even to sustaining it. Consular officials stationed at major trade centers in China wrote often of the need and they likewise reported their disappointment when their fellow nationals failed to provide even this bare necessity.

John Fowler, stationed at Chefoo, offered the most vociferous complaints. In 1899, he wrote that on several occasions in the past he had "lamented the lack of trade papers, price lists, etc., sent to this consulate."² His need for such information was not frequent but when the occasion arose it was requisite that the figures be near at hand:

For instance, a merchant came to me one night saying, "I have to cable for 700 tons of a certain kind of lumber; to whom shall I send?" I looked through the small assortment of papers on file here and finally had to refer him to Shanghai. Later, I was called on for 50,000 tons (not barrels) of cement. I sat up until 3 a.m. looking for an address, because the merchant said "this is only the beginning of an immense order." I could only show him an advertisement in a New York paper. He cabled to London.³

On another occasion he was asked to place an order for 60,000 bushels of corn. He did not have the name of a single dealer

²U.S., Department of State, Consular Reports: Commerce, Manufactures, etc., LXI (October, 1899), 302.

³Ibid.

in the United States. He sent numerous inquiries to American exporters over a ten-week period, but received no reply. No one, it seemed, wanted to sell corn.⁴ In the following year, Fowler praised the National Association of Manufacturers for establishing a warehouse in Shanghai, but he found little improvement in the area of trade information in Chefoo. "I am still waiting for trade papers and catalogues," he wrote, "very few come to me."⁵

Of the catalogs that were provided, few were prepared with the peculiarities of the China situation in mind or contained the information needed to facilitate trade. The major faults of such publications centered around the fact that they were printed in English and did not contain complete quotations as to price, discounts, and freight rates. Vice-Consul Wilbur T. Gracey at Foochow received several promising inquiries for filing cabinets and card indexes. He wrote for information to a commercial museum on the Pacific coast. The catalogs that were supplied in response were merely retail listings which did not mention wholesale prices or discounts.⁶ This mistake, he noted, would not be made by the

⁴Ibid.

⁵U.S., Department of State, Consular Reports: Commerce, Manufactures, etc., LXIII (August, 1900), 487.

⁶U.S., Department of Commerce and Labor, Bureau of Manufactures, Monthly Consular Reports, No. 290 (November, 1904), pp. 35-36. It should be noted that beginning in April, 1904, the Department of Commerce and Labor began publishing the reports from consular posts. The title of the reports was modified as indicated above and volume numbers were eliminated in favor of serial numbers.

British. Gracey intended to write for the specific information required, but this entailed another delay of three to four months. In the meantime, he observed, the purchaser would make arrangements with British or French firms "and have his lines fully established before I can give him the particulars he desires." The necessity of quoting goods complete, Gracey stated in angry tones, had been explained many times in reports from the consulate over a period of fifteen years, "but seems to be considered unimportant by the American merchant."⁷ Speaking of recent circulars received from manufacturers of ice-making machinery who indicated in an accompanying letter that they could not quote prices, George Anderson, consul at Hankow, declared in 1905 that it could "be taken as a matter of course that nothing can be done toward the sale of such machinery in China without prices."⁸

Desirable as it was to have catalogs, these would not in themselves increase sales significantly. This was especially true when they were printed in English. Consul William P. Kent at Newchwang repeated an old refrain in 1911: "Sending catalogues and price lists printed in English to this section of China is worse than useless." The Chinese could not read them, and more importantly, they were not accustomed to buy

⁷Ibid., p. 36.

⁸U.S., Department of Commerce and Labor, Bureau of Manufactures, Monthly Consular Reports, No. 294 (March, 1905), 208.

in that way.⁹ In 1912, Consul Lester Maynard at Harbin reported that a number of opportunities had arisen for the sale of American manufactures. The catalogs of the Consulate had been examined. The results, however, were disappointing:

" . . . , but in each case price lists had not been included, and as the demands were urgent but did not justify cabling for prices, due to the high cable charges, no business resulted. Unless the intending importer has some means of having an English catalogue translated, or unless he is aware of the fact that American consuls are always prepared to assist him in this regard, a catalog in English is of little value; but in addition to this, when the prices are omitted the consul₁ is equally helpless and the catalog is useless.¹⁰

Thornwell Haynes, Consul at Nanking, found it "most unfortunate" that American efforts to sell to China had been "tied down to this unsystemized, spasmodic, hit-or-miss attempt to gain trade by sending over circulars which have utterly no meaning to a Chinaman." On occasion, at least, the ill-prepared circulars and catalogs were put to use in ways that had no relation to sales. A consul of his acquaintance was pleased by the incessant Chinese demand for them, but his curiosity

⁹U.S., Department of Commerce and Labor, Bureau of Manufactures, Daily Consular and Trade Reports, No. 91 (April, 1911), 286. This new series of daily as opposed to monthly reports was begun in July, 1910.

¹⁰U.S., Department of Commerce and Labor, Bureau of Manufactures, Daily Consular and Trade Reports, No. 145 (June, 1912), 1227.

¹¹U.S., Department of Commerce and Labor, Bureau of Manufactures, Monthly Consular and Trade Reports, No. 316 (January, 1907), 86.

was aroused when he received a request for catalogs, "especially those with thick leaves." Further inquiry revealed that the pages were used as insoles for shoes. "Why," lamented Haynes, "such a waste of time and money in playing so uncertain a trade game?"¹²

The apathy of American manufacturers was exhibited in their packaging of goods for the China market. Careful and thoughtful efforts were essential if breakable items were to reach China in usable condition, and if the demands and peculiar tastes of the Chinese in the matter were to be met. But, while often warned of his neglect, the businessman showed little willingness to respond with corrective measures. In 1894, Acting-Consul Grunenwald at Amoy discussed the threat posed by increased Russian competition in the oil trade. He predicted that the American product would be driven from the market "unless the American producers and exporters improve their packing and exercise more care in attention [sic] in the shipping of the oil." The dealers in the area, he noted, had repeatedly warned the American producers to no avail.¹³ From Foochow came an appeal in 1898 from Consul Samuel L. Gracey which underlined careful preparation and delivery of goods to China as of the first importance. In addition, a

¹²Ibid.

¹³U.S., Department of State, Consular Reports: Commerce, Manufactures, etc., XLIV (January, 1894), 222.

poorly designed trade mark may doom an otherwise desirable product to failure. "This," he wrote, "is particularly true in China."¹⁴

John Fowler at Chefoo underlined the point in 1899 that the appearance of the packaging was indeed of great significance to the Chinese. Covers on goods, whether of glass, tin, cotton, or other materials, had considerable influence upon the sale of the contents. Fowler noted gloomily that probably few American merchants would take the trouble to read his reports and these few would probably say: "Oh, we can not [sic] be bothered." By contrast, past experience had shown that the European merchant would study the suggestion and adopt it.¹⁵

Consular officials often found that they could not satisfy even their personal needs by ordering goods from home. In most cases the problem centered around the packaging techniques of American exporters. Wilbur T. Gracey, Vice and Deputy Consul at Foochow, declared that he had tried several times to get photographic supplies in the United States but had given up the effort "purely on account of the fact that I can obtain goods in better condition from England."

¹⁴U.S., Department of State, Consular Reports: Commerce, Manufactures, etc., LVI (February, 1898), 225.

¹⁵U.S., Department of State, Consular Reports: Commerce, Manufactures, etc., LXI (October, 1899), 301.

While each box of plates shipped from Great Britain was enclosed in tin as was each package of printing paper, he explained, one could not be certain that these items would arrive from the United States in usable condition.¹⁶

Thornwell Haynes wrote from Nanking in 1907 that an X-ray machine ordered by a physician in the city had arrived so broken that it had to be overhauled at great expense. The physician vowed that thereafter, if he wished an X-ray machine, a bicycle, a clock, or any other item, it would not come from America, "nor will the wants of his friends be supplied from there, so far as his influence goes."¹⁷ Haynes' own experience was limited to a lawn mower which arrived in such poor condition as to be completely useless. "My pride in things American," he wrote, "caused me to hide it in a back shed."¹⁸

Two special agents were dispatched to China after 1904 to study American trade methods there. Both focused in their reports on the failure to prepare goods for shipment to China. Special agent Burrill pleaded that more attention had to be given to proper packaging of goods because complaints were

¹⁶U.S., Department of Commerce and Labor, Bureau of Manufactures, Monthly Consular and Trade Reports, No. 290 (November, 1904), 36.

¹⁷U.S., Department of Commerce and Labor, Bureau of Manufactures, Monthly Consular and Trade Reports, No. 316 (January, 1907), 84.

¹⁸Ibid.

frequent that cargoes arrived in damaged condition. The complaints concerned virtually all classes of goods exported to China from the United States. The cause, he believed, lay with the American's preoccupation with domestic trade and transport. It was evident, he declared, "that the average American shipper fails to appreciate that packing that would carry freight safely by rail to any point in the United States, however distant from the factory, is practically useless under the wear and tear of transshipment by ocean steamship."¹⁹

His comrade, agent Crist, submitted a report in the following year from Tientsin detailing how poorly goods were packed for shipment and the embarrassingly large amount of breakage and spoilage that resulted. He provided many illustrations to give emphasis to his description.²⁰ An editor from the Bureau of Manufactures could not disguise his own impatience in introducing the topic: "The report can not fail to convince American manufacturers and exporters of their deficiencies in this particular as well as impress the general reader with the correctness and the forcefulness of charges that have been so frequently made and reiterated by our consuls and agents relative to American methods in dealing in foreign markets."²¹

¹⁹U.S., Department of Commerce and Labor, Bureau of Manufactures, Monthly Consular and Trade Reports, No. 302 (November, 1905), 147-148.

²⁰U.S., Department of Commerce and Labor, Bureau of Manufactures, Monthly Consular and Trade Reports No. 304 (January, 1906), 3-38.

²¹Ibid., p. 3.

Such reports may or may not have "convinced" Americans of their laxity in the matter, but the persistence of the appeals indicated that few, if any, improvements were initiated. The reports came more frequently after 1905 and were marked by increased intensity and a more angry tone. "American manufacturers and producers generally have not taken to as many ways of packing goods for use in the Far East and in hot climates generally as competitors, and as a result of their failure to do so are losing considerable trade which ought to be theirs," wrote George Anderson from Amoy.²² In 1905, Consul-General Wilber at Singapore forwarded a rather irate letter from Hugo J. M. Ellis, of Ellis and Company, a firm representing a number of American companies in the city. Ellis opened with the comment that when "it comes to export business to this part of the world, the Americans are in the kindergarten class, generally speaking."²³ In many instances, Ellis had underscored "in red ink" special instructions as to proper precautions prior to shipment. No attention had been given his instructions, and, in many cases, the firm had to resell the goods at considerable loss. "We rarely get a shipment from New York without a number of the cases being landed in a very badly damaged condition," he added, "due entirely to either too light or insufficient packing."²⁴

²²U.S., Department of Commerce and Labor, Bureau of Manufactures, Monthly Consular and Trade Reports No. 298 (July, 1905), 44.

²³Ibid., No. 302 (November, 1905), 175.

²⁴Ibid.

A report from Hongkong in 1914 indicated that the situation there had reached such proportions that the Hongkong and Kowloon Godown Company had warned it would decline responsibility for cases of New York cargo unless dramatic improvement in packing was quickly realized.²⁵ Such laxness in packaging was not uncommon generally in the American industrial complex in this period, but the steady repetition of these incidents despite constant warnings and admonitions from American officials certainly was not indicative of businessmen desperate for the trade of China.

Another obstacle to increasing sales to China, cited often by officials there, was the failure of Americans to extend credit. Given the shortage of capital which plagued business affairs generally in China, native businessmen and distributors could not pay for goods from foreigners until they were able to sell them to retailers in the interior. This made the availability of credit a prime determinant of who among the foreigners received the favor of Chinese retailers. American's position here was never to become strong. In 1907, Williard B. Hull, Vice Consul-General at Hankow, cautioned American manufacturers that they must provide longer credits if they wished the China trade. "Cash against bill of lading," he wrote, "is usually demanded by Americans, while credits are

²⁵U.S., Department of Commerce and Labor, Bureau of Manufactures, Daily Consular and Trade Reports, No. 269 (November, 1914), 755.

given by other nationalities, and this latter privilege suits the Chinese especially."²⁶ Vice Consul-General Percival Heintzleman at Shanghai was discouraged in 1908 by the small number of Americans active in China and the lack of American investment. His first complaint, however, involved the stringent credit offered by American exporters.²⁷ Cotton was one of America's largest export items to China. Nevertheless, in a special report on the cotton-goods trade compiled in 1911, George Anderson, Consul-General at Hong-kong, reported that the "disposition of American mills to insist upon cash against documents or on approved short-time credit before the goods leave their warehouses has thrown the business more and more into the control of strong concerns with ample banking connections."²⁸ This, he noted, was a clear illustration of America's failure to meet the competition, and was an important cause of the "steady decrease" in the sale of American cotton.²⁹

²⁶U.S., Bureau of Foreign Commerce, Department of State, Commercial Relations of the United States with Foreign Countries During the Year 1907, I, 375.

²⁷U.S., Bureau of Foreign Commerce, Department of State, Commercial Relations of the United States with Foreign Countries During the Year 1908, II, 413-414.

²⁸U.S., Department of Commerce and Labor, Bureau of Manufactures, Special Consular Reports. Cotton-Goods Trade in China, No. 44, 14.

²⁹Ibid., p. 15.

By the close of the period, the laxity of Americans with regard to credit led the Department of Commerce and Labor to assign one of its commercial agents, Archibald J. Wolfe, the task of studying and preparing a report on the problem. In the study, published in 1913, Wolfe examined every facet of the problem in a detailed fashion, the report running to 421 pages. The central issue, however, was outlined succinctly in the introductory remarks:

It may be admitted here that the demand for credit in the export markets is a vital one and that European exporters adequately meet this demand. The American manufacturers, on the other hand, have been persistently blamed for ignoring it. The result of this attitude, it is pointed out, is that Americans lose trade to the nations which will grant the credit required in the export field.³⁰

As to China, a circular was addressed to officials stationed there designed to clarify local conditions affecting the demand for and response to credit in connection with imports. Among those who submitted replies were George E. Anderson, Consul-General at Hongkong, Vice Consul-General W. Roderick Dorsey at Shanghai, Vice Consul-General Hamilton Butler at Canton, Consul-General Samuel S. Knabenshue at Tientsin, Consul Julean H. Arnold at Amoy, and Consul-General Roger S. Greene at Hankow. While their observations differed as to specific details, there were two points on which all agreed. First, that manufacturers and export agents at home

³⁰U.S., Department of Commerce and Labor, Bureau of Foreign and Domestic Commerce, Special Agents Series. Foreign Credits. No. 62, 10.

did business in China through foreign import firms rather than with the Chinese buyer. Second, that the ability of the importer to offer sufficient credit to his Chinese customers was largely dependent upon his ability to gain credit at home and that his position was rarely made easy by Americans who demanded cash against documents at the port of exit.³¹ By way of sharp contrast, German traders allowed for credit terms in China of three months as a normal policy, but at times extended credit for up to six months.³²

In large part, the credit deficiency derived from the absence of American banks. Great Britain had large establishments with extensive credit facilities at Shanghai and Hong-kong. The sphere of activity of German and Japanese banks in granting credit and loans on shipments of manufactured goods was also impressive. In 1905, Baron Kaneko, an enthusiastic exponent of increased American commercial effort in China, argued that the "first and foremost" need was for an American bank set up along lines similar to those used by her competitors. His reasoning differed little from others who wrote on the topic:

With the establishment of such an institution under an American company, Americans now in business in the Far East would no longer be compelled to rely on British and Japanese banks in conducting mone-

³¹Ibid., pp. 331-357.

³²Ibid., p. 23.

tary transactions. If you would successfully extend your commerce and industry in the Far East you must have a bank, a monetary medium, through which you can buy and sell.³³

But American business concerns could not be convinced, and the first American bank in China was not organized until 1909.³⁴ In 1914, Julean H. Arnold, Consul at Chefoo, was still pleading for the establishment of "a large American bank in China capable of taking a place alongside the Deutsch-Asiatische, the Yakohoma-Specie, the Hongkong-Shanghai, and the French Banque de l' Indo-Chine."³⁵ In the same year, the American minister, Paul M. Reinsch listed the lack of such an institution among "the greatest deficiencies" which prevented the development of American commerce and enterprise in China.³⁶

Another deficiency of the American effort in China stemmed from the low state of the American merchant marine in this period. Following the Civil War, Americans who wished to invest in the foreign shipping trade sent their money abroad where shipping vessels were far less expensive to build and operate. In addition to this central factor, foreign govern-

³³"America's Economic Future in the Far East," The Forum, XXXVI (April, 1905), 608.

³⁴Albert Shaw (ed.), "The Progress of the World," The American Review of Reviews, XL (July, 1909), p. 32.

³⁵U.S., Department of Commerce and Labor, Bureau of Manufactures, Daily Consular and Trade Reports, No. 173 (July, 1914), 511.

³⁶Ibid., August 20, 1914, p. 984.

ments, particularly the British, provided large subsidies in an effort to build up their fleets. The United States by comparison did little in this regard. Finally, the first iron vessels driven by steam via a screw propeller and pioneered by the British were slow but after 1850 they increasingly were able to demonstrate their superiority. The eclipse of the American clipper was sealed, and American yards, plagued by high labor costs and distant sources of metal, would not begin in earnest to rebuild the merchant marine until the First World War.³⁷

The result of these developments was a sharply declining native American merchant marine, increasingly incapable of handling the nation's needs in the foreign carrying trade. From the high point reached in 1860 when 66.5 per cent of the nation's water-borne foreign carrying trade was handled by American owned and operated vessels, an absolute and percentage decline was experienced through 1900. By the latter year the total value of goods imported and exported reached 1,785 millions. Of this total only 179 millions or roughly ten per cent was carried in American vessels, while 1,605 millions were moved by foreign vessels. In fact, the percentage decline reached its lowpoint of 9.9 per cent in the period 1901 to 1905. Thereafter, a noticeable increase in

³⁷Fred Albert Shannon, America's Economic Growth (New York: The Macmillan Company, 1951), 544-549; Arthur Cecil Bining and Thomas C. Cochran, The Rise of American Economic Life (New York: Charles Scribner's Sons, 1964), 270-271.



actual value of goods carried on American vessels was registered, but the percentage growth was extremely small at first amounting to only 10.1 per cent in 1910.³⁸

The percentage of American vessels involved in the China trade was far less than even the low average percentages quoted above, and, given Chinese susceptibilities, its effect was far more adverse than in other foreign areas. In the period from 1890 to 1910, C. F. Remer reported that of the total tonnage entering and leaving Chinese ports only about one per cent was carried in American bottoms.³⁹ American consular officials frequently focused on this disappointing showing as yet another indication of American indifference and as a denouement extremely harmful to the American image in China. In 1901, John Goodnow expressed dismay from his post at Shanghai that no progress had been made by American shippers toward relieving the problem of obtaining room for freight from the United States to China on American vessels. He reported that a total of 13,707 vessels had entered and cleared the port of Shanghai. Of that number only 144 sailed under the American flag. While America accounted for fourteen per cent of China's total foreign commerce (An obvious exaggeration on Goodnow's part, insupportable from any known statistical compilation. Perhaps best explained as a simple clerical

³⁸Shannon, Economic Growth, 544.

³⁹The Foreign Trade of China, pp. 99, 164.

error by the Consul-General in penning this report), he declared, she furnished only one per cent of the shipping.⁴⁰ In 1908, Vice-Consul Ernest Vallmer of Tsingtau allowed the statistics to tell their own sad tale. While the United Kingdom sent 27,495 and Japan 29,296 vessels to China, the United States accounted for 549 vessels, less than half of the American ships which had entered Chinese ports in 1902, and less than little Norway dispatched to China in this same year.⁴¹ A naval officer stationed at Swatow wrote in 1902 that the Chinese could not believe that a country whose flag was never seen in their port was of any importance. One of the old men who recalled a time when "fourteen or sixteen sail of our ships was not an uncommon sight," asked why the "Flowery Starry Flag" was never seen anymore. "Nor," wrote this observer, "was there any explanation."⁴² George Anderson, Consul at Amoy, best summarized the official view when he spoke of the importance of carrying on American trade in the East in American vessels:

American trade in this part of the world will never be upon an equal basis with that of other nations until American goods are carried here in American vessels, until there is that transportation service which goes with regular vessels from the United States

⁴⁰U.S., Department of State, Consular Reports: Commerce, Manufactures, etc., LXVI (May, 1901), 464.

⁴¹U.S., Department of Commerce and Labor, Bureau of Manufactures, Monthly Consular and Trade Reports, No. 337 (October, 1908), 19.

⁴²U.S., Department of State, Consular Reports: Commerce, Manufactures, etc., LXVIII (February, 1902), 155.

to the Orient, that advantage to trade which is possible with direct cooperation on the part of shippers and transportation interests, and that prestige which goes in a foreign market with a dominance of shipping.⁴³

While American trade was growing, he declared, the increase in shipping for 1905 to 1½ per cent fell far short of keeping pace with it. Nor did Americans get credit for the trade they did have, at least in the eyes of the Chinese in the major port cities, because of the absence of American shipping to make a proper display of it.⁴⁴

By far the most frequent reference to an apathetic approach involved the failure of American manufacturers to send trained personnel to China to supervise and foster sales. Consular officials began to dwell on the need early in the period. In 1894, Consul Sheridan P. Read penned a brief memorial to the house of Russell and Company which he described as "the last of the great representative American firms" in China. His fear was that British, French, and German firms would attempt to supplant American goods in the absence of American companies of such high caliber. His motive in writing stemmed from more than nostalgic sentiment:

By giving this brief notice a place in the Consular Reports, it may serve to call the attention of our merchants interested in exports to China to a state

⁴³U.S., Department of Commerce and Labor, Bureau of Manufactures, Monthly Consular and Trade Reports, No. 299 (August, 1905), 7.

⁴⁴Ibid.

of affairs detrimental to them, and to stimulate some of them in the direction of more active representation in this country.⁴⁵

In 1895, John Fowler at Ningpo maintained that the "one great fault" of the few American enterprises then in the East was their propensity to allow British subjects to represent them.⁴⁶ This practice invited only loss of prestige and trade because no British merchant would "push" American trade under any circumstances. "American consuls will and can help American merchants" he concluded, "but they do not like to help build up British houses at the expense of Americans."⁴⁷ Toward the close of 1898, both A. Burlingame Johnson at Amoy and James W. Ragsdale at Tientsin deplored American negligence in the matter. The former maintained that the "central difficulty" of American trade in canned goods lay in the scarcity of American merchants and special advertising agents while the latter argued that sample warehouses in combination with "good, live, and responsible Americans to manage the same" would make for a substantial increase in sales.⁴⁸ While Johnson obviously overexaggerated the importance of this factor, it did nevertheless constitute an important obstacle.

⁴⁵U.S., Department of State, Consular Reports: Commerce Manufactures, etc., VL (July, 1894), 462-463.

⁴⁶U.S., Department of State, Consular Reports: Commerce Manufactures, etc., LII (September, 1896), 66.

⁴⁷Ibid., p. 67.

⁴⁸U.S., Department of State, Consular Reports: Commerce Manufactures, etc., LVIII (November, 1898), 445; (December, 1898), 554-555.

American firms did little to increase the number of representatives active in China. As a result, the incidence of such complaints increased rather than abated after 1900. In 1901, Robert M. McWade, Consul at Canton, reported that there were no American merchants in the city and no record of any having registered at the other treaty ports within his consular district. "This and the general unbusinesslike methods which have obtained here for many years," he pleaded, "make considerable work for a consul when he tries to prepare reports on existing trade conditions."⁴⁹ In the next year Henry B. Miller, writing from Newchwang, argued that one of "the most serious drawbacks" to American trade in China was "the limited number of citizens of the United States to be found here."⁵⁰ While traveling salesmen did much good, "the real need was for the presence of merchants who are citizens of our country, familiar with its products and business methods." He reminded the reader that there was "no country doing as large a share of the trade of the Orient with so small a percentage of citizens as the United States."⁵¹ In 1905, George Anderson at Amoy complained of the severe shortage of trade agents. "It can hardly be expected," he charged, "that American trade will grow very rapidly or that Americans can meet the sharp competition of European nations with men on

⁴⁹U.S., Department of State, Consular Reports: Commerce, Manufactures, etc., LXVII (October, 1901), 205.

⁵⁰Ibid., LXIX (May, 1902), 6.

⁵¹Ibid.

the ground unless American firms are represented here by fully as good men or with fully as good a system as Europe."⁵² The editor of the volume containing the report noted that while Anderson's points were not new, "the fact that our manufacturers have not properly appreciated such advice in the past, justifies its reiteration."⁵³ Vice-Consul G. E. Chamberlin at Singapore wrote "at the risk of repetition" in 1908 of the urgent need for personal representation of American manufacturers.⁵⁴ As late as 1914, Julean Arnold at Hankow and Myrl S. Meyers at Swatow reported that American goods were distributed by foreign firms and agents and they asked for personal representation so that the development of a permanent market might begin.⁵⁵

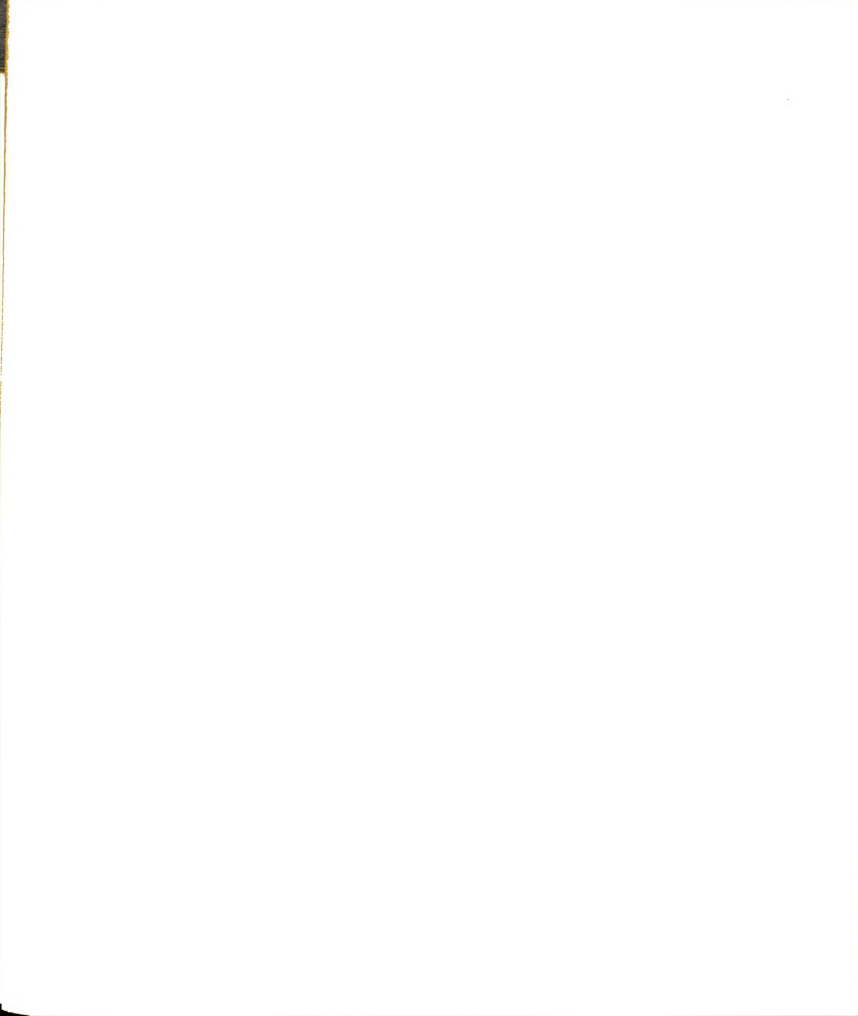
Another failure on the part of American manufacturers stemmed from their unfamiliarity with the needs and preferences of the Chinese. Consular officials regularly reminded American businessmen that the Chinese would purchase only those items that fitted his hard set tastes and customs, and that a careful study of Chinese needs, likes, and dislikes was essential

⁵²U.S., Department of Commerce and Labor, Bureau of Manufactures, Monthly Consular and Trade Reports, No. 301 (October, 1905), 36-37.

⁵³Ibid., p. 36.

⁵⁴U.S., Department of Commerce and Labor, Bureau of Manufactures, Monthly Consular and Trade Reports, No. 329 (February, 1908), 40.

⁵⁵U.S., Department of Commerce and Labor, Bureau of Manufactures, Daily Consular and Trade Reports, No. 277 (November 25, 1914), 898; No. 288 (December 9, 1914), 1085.



if increased sales were to be realized. Speaking of the trade in cotton goods, the Consul-General at Shanghai, John Goodnow, reported that the cotton people were "just beginning to inquire if the width's, etc., they have been accustomed to make in America are what are really wanted in China." Much greater effort, he insisted, was required: "If this trade is to be taken and kept by America, its needs, customs, and superstitions must be studied on the ground by experts in each department."⁵⁶ "In spite of all that has been written and published on this subject," wrote Consul-General Rounseville Wildman at Hongkong in 1900, "there seems to be a most lamentable ignorance even among the largest American firms as to the requirements, possibilities, and even geography of this coast."⁵⁷ Henry B. Miller at Newchwang emphasized the value of a careful study of Chinese ideas and prejudices. "It is an easy matter," he complained, "to send to China an article that will not be used: for instance, spoons made according to the foreign model are disliked, while those made after the Chinese form are increasing rapidly in sales."⁵⁸

References to a lack of inquiry were as frequent at the close of the period as earlier. When asked for some of the major difficulties in the way of American-made goods in the

⁵⁶U.S., Department of State, Consular Reports: Commerce, Manufactures, etc., LIX (March, 1899), 520.

⁵⁷Ibid., LXIII (July, 1900), 370.

⁵⁸Ibid., LXVII (December, 1901), 536.

Far East generally, Consul-General William H. Michael asserted that the main trouble lay with the manufacturers themselves. They did not, he argued, "take a personal interest in finding out the styles, widths, and quality of goods required in the Far East and Orient."⁵⁹ In 1911, W. Roderick Dorsey, Vice Consul-General at Shanghai, continued to underscore the need of Americans who were "sincere in their desire to foster business in China" to properly enter the market by "first studying it, then creating a demand by educating the people, and then catering to that demand" until the business was on a paying basis.⁶⁰

George Anderson at Amoy spoke most frequently and adamantly of the failure of Americans to study the uniqueness of the China market. Concerning the serious setbacks suffered in cotton sales, he wrote that there were reasons for it in the cotton and woolen trade at home, but he believed that the "strongest" reason for the decline lay in the fact that American manufacturers failed to make "the close study of the Chinese market that they should make."⁶¹ One could argue the

⁵⁹U.S., Department of Commerce and Labor, Bureau of Manufactures, Monthly Consular and Trade Reports, No. 346 (July, 1909), 119.

⁶⁰U.S., Department of Commerce and Labor, Bureau of Manufactures, Daily Consular and Trade Reports, No. 26 (February 1, 1911) 430.

⁶¹U.S., Department of Commerce and Labor, Bureau of Manufactures, Monthly Consular Reports, No. 297 (June, 1905), 56.

point indefinitely, he continued, "but it is a fact which stands for a world of argument that the countries which have given the most attention to the subject and have spent the most money in studying it are the countries that are selling China the most goods."⁶² By 1911, Anderson was most upset to find that only one firm had followed his advice and pleadings and then only half-heartedly. It had trained and dispatched an agent to study the market. But, after he completed a careful study of Chinese demands, he reported to Anderson, then Consul-General at Hongkong, that the company refused to make goods in accordance with his suggestions.⁶³

Standard Oil's activities provided the only notable exception to the rule of indifference reflected in the foregoing observations. The company was often cited by officials in China for its efforts in studying and complying with the requirements of the trade.⁶⁴ While they admitted that Standard's efforts in China "proved relatively ineffectual," the company's historians, Ralph and Muriel Hidy, stressed the energy and imagination that marked its approach to the

⁶²Ibid., p. 58.

⁶³U.S., Department of Commerce and Labor, Special Consular Reports. Cotton-Goods Trade in China, No. 44, 16.

⁶⁴See, e.g., U.S., Department of Commerce and Labor, Bureau of Manufactures, Monthly Consular and Trade Reports No. 283 (June, 1906), 780; No. 351 (December, 1909), 11; Daily Consular and Trade Reports, No. 181 (August 5, 1913), 698.



market.⁶⁵ Standard's representatives in China distinguished themselves through numerous illustrations of "individual ingenuity." In Swatow, for example, agents for the company built bulk storage units and arranged for and trained native "consignees" whose efforts increased sales there from 8,000 to 400,000 cases in the period 1906 to 1911.⁶⁶ In regard to packaging, the sale of kerosene in cans enhanced its appeal to the Chinese who characteristically found the containers useful "for buckets and roofing and to make many metal articles for use in the household and on the farm."⁶⁷ Standard's efforts in studying the market in China were exemplary. Advertising material in the Chinese language was also prepared and disseminated in large quantities.⁶⁸ Finally, the company provided much of its own shipping to the Far East in an attempt to make deliveries more regular and prompt.⁶⁹ These efforts were rewarded by increased sales, although Standard fell considerably short of its goal of dominating the market in China.

Only two other companies were mentioned by name in the consular reports for their efforts in meeting the requirements of trade with the Celestial Empire. In each case, they were

⁶⁵Pioneering in Big Business, p. 267.

⁶⁶Ibid., p. 552.

⁶⁷Ibid., p. 261

⁶⁸Ibid., pp. 262-267.

⁶⁹Ibid., pp. 246, 531-532.

mentioned for their performance in fulfilling just one of the functions necessary for increased sales. In 1909 and again in 1914, the British-American Tobacco Company received praise from officials in Newchwang and Swatow for the system of salesmen and representatives working through well-equipped branch offices which it had established in the two ports.⁷⁰ Consul-General Julean Arnold found occasion in the latter year to mention favorably the achievement in personal representation of the Singer Sewing Machine Company. Ten years earlier, he wrote, with its business in the hands of foreign agents it sold less than 100 machines a year. "To-day, with its own organization in the field, its yearly sales number 2,000."⁷¹ With the exception of these cases, however, American officials attempting to encourage better business methods through example found it necessary to refer to the techniques employed by European and Asiatic firms.

Given this state of affairs, the question as to what caused the apathy quite naturally arose in the mind of those acquainted with economic developments in China. Why were instructions concerning adequate packaging so persistently ignored? Why were American firms so willing to allow their

⁷⁰U.S., Department of Commerce and Labor, Bureau of Manufactures, Monthly Consular and Trade Reports, No. 351 (December, 1909), 11; Daily Consular and Trade Reports, No. 277 (November 25, 1914), 898.

⁷¹U.S., Department of Commerce and Labor, Bureau of Manufactures, Daily Consular and Trade Reports, No. 184 (August 7, 1914), 747-748.

business to be handled by British, German, and Japanese agents? Why did Americans, despite repeated urging, fail to extend credit or establish banking facilities in China? Why, in short, was the approach of the business community so lacking in enthusiasm and the essentials required if increased sales to China were to follow?

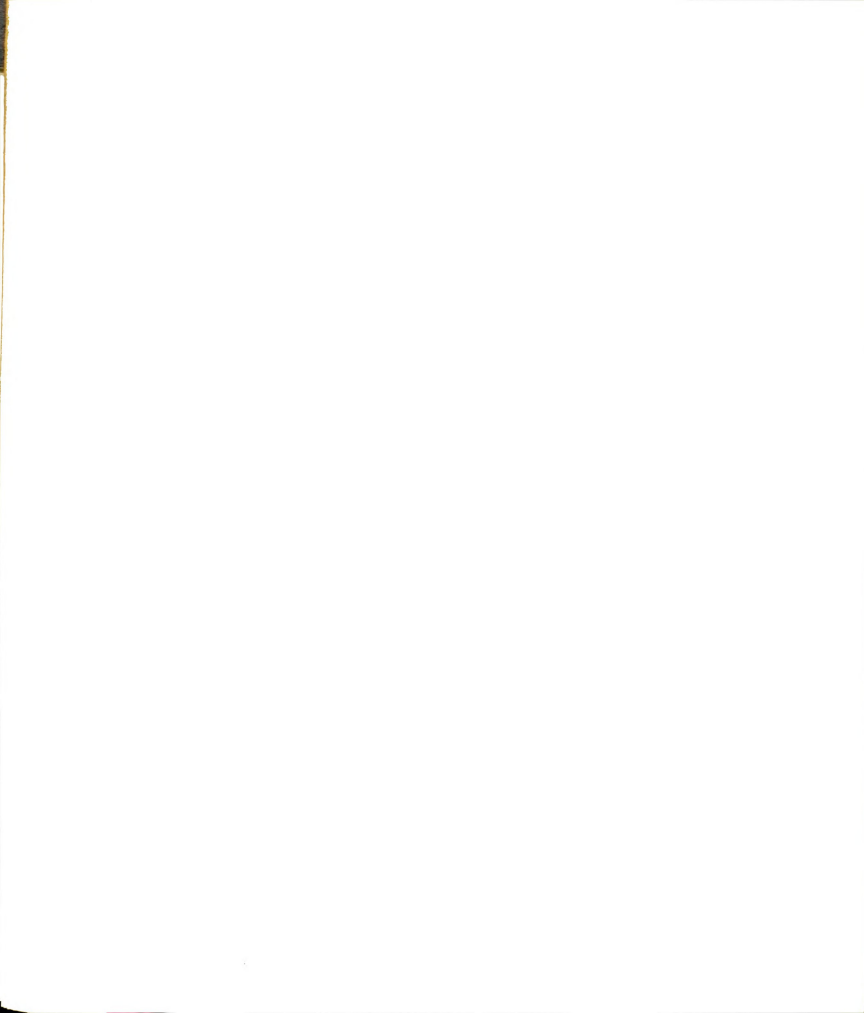
The question, as it formed in the minds of contemporaries, was outlined most succinctly by Consul Thornwell Haynes at Nanking in April, 1906. China seemed to him to be an outstanding field for American trade. Yet there was a dilemma:

There is nakedness to be clothed, but the home of cotton and the cotton mill attempts to clothe but a small fraction of it; there is darkness to be made light, but there are no American electric plants nor gas; there is a desire for quick transit by wealthy Chinese, but there are no automobiles nor American buggies, nor street cars. There exists an intense curiosity for the curious, and a yamen reckons itself happy to possess a stereopticon or magic lantern, but without great trouble it is impossible to buy Yankee novelties, the Chinese attach great importance to secrecy, but they have no Yale locks nor combination safes.⁷²

Could the official working for American advance in China continue to extol American progressiveness in trade "when the intelligent Chinaman has never ridden in an automobile, heard a phonograph, drunk water from an artesian well, eaten canned goods, worn American spectacles, nor tilled his land with American implements?"⁷³ What indeed had deterred the American manufacturer and trader?

⁷²U.S., Department of Commerce and Labor, Bureau of Manufactures, Monthly Consular and Trade Reports, No. 307 (April, 1906), 131.

⁷³Ibid.



The first tendency was to seek a rationale in terms of hostile and foreign forces beyond the control of American business. Pride in the nation's achievement in foreign trade caused some old China hands to point to the troublesome nature of the China market and the interference of other nations as elements that discouraged their countrymen and fully accounted for the languid role that our merchants played in the trade. The likin system of internal taxation was most often mentioned in the first category while Russian activities were the focus in the second. In 1894, John Fowler at Ningpo argued that "the greatest obstacle" to American trade was the nebulous likin tax system. "Remove the likin and we have an immense market opened to us."⁷⁴ Officials at Shanghai and Amoy were also prone to blame the ill effects of internal taxation for the disappointing efforts of American traders in the two ports.⁷⁵ The New York Journal of Commerce and Commercial Bulletin, desperate for an answer, argued that China could be a great market if she were "relieved from the taxation of goods in transit."⁷⁶ Later in 1904 and 1905, it found the

⁷⁴U.S., Department of State, Consular Reports: Commerce, Manufactures, etc., VL (June, 1894), 300-301.

⁷⁵John Goodnow, Consul-General at Shanghai, to H. G. Squiers, American Charge d' Affairs at Peking, May 24, 1901; A. Burlingame Johnson, Consul at Amoy, to David J. Hill, Assistant Secretary of State, March 20, 1901.

⁷⁶Editorial, May 18, 1903, p. 4; See also editorials of January 7, 1901, p. 4, and October 20, 1902, p. 4.

answer in Russian mendacity. "The real problem of Asia," stated an editorial of May 8, 1905, "is how to place a limit, as nearly as possible final, on the military aggression of Russia." Russian attempts to dominate Manchuria affected very intimately, it was maintained, "the commercial development of the United States," because it caused Americans to draw back from a situation where much might be lost if Russian plans were realized.⁷⁷

But these obstacles along with others that were emphasized at various points, including the steadily decreasing value of silver after 1870 which in turn restricted Chinese purchasing power and made merchants' calculations uncertain and difficult, the belief that China might become a great manufacturing center herself, or the hostility in China resulting from America's policy of exclusion, were not sufficient to explain American indifference.⁷⁸ That these hindrances, while sporadic, were real cannot be denied. With the exception of the last named, however, they were not unique to the American experience. Great Britain, Germany, and Japan met in China these same importunities, and yet they managed to make the efforts necessary to win trade and were successful in increas-

⁷⁷Editorial of May 8, 1905, p. 4; See also January 11, 1904, p. 4, January 18, 1904, p. 4, and January 25, 1904, p. 4.

⁷⁸See, e.g., U.S., Department of Commerce and Labor, Bureau of Manufactures, Commercial Relations of the United States with Foreign Countries During the Year 1894 and 1895, I, 590; During the Year 1908, 404; Journal of Commerce, May 1, 29, 1905, p. 4, June 26, 1905, p. 4, and March 19, 1906, p. 4.



ing their exports to China. In addition, the Russian threat was removed by their defeat at the hands of Japan, but its passing failed to give birth to anything indicative of a surge forward in American trade.

The honest and more plausible answer lay closer to home. The American manufacturer found no real need for the China market at a time when the country was involved in burgeoning industrial advance. A few consular and diplomatic officials were the first to recognize this central issue. In 1899, John Goodnow spoke of the need for an American exposition in Shanghai. While the lack of such a display hurt the American effort, the real source of trouble lay elsewhere:

Most of our manufacturers, having had a sufficient home market (which is the best in the world) have not felt the necessity of reaching out for this our next best market and one yet to be developed. They have been content to do business in a half-hearted way in Asia, and have not taken the trouble to make themselves acquainted with the banking methods, the shipping methods, the various laws in force, the climate, the superstitions, and the details of the needs and customs of the people.⁷⁹

In 1905, George E. Anderson complained that the American producer had worked for his home market and then for the European market, a little "in a half-hearted way" for that of South America and even for the African market before even considering trade possibilities in the Far East. "In short," he concluded "the reason why the American business men [sic]

⁷⁹U.S., Department of State, Consular Reports: Commerce, Manufactures, etc., LIX (1899), 445.

have no greater share of the Chinese trade lies with the American business men [sic] themselves, not with the economic position of the United States, its relations in trade and politics to China, or any other element."⁸⁰ Six additional years in China did not cause Anderson to change his mind. Speaking specifically of the cotton manufactures at home, he wrote:

They state frankly here that the cotton-goods market in the United States is so great, its demands so steady, the prices it pays so good, and its consumption so broad that American manufacturers will give no more than passing interest to any foreign market and will not make the effort necessary to secure foreign business until home conditions turn against them.⁸¹

Consul-General William H. Michael agreed completely, pointing out that the American manufacturer simply had "too much to do at home to pay much attention to the details and requirements of the far eastern and oriental trade."⁸²

In 1906, John Fowler in Shantung argued that China's fear of German opposition to any connections she might initiate with the United States was the reason that American interests had not greatly developed in the area. But the

⁸⁰U.S., Department of Commerce and Labor, Bureau of Manufactures, Monthly Consular and Trade Reports, No. 299 (August, 1905), 4-5.

⁸¹U.S., Department of Commerce and Labor, Special Consular Reports. Cotton-Goods Trade in China, No. 44, 30.

⁸²U.S., Department of Commerce and Labor, Bureau of Manufactures, Monthly Consular and Trade Reports, No. 346 (July, 1909), 119.

American minister, W. W. Rockhill, disagreed sharply, pointing out that the Germans had not changed the situation "a tittle." American trade simply lacked aggressiveness. Nor was the reason for it far too seek. "American capital," he wrote, "can be too well employed at home to seek an outlet in China, where it may earn $4\frac{1}{2}$ to 5 per cent, often with considerable risk; and American products can be so well sold, in sufficient and ever increasing quantities, by our present methods, that our merchants do not appreciate the necessity for adopting a more aggressive policy for securing a larger share of the trade in this country."⁸³

By 1907, even the Journal of Commerce reversed its earlier reasoning and looked to the domestic scene for an answer to the small part played by Americans in the China trade. It agreed with the views voiced by Secretary of State Root in an address before the Trans-Mississippi Congress. The Secretary had argued that the main difficulty lay in the fact that the American people had not brought the same energy and intelligence to foreign trade as they had employed at home "with such admirable results." The editorial continued:

We have looked upon our business with foreign countries with very great indifference, not realizing its vast possibilities and value, nor the many advantages to be derived from closer intercourse with other peoples. The American

⁸³Varg, Open Door Diplomacy, pp. 77-78.

merchant has been so busy attending to the trade demands of his own country from which he has been deriving such unparalleled profit that he has given little thought to the commerce beyond the seas.⁸⁴

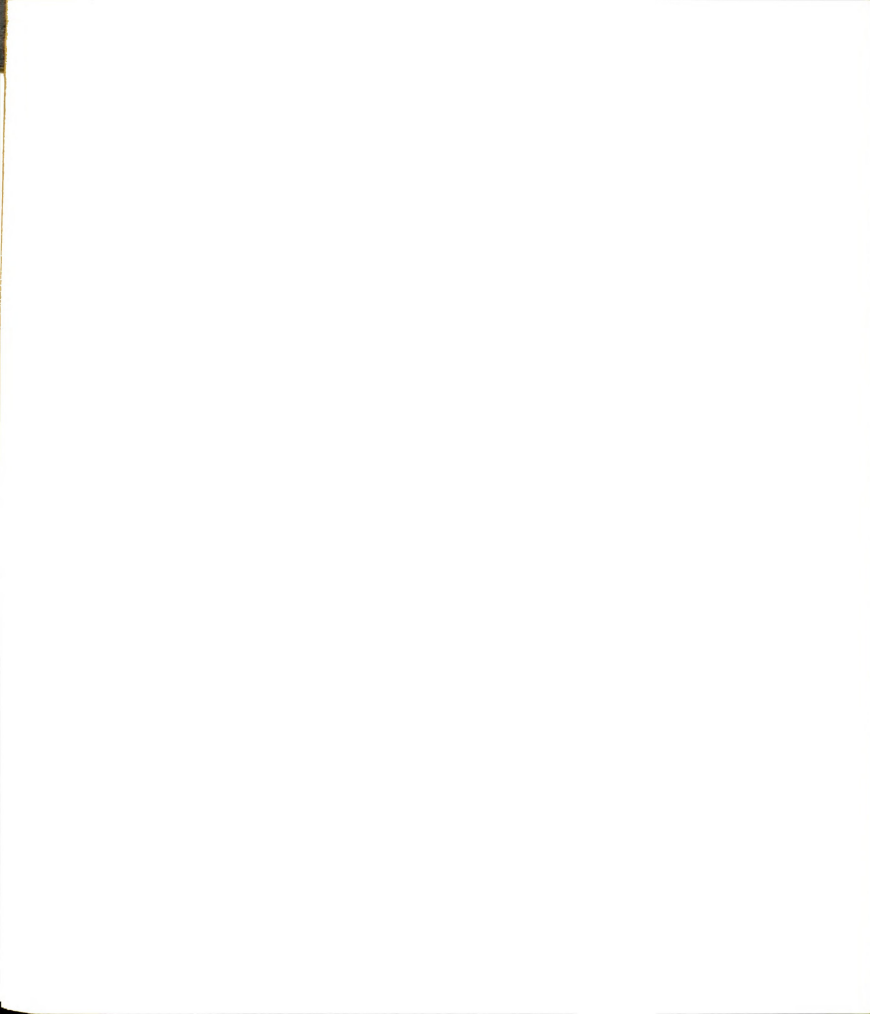
Whatever the reason for the inadequate approach to foreign trade, the Journal was not ready to give up its campaign of trade extension. Rather, the line of argument was only slightly altered. Now the paper felt compelled to do all in its power to open "the eyes of our merchants to the advantages of the trade which they are neglecting today."⁸⁵

The business community itself was not averse to admitting to a languid interest in the China trade or foreign commerce generally as compared with its more lucrative activities in domestic trade. In May of 1910, Mr. Howard Ayers delivered the main address before the National Association of Cotton Manufacturers. Under the title "Certain Aspects of the Export Trade," Ayers pleaded for the use of common sense. It was emphatically true, he stressed, that "so long as we have a great market at home, a fiscal system compelling high prices, and a complacent people so prosperous that they do not care what they pay for what they want, our export trade will not greatly change in character."⁸⁶ Consular officials, he noted,

⁸⁴Editorial, "Methods of Extending Our Foreign Commerce," Journal of Commerce, January 14, 1907, p. 1.

⁸⁵Ibid.

⁸⁶Journal of Commerce and Commercial Bulletin, "Common Sense About Exports," May 2, 1910, p. 4.



were wont to recommend that all firms should do what Standard Oil was doing, that is distribute its products to the ultimate consumer. They also encouraged the giving of credit even in markets where the natives refused to leave a cash basis. This, he asserted, was "demonstratively absurd" as far as most manufacturers were concerned. "When manufacturers are ready to turn their plants to the limit of production," he wrote "and can exact of the home market without competition prices that will permit them to dispose of their surplus to foreign countries without regard to returns," they could try it. But until then the focus would be on the home market.⁸⁷

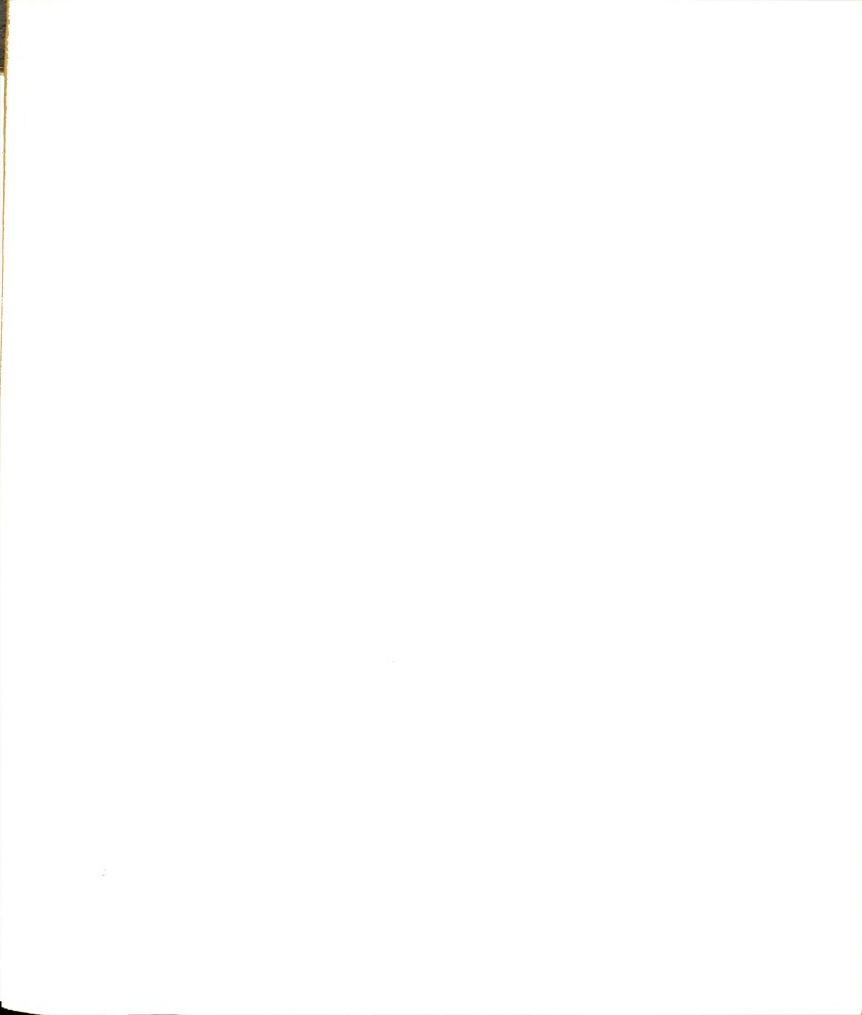
The contrast between American producers and their English and German rivals was most clearly stated by Congressman William C. Redfield of New York speaking to the American Manufacturers Export Association in 1911:

Therefore, we American manufacturers enter the foreign campaign with certain handicaps. Our competitors regard the foreign markets as their primary work, we as our secondary work. They must have them to survive. We want them to add to a market already very large. They strain every nerve, commercial and governmental, to secure and maintain them. We have nothing but private initiative, the alertness of mind of our manufacturers, and our peculiar inventive genius and restless energy upon which to depend. . . .⁸⁸

The address ably demonstrated the error made by those who had assumed that the nation would be desperate for the trade of the Celestial Empire by the turn of the century.

⁸⁷Ibid.

⁸⁸"America's Export Trade," The Far Eastern Review, VIII--No. 10 (March, 1912), 327-329.



In 1914, Adachi Kinnosuki, managing editor of the New York journal Far East, and an expert on economic affairs in that area, wrote of America's second chance in China.⁸⁹ The War in Europe that had recently begun, he argued, meant that the British, the French, the Germans, and the Russians had deserted the trade edifices they had built in China. This was a heritage left by the gods to the American exporter. The "tradal machinery" was left intact by the European powers. All Americans had to do was take command and begin delivering goods of every description with no worry about competition. In fact, even the well trained agents had been left behind and would certainly be willing to go to work for American firms. But even in 1914, the past haunted the author. The question was whether America wanted the trade. "Certainly," he wrote, "she has done nothing to show that she does." If she did, even with the advantage given her by the war, she would need to break with her past approach, so painfully remembered by Kinnosuki:

America up to the present time, has been selling China the things which sold themselves--flour, cotton goods, wheat, and kerosene oil. She sat down in her padded swivel chair in her New York office; she "favored" China with her trade; she "accomodated" her Chinese customers with the surplus goods of her factories. The wonder is how the self respect and the far-advertised get-there-ness of American business stood this monarchical anachronism in her export business so long.⁹⁰

⁸⁹"America's Chance in China," Harper's Weekly, LIX (October 24, 1914), 388-390.

⁹⁰Ibid., p. 390.

America would certainly grasp at this new opportunity, he believed, if "only her business men [sic] could realize the appalling extent of their indifference to the export trade in general and to the Asiatic trade in particular."⁹¹

The literature of the period which emphasized both the commercial opportunities available in China as well as America's need to make use of them, it would seem, failed to convince the American businessman. His attention and energy were too fully consumed by the large profits to be made at home and in foreign markets closer at hand to be bothered by requests that he pay more notice to the trade possible in far-off China. Just as the programs associated with the New Deal would make little sense to a generation surrounded by prosperity, so too, the sale of goods to China, requiring no little effort, formed no allurements for most American manufacturers, operating as they were in an age dominated by the growth of the domestic market after 1897 and rapidly increasing sales to Europe, Canada, and South America.

⁹¹Ibid.

CHAPTER V
FROM HOPE TO DISILLUSIONMENT: THE TRADE
AND INVESTMENT STORY IN CHINA

The consistently nonaggressive and often unconcerned attitude of the American business community in China was amply reflected in trade and investment figures through the close of the first decade of the twentieth century. The trade effort far outstripped endeavors in related and potentially supportive investment ventures. But in neither category was the American commitment impressive if compared with her achievements in other trade areas, or if compared with the energy, imagination, and ultimate successes registered by her major foreign competitors in the China market itself. It is toward detailing these developments, their causes, relationships, and significance that attention is now focused. The attempt will be one again of testing enthusiastic and optimistic appraisals from many quarters against actual performance, and again the gap between the two will be found to be sizable. Indeed, reality fell so far short of the expectations that welled up in some American souls in the late 1890's as to make the latter take on a fairy tale quality.

American manufacturers and exporters did indeed, through combined effort in the twenty years after 1890, find new outlets abroad for their surpluses, considered essential by more

than a few contemporaries. Manufactures formed in fact a dramatically increasing share of the exports of the nation in this period. In 1890, only 21.18 per cent of American exports were manufactured articles. By the close of the first nine months of the calendar year 1910, such articles formed 51.34 per cent of total exports abroad. The value of American manufactures exported grew from 179 millions in 1890 to 767 millions in 1910. The gains in this period were over five times as great as in the thirty year period from 1860 to 1890.¹

In all of these years, Europe was the major consumer of American exports, never taking less than 63 per cent. By 1914, for example, they amounted to 63.37 per cent of the total. But Europe's prime demand continued to be for American cotton, wheat, flour, meat products, and tobacco. An outlet for manufactured articles had to be and was found in other areas. North American nations, Canada above all, provided the largest new markets. Manufactured exports to them grew considerably in both absolute and relative terms.²

¹U.S., Department of Commerce and Labor, Bureau of Statistics, The Foreign Commerce and Navigation of the United States for the Year Ending June 30, 1910, 19. As it will be necessary to refer to the statistics compiled in various years of the period under consideration, further reference to this source will read: Foreign Commerce and Navigation, followed by the year of publication and the page number (s).

²Ibid., p. 53; Harold Underwood Faulkner, American Economic History (New York: Harper and Brothers Publishers, 1931), p. 680.

In sharp contrast, however, this growth in manufactured exports was enhanced by the American-China trade in only a minor and, given the early optimism, disappointing fashion. In 1895, China took \$3,603,840 of American exports of merchandise or .45 per cent of the total exports of such items.³ In 1900, the figure rose to \$15,259,167, but still represented but 1.10 per cent of the total. The year 1905 saw exports of foreign and domestic merchandise from the United States to China reach a peak of 3.52 per cent of the total and a value of \$53,453,385. But the totals in this year were not a true barometer of the potential of the market in China. The real reason for this showing was the dislocation of trade channels inherent in the Russo-Japanese War. The more accurate and meaningful trend is to be found in the fact that by 1910 exports of merchandise to China amounted to \$16,320,612 or .94 per cent of the total exports of the United States of manufactured produce, only one million more in value than the Middle Kingdom had taken ten years earlier. The years between 1905 and 1910, then, had witnessed an uneven but steady decline in American exports to China. The figures for these years read \$43,774,375 in 1906, \$25,704,532 in 1907, \$22,343,657 in 1908, and \$19,420,024 in 1909.⁴

³Foreign Commerce and Navigation for the Year Ending June 30, 1895, I, XXXIX.

⁴Foreign Commerce and Navigation for the Year Ending June 30, 1910, 53, 1256.



This general decline after 1905, following years of consistent, if small, growth in the value of American produce consumed by Chinese buyers, formed a trend pregnant with meaning for the future. It flowed from conditions long present in the Chinese economy, the effects of which, however, only began to create an adverse impact in this period. The prime consideration in this regard was the so-called silver question which in turn revolved around the matter of exchange rates. As noted earlier, China lacked a stable modern currency. The scarcity of the silver dollars customarily used in foreign trade had led to the adoption in 1857 of an agreed unit of account--the Shanghai silver tael. But during the rest of the century, particularly after 1870, and through to the outbreak of the World War, the China trade was increasingly affected by the world-wide fall in the value of silver, as silver output rose and many countries went on the gold standard, demonetizing their silver. The result was a steady decline in the gold value of China's silver currency.⁵

This very serious denouement was further compounded by the fact that the decline in silver value was far from steady and predictable. To the contrary, it was characterized by sudden and rapid fluctuations. C. F. Remer has provided an excellent explanation of how this added complication made the foreign as well as the Chinese merchant's purchasing calculations uncertain and difficult. The severe fluctuations in silver values--that is in exchange, he noted--served "to

⁵Morse, Trade and Administration of China, pp. 159-162.

make the speculative aspect of the trade more important and so to make what may be called illegitimate speculation more common." In 1888, for example, Chinese merchants had placed large orders with foreign importers with the expectation that silver values would rise. But instead they cascaded downward, putting the Chinese in the position of having to spend more in silver for the goods when they were delivered than they had anticipated. The Commissioner of Customs at Shanghai, Remer reported, found that this result "proved disastrous to native interests generally." The exchange fluctuations, he concluded, attracted many speculators to the foreign trade. The growing numbers of this nefarious element meant that "the profitableness to the foreign merchant of the season's trade" had to "turn upon the reliability of merchants who had entered upon transactions for no other reason than a desire to speculate in exchange."⁶ The result in both camps, it might be added, was a growing emphasis on caution as opposed to confidence.

While those who had compiled grand estimates of the value of the China market overlooked the existence of the exchange problem, American consular officials and other contemporaries familiar with the Orient had frequent reference to both the decline of silver and the sudden fluctuations that accompanied it. The American Minister, Charles Denby, wrote from Peking

⁶Remer, Foreign Trade of China, 78-79.

in 1890 of the "depressing effect in the export trade" of the decline in the value of silver.⁷ But real concern became most noticeable after the turn of the century. George Anderson at Amoy wrote dejectedly that the prospect for "reform or rather revolution of the money system of China" appeared remote despite many promises to that effect from Chinese officials over the years. "The foreign traders who have to do with international exchange particularly seem discouraged," he reported. In the past two months, fluctuations in exchange based on silver had been "unusually violent."⁸ Vice Consul-General Percival Heintzleman discussed the continuing decline in trade of nearly six million in 1908 as compared with the previous year. He found the cause to lie in the decrease in purchasing power for silver and the "depreciation of copper coins, due in general to the excessive output of the mints." Both the decline in silver value and the depreciation of copper, he concluded, formed a "serious obstacle to the free interchange of foreign and native commodities."⁹

⁷U.S., Department of State, Consular Reports: Commerce, Manufactures, etc., XXXVI (1890), 84.

⁸U.S., Department of Commerce and Labor, Bureau of Manufactures, Monthly Consular and Trade Reports, No. 297 (June, 1905), 156.

⁹U.S., Bureau of Foreign Commerce, Department of State, Commercial Relations of the United States with Foreign Countries During the Year 1908, 404.

The Journal of Commerce became increasingly concerned about the problem of international exchange in Asia and in China particularly. By 1909, an editorial argued with vehemence that the question of currency was at "the root of the Chinese problem." "While the medium of commercial exchange," the editor continued, "is subject to irregularities so violent as those which have manifested themselves during the past year, and the values of the coinage of the people can be deranged at the caprice of provincial authorities greedy of gain, there can be neither profitable trade nor general prosperity in China." A leading index of the seriousness of the situation was the fact that the price of even native-grown rice had doubled in the last decade. The solution was clear. China simply should develop parity of exchange. Of course, this solution was not original with the Journal, nor, unfortunately, was the more crucial matter of how this metamorphosis was to be accomplished dealt with in the article.¹⁰

The question of silver as an exchange medium concerned the Chinese at an early date in the period. In 1891, John Fowler at Ningpo forwarded a translation of the prize essay of the Chinese Polytechnic Institution. The theme for the essay had been set by the Taotai of Ningpo; Wu Yin Sun. His question read in part: "Should China set about coining gold and silver money? Would it circulate freely? Would it be

¹⁰Editorial, "Parity of International Exchange in Asia," Journal of Commerce and Commercial Bulletin, January 11, 1909, p. 4.

advantageous to the country, or the reverse?" The winning composition by a "Mr. Yang" of Canton province answered in clear and embittered tones:

The losses brought about by the influx of the dollar are not less than those caused by the importation of opium and foreign manufactures or the purchase of guns and ships. Little will show the dangerous tendency of exchanging China's wealth for the weed, of influencing the hearts of our people by the new and ingenious inventions in foreign goods, or of sending the tens of thousands required for the purchase of foreign guns or ships. These evils or losses are of the visible kind; but the loss caused by the foreign dollar, though invisible, as it were, is none the less real.¹¹

Thus could anti-foreign sentiment and economic dangers be related in the Chinese mind to reinforce one another.

No contemporary, however, wrote on the topic with more concern and vehemence than did Moreton Frewen, a Vice-President of the Imperial Federation League and a frequent contributor to various reviews on economic problems, especially tariffs and the exchanges. In 1909, he outlined the problem of exchange with "eight hundred millions of Asiatics" succinctly: "Thus when silver and the silver exchanges fall, then for every Asiatic desiring to buy our goods, gold and our gold prices have automatically advanced and his power to purchase from us is proportionately reduced." Using China as an example, he translated the challenge involved from its financial vernacular into language more easily comprehended by the "man in the street":

¹¹U.S., Department of State, Consular Reports: Commerce, Manufactures, etc., XXXVI (1891), 43.

A few years ago, then, when a Chinaman wanted to buy English cottons he bought ten sovereigns--that is, a bill of exchange for ten pounds on London, with thirty-one of his silver taels. To-day, while his labor and his products bring him no more taels than in 1873, he must give seventy-seven taels for this same bill of exchange for ten pounds. Is it any wonder then that notwithstanding the splendid efficiency of the American railroad service to the Pacific and America's lines of well-equipped steamships, yet American exports to the Orient languish--so that San Francisco and Seattle, Portland and Vancouver, which should be emporiums for a vast growing trade with Asia must content themselves with a mere coastwise business.¹²

Frewen was very unnerved, if somewhat extravagant in his appraisal, about this silver question. He discussed the two most recent and catastrophic falls in the gold value of silver--those of 1893 and 1907, but noted that smaller declines had been, in fact, frequent. His purpose was to demonstrate "why this controversy has slumbered for half a generation, and why it now demands far more urgently than ever before the consideration of those then in their nurseries, but to-day in their schools, from whose painful experience and developing intelligence a rational solution will yet be secured." He appealed to the youth of America "to study carefully a question which in the doubt and drift of the last thirty years, has deep-seated [sic] a disease certainly perilous, perhaps even fatal to our Western civilizations."¹³

¹²"The Century and Silver: Our Exchanges and the Yellow Peril," The North American Review, CLXXXIX (April, 1909), pp. 539, 541-542.

¹³Ibid., pp. 539-540.

While Western civilization seems hardly, in retrospect, to have hung in the balance, this problem should certainly have darkened the glow of salvation that many saw as emanating from the China market. Clearly, this long-term and growing problem of exchange had serious implications for the future of the American-China trade. As the gold value of China's silver exchange currency declined and already rising prices for American produce increased even further, one natural corrective effect should have been an increase in the quantity of commodities exported to United State's markets in order to maintain commercial equilibrium and, of course, in order to offset the increased price in silver of American goods.

This prospect, while essential to maintaining or increasing a healthy trade relationship with the United States, China was incapable of bringing to fruition. The American market showed little willingness to absorb significantly more of what China had to offer. Total Chinese exports to the United States reached a high value of \$29,345,081 in 1904 that was exceeded only twice in the years after 1905. In 1907, Chinese goods reaching American shores were valued at \$33,436,542, and in 1910 such exports barely surpassed the 1904 figure, amounting to a total value of \$29,990,370. In the other three years, Chinese exports to America in fact fell below the previous high of 1904. The figures read: \$28,531,207 in 1906, \$26,020,922 in 1908, and \$28,798,723 in 1909.¹⁴

¹⁴Foreign Commerce and Navigation for the Year Ending June 30, 1904, 888; For the Year Ending June 30, 1910, 1255.

The disappointment experienced by China in her attempts at offsetting increased silver prices for American goods by way of a vastly increased export volume to American ports is even more readily apparent if the figures for leading individual export items or categories are examined. Raw silk, China's greatest export product to the United States, reached a high value of \$12,171,309 in 1900 that was exceeded in only one subsequent year of this period, in 1909, when the Middle Kingdom dispatched \$12,341,801 worth of the product to American ports. In 1906 and 1908, exports of Chinese silk fell to slightly more than eight million dollars, and in 1910 they amounted to only \$9,675,898. Exports of Chinese tea to the United States achieved a high value of \$7,697,253 in 1894 and then fell off sporadically, reaching lows of \$3,501,476 in 1909 and \$3,275,343 in 1910.¹⁵

Raw wool was the only major Chinese export to show steady, if rather small, gains after 1905. Exports of this product to America had climbed to a high of \$2,319,405 in 1904. But in 1907 it rose further to \$4,479,355 and in 1910 such exports amounted to \$4,463,450. This small gain, however, was not enough to even offset the loss of export values in the other leading product categories, and the Chinese were unable to find new export materials that would meet American tastes and fill the void.¹⁶

¹⁵Ibid.

¹⁶Ibid.

Disappointing returns were registered also among the many items of which small quantities had always been characteristic of Chinese sales in the United States. Exports of Chinese antimony (a silvery-white, brittle, metallic chemical element of a crystalline structure, found only in combination and used in medicines and pigments) to America fell from a high of 4,316,489 lbs. valued at \$42,601 in 1900 to 55,552 lbs. in 1910, worth \$1,432. Coffee exports fell from a high of \$159,971 in 1896 to \$38,649 in 1910. Mattings and mats reached \$985,759 in 1901 but were down to \$827,249 in 1910. Hats, bonnets, hoods, and materials for the same reached peak sales to America of \$1,795,839 in 1907, but fell off to \$552,851 in 1909 and stood at \$685,292 in 1910. Chinese firecrackers reached an export volume worth \$491,951 in 1897 and a high value of \$516,279 in 1907 but then declined rapidly to \$241,303 in 1910. In the category "articles the growth, etc., of the United States returned," the values reached \$456,544 in 1906 and a peak sale to the United States in 1908 of \$799,296. By the next year sales of these items were down to \$117,967 and in 1910 only \$66,483 worth of sales were registered in America.¹⁷ The list could be extended, but these accounts were indicative of the fate of most Chinese export merchandise to the United States. They were, of course, nearly the reverse of the increased quantities that were requisite if the China trade was to be maintained or enhanced.

¹⁷Foreign Commerce and Navigation for the Year Ending June 30, 1904, 887-888; For the Year Ending June 30, 1910, 1255.

There were a few exceptions, Chinese goods that entered the trade late and registered growing sales in the American market. But again these sales were not of a quantity and value large enough to offset the declines or stagnation in major product areas. The following were representative: natural feathers and downs expanded from an early high value of \$39,465 in 1904 to \$63,954 in 1910, waste silk grew from \$243,272 in 1904 to a high of \$252,565 in 1910, and sales of manufactures of silk rose from \$139,918 in 1904 to a peak export value of \$400,396 in 1908 but fell off subsequently, standing at \$345,908 in 1910.¹⁸

Consul George Anderson sensed the urgency of the situation at a relatively early date. In 1905, he wrote from Amoy that the "encouragement of the consumption of the Chinese products in the United States is one of the best ways of getting at the Chinese trade situation." The American business community, he continued, had a "vital interest" in strengthening China's export trade. He reminded his readers of the important relationship between exports and imports in the Middle Kingdom:

The greater the export trade of China the greater will be its consumption of foreign goods. China at the present time does not measure its consumption of foreign goods by what it wants, but by what it can afford to buy. . . . The development of China's export trade means the development of Chinese import [sic] trade. The more

¹⁸Foreign Commerce and Navigation for the Year Ending June 30, 1904, 888; For the Year Ending June 30, 1910, 1255.

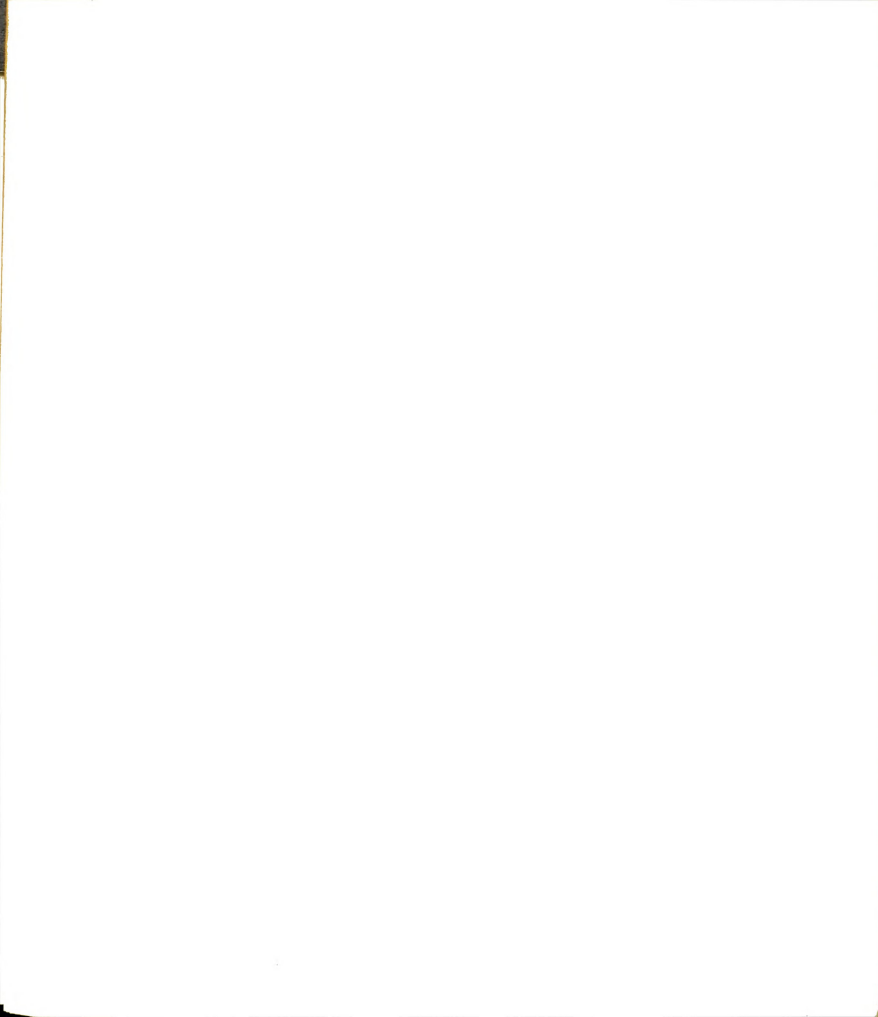
money the Chinese producer receives for his goods sent abroad the more money he will have for the purchase of foreign goods.¹⁹

But as noted in the figures above, the American buyer was unwilling or unable to follow the advice offered by Anderson and others to the effect that a profitable American trade relationship with China had to be a two-way street. While some increases in Chinese imports were registered in America, they were not nearly sufficient to offset the ill effects of the exchange rate upon China's ability to buy.

The decline in purchasing power in China caused in large part by higher prices for American goods and China's inability to buy in the face of inadequate sales, had, as has been noted, a disastrous effect on total American exports. The degree of decline in the trade may be further illustrated and appreciated by an analysis of specific American export categories of the China trade.

American trade with China in sizable quantities was limited to a very small number of products. Topping the list by a wide margin were illuminating oil and cotton goods. Raw tobacco and tobacco products and lumber filled the third and fourth positions. But in no instance did the trade in these commodities play a large role in the total exports of each to foreign areas. Further, with the exception of one item, leaf tobacco, each suffered a decline in sales to China

¹⁹U.S., Department of Commerce and Labor, Bureau of Manufactures, Monthly Consular and Trade Reports, No. 299, (August, 1905), 8-9.



after 1905, and Anderson's prognosis that "China will cease to buy unless she can sell" was borne out fully. There is the additional point that all of these leading exports to China, with the exception of cotton goods, were raw materials as opposed to finished manufactures.

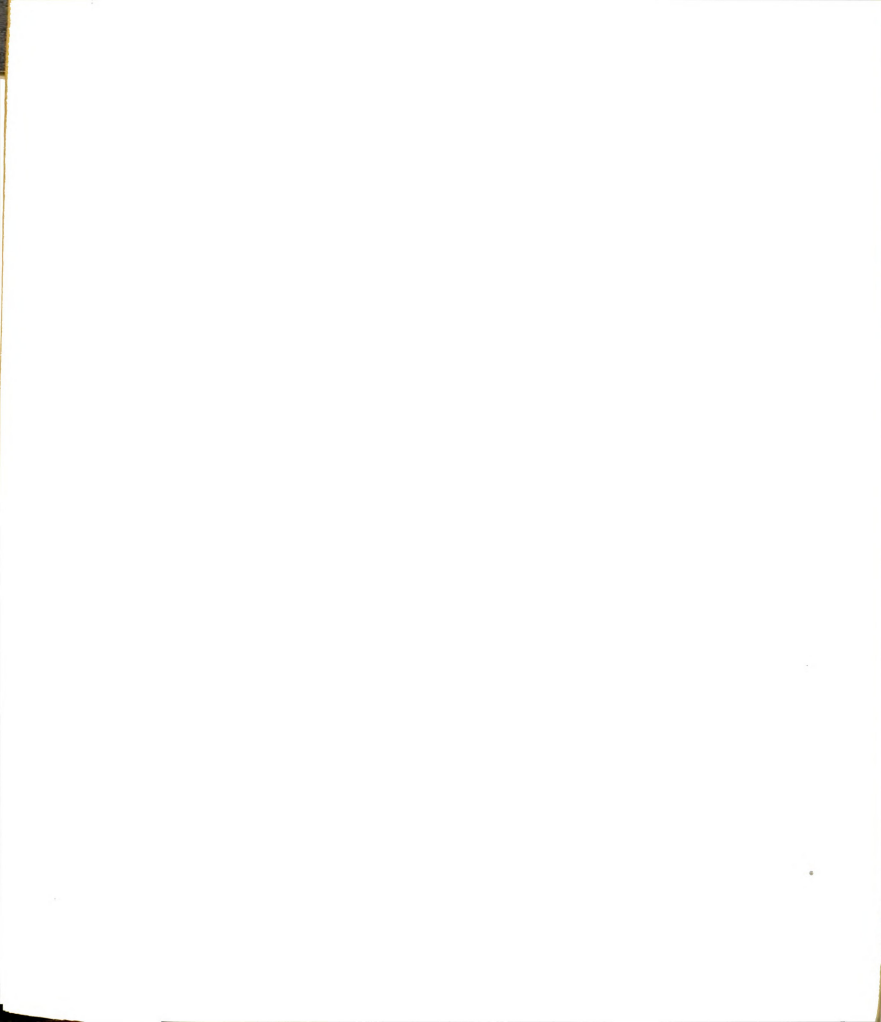
The sale of illuminating oil abroad totaled \$34,706,844 in 1895 of which China consumed only \$1,175,173.²⁰ Peak sales to China were reached in 1908 when \$8,499,279 worth of the product found its way to China. By 1910, however, sales had declined again to \$5,016,297. Total American sales in foreign areas in that year amounted to \$62,477,527. The Chinese market accounted then for 8 per cent.²¹

Examining the sale of American cotton goods further, one finds that the great bulk of textile sales to China was made up of unbleached cloth. The best year in this period was 1909. Exports to China in that year of unbleached cloth totaled \$6,983,774; bleached cloth reached a value of \$908,681; and colored cloth stood at \$111,402.²² In 1910, total American exports abroad of the three varieties amounted to \$19,971,497. Of the total, China took \$5,762,318 or 27 per cent. However, cotton textiles stood eleventh among major export items from the United States in 1910, and formed only 1.95 per cent of the total value of all exports from the

²⁰Foreign Commerce and Navigation for the Year Ending June 30, 1895, I, 331.

²¹Foreign Commerce and Navigation for the Year Ending June 30, 1910, 692.

²²Ibid., pp. 544-548.



United States.²³ Unmanufactured cotton in bales was the leading American export item and accounted for 26.34 per cent of all exports from the nation in 1910 with total gross sales of \$450,447,243. But no sales of these commodities were registered for China in that year. The peak year in the period for American sales of unmanufactured cotton was 1907 when exports achieved a total value of \$481,277,797. China, however, accounted for only \$16,124 of the total sales for that year.²⁴

Tobacco sales were a distant third falling far below those of cotton and oil. In 1895, China took only \$1,055 worth of leaf tobacco while total sales abroad amounted to \$25,622,776. Out of a total gross sale of American cigarettes of \$1,180,669, Chinese consumers accounted for only \$100,161.²⁵ Sales of leaf tobacco to China grew to \$44,473 out of a total sale of the American item of \$29,163,036 in 1900. Cigarette exports to China reached \$494,798 in the same year while total sales of that American product abroad had grown to \$2,624,870.²⁶ But exports of tobacco and tobacco products, it must be noted, formed only 2.58 per cent of the total export

²³Ibid.

²⁴Ibid.

²⁵Foreign Commerce and Navigation for the Year Ending June 30, 1895, I, 367-369.

²⁶Foreign Commerce and Navigation for the Year Ending June 30, 1900, 650-652.

trade.²⁷ The peak year for leaf tobacco exports from the United States to China was 1910. Sales advanced to a high of \$653,496. By that year, however, total sales had advanced to \$38,017,260. Cigarette sales reached a high of \$1,393,051 in 1907, but by 1910 such sales had fallen off to \$842,233.²⁸

Sales of American lumber to China were even less impressive. The chief lumber products were boards, deals, and planks. In 1900, China took \$148,219 worth of these products out of total sales in foreign areas in that year of \$17,731,696.²⁹ A high in export value of these materials to China of \$975,629 was reached in 1907. However, by 1910 the figure again had fallen to \$748,026 or roughly 2 per cent of total sales abroad in that year.³⁰

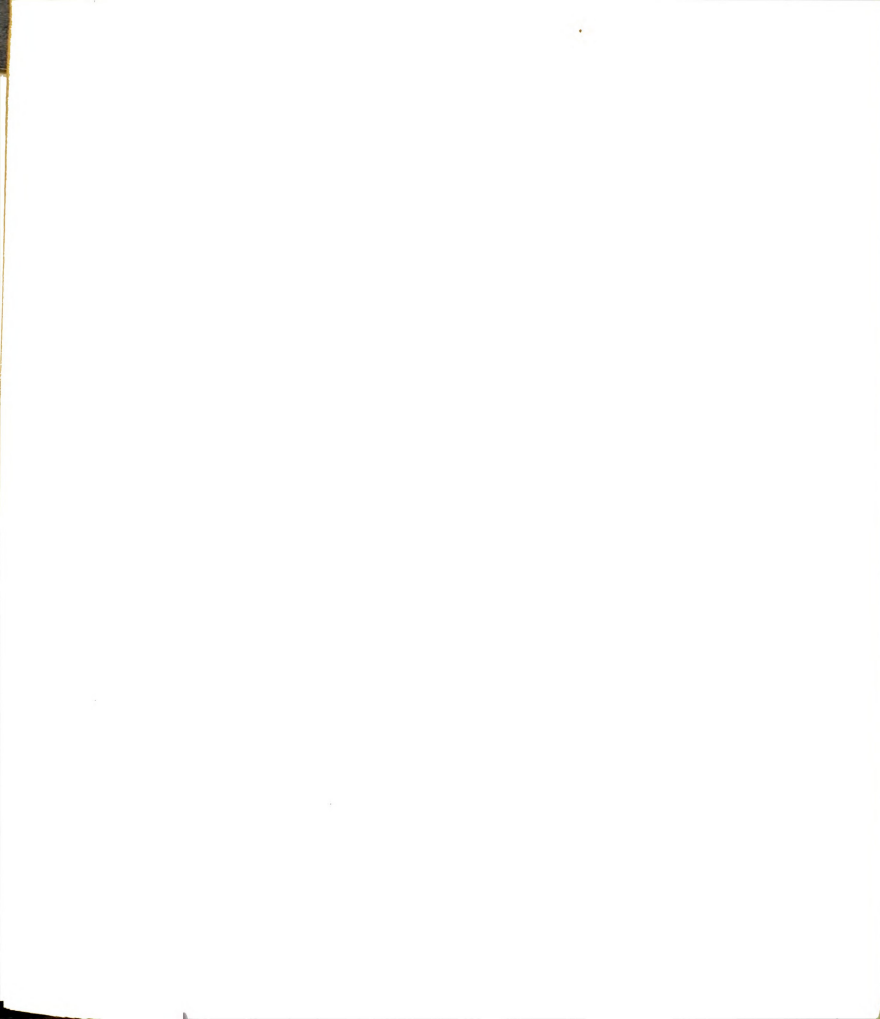
By the year 1910, then, these four major export product areas accounted for \$13,023,470 or 81 per cent of the total sales to China of \$16,320,612. Sales of other manufactured and unmanufactured articles were very insignificant. Exports of rubber boats and shoes, for example, amounted to \$4,414 in 1907, by far the best year for such American sales in China,

²⁷Ibid., p. 138.

²⁸Foreign Commerce and Navigation for the Year Ending June 30, 1910, 740.

²⁹Foreign Commerce and Navigation for the Year Ending June 30, 1908, 738.

³⁰Foreign Commerce and Navigation for the Year Ending June 30, 1910, 756.



but by 1910 had declined to \$447.³¹ Exports of manufactures made of copper were our sixth largest export product in 1910 with a total sales volume amounting to \$89,309,284. China, however, desired or perhaps better, could afford and make use of only \$6,935 worth of these items.³² Cash register sales to China by American firms in 1910 amounted to just \$1,292.³³ Sewing machine exports reached a peak of \$37,245 in 1908 but declined by over half to \$15,993 in 1910 when the total exported abroad by American entrepreneurs rose to a new high of \$7,513,852.³⁴ Mining machinery showed better, but hardly breathtaking, results. Of the total American sales abroad in 1910 of \$5,400,420, China took \$59,211.³⁵ Motor boats exported to China reached a sales value of \$5,450 in 1907. By 1910, sales in this category, however, had fallen off to a value of \$551.³⁶ This listing of sales for the period after 1905 of American produce in China, while not complete, is representative of the American sales record.

Indeed, reference to the statistics for any year in this period provides further evidence to the effect that sales in most items of manufacture were extremely small. In 1900, for

³¹Ibid., p. 599.

³²Ibid., pp. 540-541.

³³Ibid., p. 621.

³⁴Ibid., p. 625.

³⁵Ibid., p. 623.

³⁶Ibid.

example, China took only \$7,505 in leather goods while American sales to all foreign areas stood at \$15,363,844. The sale of electrical supplies to Chinese importers in 1900 amounted to only \$6,345, of laundry machinery to \$2,102, of clocks and watches to \$24,731, of soap to \$6,201, and of agricultural implements to \$4,247. The latter figure, for example, was the China market's contribution to total sales abroad for the United States of \$16,099,149.³⁷ The year 1905 saw only \$9,665 worth of photographic supplies going to China. American manufacturers sold in the same year \$692 worth of reapers and mowers, \$120 worth of plows and cultivators, \$5,579 of watches, \$24,507 of typewriters \$28,409 of sewing machines, and \$16,129 worth of American boots and shoes to the Middle Kingdom.³⁸ These figures are a telling reflection of the combined effects of both the general lack of interest of American manufacturer's and the growing inability of China to support even a token American trade. Both, in turn, served to further dampen any hope of an enlivened or even awakened American interest in the China trade.

These trade statistics of the American-China trade became even more disappointing when one takes note of the fact that the years following the turn of the century were bounti-

³⁷Foreign Commerce and Navigation for the Year Ending June 30, 1900, I, 614, 605, 576, 642-645, and 558.

³⁸Foreign Commerce and Navigation for the Year Ending June 30, 1905, 669, 444, 445, 498, 600, 594, and 622.

ful indeed for China's foreign trade with the world. C. F. Remer provides an accurate and precise summary of trade developments in this period:

The total value of the foreign trade of China reached a new level in 1899 and with the exception of the next year during which the Boxer Uprising took place, the total trade has never gone back to the level of the period before 1899. The annual average of the total trade in Haikwan taels [the tael was worth about 75¢ in this period] for the years 1885-1898 had been about 254 million; for the years 1899-1913 the average was 657.5 million taels. The total trade for 1899 was 460.5 million taels. . . . The growth of the foreign trade had been at an even rate during the years 1885-1898. During the years 1899-1913 the growth was equally great, but the growth was not at an even rate. During the latter period, the growth was by spurts reaching new high levels in 1900, 1905, 1910, and 1913.³⁹

The United States was obviously out of tune with this upward spiral of trade in China. By 1913, a year for which comparative statistics are available, America's share of China's foreign trade had declined to 7.6 per cent. In 1899, it had stood at 9.5 per cent. In contrast, Japan's share, for example, had increased from 11.5 per cent in 1899 to 19.7 per cent in 1913. The British share stood at 11.4 per cent, and the Russian share had risen from 4.8 per cent in 1898 to 6.7 per cent in 1913.⁴⁰ The lethargic interest of the American business community and the iniquities of the China market had combined to dispel the dreamlike aura that had been constructed by journalists and politicians around the China market.

³⁹Remer, Foreign Trade of China, p. 125.

⁴⁰Ibid., pp. 161-162.



It was not China with its 400 million, but "little" Japan that fitted more nearly the configurations of the dream. By 1910, Japan was well on the way to accomplishing the economic and political transformation that had been essential for China but which still lay in the distant future for the Middle Kingdom. Under Meiji leadership, it was Japan that had gone far toward building a powerful modern nation out of a feudally fragmented and technologically backward country. Industrialization was an important part of this success tale. The story, of course, was complex, but, in essence, the government provided political stability and sound monetary institutions which were the prerequisites for industrial growth that China would not accomplish until much later. In addition, it was Japan which had defeated both of its major rivals, China and Russia, and achieved supremacy in the power structure of East Asia by 1905.

Japan's emergence was fraught with meaning, of course, for the Far East and the world. But concern here must center on its effect on the trade configuration of the area for the United States, and even the most cursory examination of various statistical categories of the Japanese-American as opposed to the Chinese-American trade connection reveals the effect to be very momentous. Indeed, it is found that Japan rather than China offered the far more productive and promising market for American goods. Japan accounted for a larger percentage of consumption of American exports in every year of the period after 1890 with the exception of 1905. As China's

intake of American produce fell off in 1907 to \$25,704,532, Japan's grew to \$38,770,027. In 1908, while American exports to China were only \$22,330,439, those to Japan rose to \$41,432,327. In 1910, a low year for American trade to both nations, Japan still took more than five million more of American exports than did China.⁴¹

Further analysis of this statistical data reveals an even more impressive lead for Japan. Of the ten leading American domestic exports in 1910--that is unmanufactured cotton, iron and steel and manufactures of, breadstuffs, meat and dairy products, mineral oils, copper and manufactures of, leather and manufactures of, tobacco and manufactures of, and coal--Japan led the Chinese empire in consumption in six categories. In several instances the lead was dramatic and highly significant. Japan imported \$6,582,783 worth of unmanufactured cotton from America while China imported none, even though this was America's leading export to foreign areas in 1910. In the important product area of iron and steel and manufactures of, which included "rails for railways" and machinery for industrial use, Japan far outdistanced her Asian neighbor taking \$5,779,081 of such American wares to China's import of \$1,483,466 worth. Japan imported from the

⁴¹Foreign Commerce and Navigation for the Year Ending June 30, 1910, 1256, 1263.

United States \$719,524 worth of goods designated as "leather and manufactures of" in 1910. China, however, managed to import from America only \$51,123 worth of the same goods.⁴²

In terms of total trade, that is the combined figure for imports from and exports to the United States, Japan achieved a supremacy over her Asian rival in 1892 that increased in each subsequent year. Checking at various intervals in the period one finds that total American trade with Japan stood at \$28,330,674, compared with \$24,149,669 with the "colossus" of China. By the turn of the century, the summary figures read \$61,836,377 for the Japanese-American and only \$42,156,093 for the Chinese-American trade. By 1910, the gap between Japan and China in this statistical category had grown considerably and impressively in favor of the former. While total American trade with the Japanese reached \$88,358,071, that with China amounted to only \$46,310,982. The Japanese connection had nearly doubled in value that with China, and, it should be noted, had outstripped the China trade of the United States in percentage of increase as well.⁴³

Turning to the export side of the ledger, Japan again could claim a pattern of growth in terms of both absolute volume and percentage of increase that was far superior to

⁴²Ibid., 58, 1256, 1262-1263.

⁴³Dennett, Americans in Eastern Asia, 581; Foreign Commerce and Navigation for the Year Ending June 30, 1910, 1255-1256, 1262-1263.

that of China. Particularly, Japan was able to establish early and steadily increase a trade balance in her favor that China, while needing it more desperately, could not accomplish. Not, in fact, until 1907 did China firmly regain an excess of exports to the United States that she had lost in 1902 and again in 1905 and 1906. The Middle Kingdom dispatched goods to the United States in 1907 valued at \$33,436,542 while receiving from her a total value of \$25,704,532. In the remaining years of the period considered here, she maintained a very small balance in her favor. The figures read: 1908--exports to the United States, \$26,202,922, imports from the United States, \$22,343,657; 1909--exports to, \$28,798,723, imports from, \$19,420,024; and 1910--exports to, \$29,990,370, imports from, \$16,320,162.⁴⁴

The pattern for Japanese exports was nearly the reverse. Not only did her exports to the United States exceed those of China in value in every year after 1890, but also, as noted, the margin of exports over imports in her trade with America was annually enlarged and consistently far superior to China's. In 1890, for example, Japan sent goods valued at \$21,103,324 to America. She imported in return only \$5,232,643 worth of American merchandise. Her exports to American ports in 1900 stood at \$32,748,902 while she received American merchandise worth \$29,087,475, leaving a favorable balance of exports over

⁴⁴Foreign Commerce and Navigation for the Year Ending June 30, 1904, 888,889; For the Year Ending June 30, 1910, 1255-1256.



imports of over 3.5 million. In the first decade of the new century, Japan was able to widen dramatically the gap between exports and imports to the United States. By 1904, the balance in her favor had grown to nearly 22 million. In 1910, Japanese exports to America stood at \$66,398,761 while imports from that nation were valued at \$21,959,310, leaving a balance in Japan's favor of nearly 45 million as compared with China's favorable balance of 13 million in the same year.⁴⁵ In addition, then, to the fact that Japan had converted to the gold standard in 1897, she also demonstrated a far greater capacity to find an outlet for her goods in the United States and in turn create a purchasing power that made the prospects for a healthy trade relationship with America far more glowing than had China.

The structure of the American tariff offered yet another statistical category of interest in a comparison of the American trade relationship with the two nations. The figures of interest here involved the percentage of total imports from Japan and China entering American ports free of duty. In 1900, for example, \$20,566,198 or 62 per cent of Japanese imports reaching the United States entered duty free as contrasted with \$14,496,283 or 54 per cent of the total Chinese imports of \$26,898,926. Ten years later Japan still main-

⁴⁵Dennett, Americans in Eastern Asia, p. 581; Foreign Commerce and Navigation for the Year Ending June 30, 1904, 895-896; For the Year Ending June 30, 1910, 1262-1263.

tained her favored position and her lead over China in this regard of 8 per cent. In 1910, \$52,016,321 or roughly 77 per cent of her total exports to America entered duty free while the Chinese figure rose to \$20,369,508 or 69 per cent of her total exports.⁴⁶ If its tariff policy was representative of its attitude, Congress apparently did not share the enthusiasm or feel the need for the China market that was displayed by China enthusiasts in the nation.

The Japanese market not only displayed more real growth and promising characteristics vis-à-vis the United States than did China's, it did so in two important instances at the expense of the latter. Raw silk was one of these. It was China's leading export to the United States and grew in value in American import figures from \$3,087,749 in 1894 to \$12,171,309 in 1900. In the first decade of the twentieth century, such exports to the United States fell off to average between 8 and 10 million. Only once in this period did exports of raw silk achieve and slightly exceed (by less than \$200,000) the old high of 1900. Japan, on the other hand, began to sell to America increasing amounts of silk of which China had been the sole source in the Far East earlier. At the center of this shift was the fact that Japan had solved the problem of producing silk of a uniform quality by the intro-

⁴⁶Foreign Commerce and Navigation for the Year Ending June 30, 1904, 888, 895; For the Year Ending June 30, 1910, 1255, 1262.

duction of power driven filatures. The resulting gains over China in the American trade were sizable. Japan exported \$8,024,743 worth of silk to the United States in 1894 and \$19,688,132 in 1900. Sales to America mushroomed after that year, advancing to \$44,689,830 in 1909 and \$40,103,780 in 1910. In the latter year, it is found that Japanese exports of silk to the United States outdistanced those of China by over 31 million dollars.⁴⁷ These exports providing alone for Japan more than half of the foreign exchange in the American trade that allowed her, in turn, to increase her imports from the United States.

Chinese tea exports, her second largest export item, suffered a similar decline, and again a large part of the denouement lay in increased Japanese competition. Reaching a high of \$7,697,253, Chinese exports of tea to America were down to a value of \$5,694,136 in 1900, and by 1910 had declined further standing at \$3,275,343. In contrast, Japan's trade in this item with the United States was upward-bound and gradually eclipsed the China trade. Exports of this item from Japan to America stood at a value of \$5,505,411 in 1894. By 1900, they had fallen off slightly to sales amounting to \$4,371,605. But, in the first ten years of the new century, they advanced steadily while China's languished and fell off, reaching a high value of \$9,000,554 in 1909 and amounting to

⁴⁷Ibid.

\$6,334,588 in 1910.⁴⁸ Indeed then, it was Japan with its industrial base soundly established, not China, that displayed a propensity to approach, at least, the impossible trade dreams of American enthusiasts.

If "much ado about nothing" seems a nearly accurate description of the preceding discussion of American trade efforts in China, that old Shakesperean phrase fits precisely a consideration of investment ventures. Investment by American bankers and financiers in China was considered a requisite catalyst of both political and commercial success. While the political aspects of the matter will impinge on our discussion, it is the commercial effect that is of immediate concern. Particularly it was recognized that investment in transportation, communication, and industrial projects in China carried with it the prospect of further contracts for the materials necessary for construction and maintenance. In addition then to the profits derived from interest on the original loan one could anticipate the creation of a leverage that would produce secondary contracts and enhance trade volume in the process.

This outlook was not a recent discovery. The important relationship between investment and trade growth was often expressed by contemporary journalists and officials familiar with the situation in China who urged American investors to secure construction contracts and loans in order to enlarge

⁴⁸Ibid.

America's commercial connection with the Celestial Empire. A March 15, 1909 editorial in the New York Journal of Commerce discussed the loans issued to China by foreign financiers since 1899 which amounted to 81 million dollars. American capital was not represented at all in these railroad contracts. This, the editor continued, was regrettable "since, even in the absence of any explicit bargain to that effect, the purchase of rails and equipment is very likely to be made in the country which furnishes the money." The article concluded with a familiar plea for American participation:

On the general basis of five per cent money, there need be no difficulty in placing American capital in large amounts in China, preferably in combination with other international lenders in the same field. In the existing condition of the domestic demand for the finished products of iron and steel, some large orders from China would furnish highly seasonable and welcome relief.⁴⁹

Charles Denby, the American minister in China, devoted frequent comment to the need for investment. On one occasion, while discussing the new Imperial Bank of China, he noted that he had long hoped "that American financiers would enter this field." He believed that the American system of national banks could be adopted to the needs of China "with advantage." The Minister had frequently urged such a plan upon Chinese statesmen with, of course, America's best interests as his motive.⁵⁰

⁴⁹Ed., "Chinese Railway Loans," p. 4.

⁵⁰U.S., Department of State, Consular Reports: Commerce, Manufactures, etc., LIV (December, 1897), 240.

But Denby's efforts met with disappointment. In 1897, he wrote the State Department concerning his disgust with American investment efforts:

I have often written to the Department concerning American schemes in China to secure loans and contracts for railroads. Unfortunately our fellow-citizens have made no serious effort to avail themselves of the good will of China. When two years ago a loan of \$100,000,000 was offered us I could find nobody in the United States that would touch it. There have been several Americans in China who have talked about railroad contracts, but no one of them had authority to make a contract.

In another case in his experience, Denby reported that before a contract for a railroad from Hankow to Paoting and on to Peking was awarded to a Belgian firm, it had been offered to an American. But he lacked authority to accept it, and the issue was immediately lost.⁵¹

Denby's successor, E. H. Conger, began to suffer immediately from the same disillusionment in his efforts to foster American investment in China. One of his first reports related to the same Hankow-Peking line mentioned above. Conger had learned that the Belgian project was to be financed with Russian and French funds. This news caused his temper to flair even more. Most interesting was the rationale he penned in defense of his opinion that these developments were "exceedingly unfortunate":

⁵¹Charles Denby, American Minister to China, to John Sherman, Secretary of State, October 20, 1897.

1st, [sic], because it removes from American capital extremely rare opportunities for profitable investment, and by just so much takes from us permanent and potent channels of trade possibilities and political influence.

There has never been a time in our political or commercial history when such a loss meant so much to our people.

2nd. Because we have just reached that stage in the manufacture of railroad machinery and supplies when we can successfully compete with all the world for this territory.

3rd. Because we need the potency of such footholds as these to offset in part the territorial acquisitions which is the policy of the other strong nations; but which for the present at least, our traditions and policies forbid.

Conger closed with the admonition that trade would increase only if American capitalists placed adequate quantities of "brains and money" in China.⁵²

In 1914, George Anderson, Consul-General at Hongkong, was still harping on the importance of investment to trade development. Increasing trade with China in the immediate future, he wrote, would be likely to occur "only in connection with important railway concessions, in mining, or other undertakings involving the expenditure of large amounts of foreign capital." Some important railroad contracts had already been signed in the early months of the year. The result would be important increases in the Chinese importations of railway materials and related supplies. Such new trade, however, Anderson pointed out, "almost invariably goes to the nation

⁵²E. H. Conger, American Minister to China, to William R. Day, Secretary of State, July 31, 1898.



which secures such contracts and furnishes the capital for such undertakings." Unfortunately, "the United States had no contracts," he concluded on the point, "involving any advancement of capital or any such trade favor except its share of the Hankow-Szechwan line" upon which work had proceeded very haltingly.⁵⁴

Comparative statistics, however, demonstrate that the combination of American brains and money never materialized in China and that American investment played at best a peripheral role if contrasted with the achievement of other foreign nationals. British investments in the two most significant categories--that is business investments and obligations of the Chinese government--amounted to 607.5 millions of dollars in 1914, a year when investment statistics in China are available. Japanese investments by the same year stood at \$219,610,000. The Russian figure for investment in projects of its southern neighbor was \$269,281,887 in 1914. That of France was \$171,374,000 and of Germany \$263,596,000. In the case of Russia and Japan, the preponderance of investment lay in Manchuria where the greatest future for American trade was believed to center. Each of these nations had achieved tremendous growth in their Chinese holdings since the turn of the century. The British, for example, had more than doubled their investments in China which had

⁵⁴U.S., Department of Commerce and Labor, Bureau of Manufactures, Daily Consular and Trade Reports, No. 146 (June 23, 1914), 1791-1792.

stood at \$260.3 millions in 1902. Japanese growth was even more spectacular, having amounted to only one million dollars in 1900. The French involvement had increased from \$91,120,000 in 1902 and the German from \$164,282,000.⁵⁵

The amount of American money invested in business holdings and Chinese government obligations likewise increased in the early years of the new century. But it remained, at best, a distant sixth in statistical computations and certainly registered but little impact in the China investment market. In 1900, American business holdings and loans stood at 19.7 millions of dollars, and fourteen years later, American dollars at work in China had grown to only \$47,299,000. Even if the figures for a third and relatively unproductive category--mission holdings--is included the amounts still read only 24.7 millions in 1900 and 57.3 millions in 1914.⁵⁶ This was true despite the fact that American investment abroad grew impressively from 68.5 millions in 1897 to over 2.5 billions in 1908 and 3.5 billion by 1914.⁵⁷ The investment atmosphere was so satisfying in other foreign areas--particularly Europe and South America--that Americans felt no compulsion to do more than test the air in China.

⁵⁵Remer, Foreign Investment in China, pp. 352, 361, 419, 446, 573, 587, 621, 625, 639, and 642.

⁵⁶Ibid., pp. 260, 274.

⁵⁷Fite and Reese, An Economic History of the United States, p. 465.

Railroad concessions and loans were the real prize of the investment flurry of this period in China. American financiers, however, scarcely played a bold role in this area. On April 14, 1898, an American firm, the American China Development Company, operating under the able leadership of Calvin S. Brice, a former Senator and railroad promoter, secured a loan agreement with the Chinese allowing it to market bonds amounting to four million pounds for a railway to be constructed by the company from Hankow to Canton along the southeast coast of China. However, this, the only exclusive railway project secured by Americans in this period, was cancelled in 1905 with great profit accruing to the company. President Roosevelt, who had become deeply involved in the affair, noted dejectedly that American investors had decided that the risks involved in the venture were too great. William R. Braisted, a student of this episode, concluded that the venture was an expensive lesson for the Chinese in the wiles of international finance. Judging by subsequent activity in railroad investment, it served as a lesson for American financiers as well. The constant disputes with Chinese officials that characterized the term of the firm's contract exposed amply the more hazardous aspects of the China investment market to the detriment of future American efforts.⁵⁸

⁵⁸Braisted, "The United States and the American China Development Company," The Far Eastern Review, pp. 149-163. See also, George Bronson Rea, "Railway Loan Agreements and Their Relation to the Open Door" The Far Eastern Review (November, 1909) pp. 215-216.

The period after 1905 was almost equally barren in so far as American investment in Chinese railroad construction was concerned. With one exception, even with increased government support, all further unilateral or multilateral railroad schemes involving Americans disintegrated in the process of formation. All involved investment projects in grain-rich Manchuria where suspicion of Japanese and Russian political designs rather than profitable returns or trade stimulation was the attracting force. E. H. Harriman's plan to secure the Manchurian railways, or rental of the same, as a part of a round-the-world transportation system, which involved a considerable investment, eventually came to nothing. A joint British-American project, sponsored by Williard Straight, for a railroad from Hsinmintun to Fakumen fell on the horns of Japanese opposition in 1907. The next series of proposals revolved around the American Secretary of State's proposals for the "neutralizing" of all Manchurian railways, including the Chinese Eastern and South Manchurian lines. This project encountered joint Russo-Japanese opposition and as a result met the same fate as its predecessors. Finally, and only after forceful intervention by President Taft, Americans did gain entry into the Consortium that garnered in May of 1911 a contract to finance the Hukuang railways. By 1914, this was the only outstanding Chinese government loan involving direct American participation. It amounted to \$7,299,000.⁵⁹

⁵⁹Remer, Foreign Investments in China, 265-269, 272.

While opposition from Russia and Japan among others played a part in causing these dismal results in American investment efforts, other factors and attitudes inherent in the American financial community were the main cause. In the case of the Canton-Hankow project, failure came largely because the required capital could not be obtained in the United States.⁶⁰ But the chief deterrent in China lay with the American's suspicion of the political considerations and possible armed conflict that might develop from them. These considerations varied, as noted above by many American officials, but seemed generally to American financiers to give greater importance to railway projects in China than business or economic considerations would warrant. In discussing the proposal for an American loan of \$50,000,000 for currency reform and industrial development in Manchuria, E. H. Zabriskie found this predominate attitude to dominate the response of the financial community. "Wall Street bankers, however," he noted, "were cautious." They were dissatisfied with Secretary Knox's unfortunate mingling of finance and politics." The fear was real in fact that such maneuvering "would bring them into disrepute, or even precipitate a war for which the United States was not prepared."⁶¹ The situation was best described by C. F. Remer:

⁶⁰Ibid., pp. 267-268.

⁶¹American-Russian Rivalry in the Far East, p. 171.

An open door for trade was regarded by the Americans as having been won by an agreement which avoided political issues. An open door for investment could not, it seems, be isolated from politics and dealt with as an economic problem.⁶²

While financial activity and political involvement formed a natural and profitable association for many foreign nations involved in China, American financiers considered the combination as anathema to their best interests.

The performance then of American traders and financiers was something less than breathtaking. Certainly it fell far short of the grandiose expectations of American enthusiasts. Indeed, even if those expectations had envisioned only a modest market in China, the results discussed above would have been disappointing.

⁶²Foreign Investments in China, p. 271.

CHAPTER VI
IN RETROSPECT: AMERICA'S COMMERCIAL
ROLE AND POLICY IN CHINA

The accurate writing of history involves both what contemporary opinion believed to be true and what was actually true. If these concur, there is relatively little difficulty in arriving at an interpretation. The historian, however, confronted with the responsibility of developing a valid narrative, is met by serious challenges if the two versions are not in agreement.

The latter predicament is the fate in fact of the student who examines the drama of American trade and investment efforts in China. The exciting prospectus of America's role in China, penned and voiced by journalists and prominent intellectuals from the vantage point of the late nineties, was not fulfilled by subsequent American activity. The dilemma is further complicated by the fact that some historians have focused on this glowing self-image of America's future role in China while neglecting the actualities. The focus of these historians almost exclusively on contemporary opinion to the exclusion of the realities led to interpretations that are open to question.

The studies compiled recently, detailing the desires and efforts of Americans in the last decade of the nineteenth century to create in the immediate future an "informal empire" in the Pacific were based upon a careful sampling of prominent segments of American public opinion. The China market, among others, was indeed upon many tongues. Walter LaFeber carefully documented the urgency with which many in the nation in the 1890's discussed the need for a new and powerful role for America in the world as well as the overproduction theme that became common parlance among the better educated in American society. Likewise, he demonstrated that the market to be had in China in the coming years entered their analysis as to solving the threat of a continuous surplus. The author also demonstrated that the State Department encouraged their officials stationed in China to prepare the way for enlarged future sales through individual effort.¹

Thomas J. McCormick has produced a study in the same intellectual vein, centering exclusively on the China market. His work likewise stresses the concern of many Americans that their country was destined to play a prominent role in the world's power structure and faced the effects of social instability and that the dangers presented by the latter possibility had its roots in economic stagnation. Many McCormick illustrated carefully, found the answer to the dilemma to lie in a self-limited economic imperialism. The author presented

¹The New Empire, pp. 300-302.

an impressive set of very quotable quotes in support of his thesis that leading business and political commentators viewed the relatively undeveloped China market as the most prominent area available into which American surplus manufactures might be funneled. Officials ranging as high as President McKinley were depicted in support of the effort to establish American coaling and naval stations in the China area. They generally were in sympathy with and offered encouragement to efforts to prepare the way for a "pragmatic imperialism" in China.²

A review of the latter study by John King Fairbank has identified a central weakness of the author's presentation that might also be cited in LaFeber's thesis as it was applied to China. While Fairbank characterized the offerings of McCormick as "vigorous, clear cut, and fully documented," and noted that the thesis seemed "irrefutable," he stressed the fact that it left the reader "precisely halfway across the river." A part of the rationale behind Fairbank's "half-told tale" criticism lay in what he believed to be the author's failure to deal with the missionary's role in American expansionism. But he also discussed his impression that the volume seemed "not to probe below the self-image of the economic expansionists of the 1890's and so fails to put them in a larger context."³

²China Market: America's Quest for Informal Empire, 1893-1901 (Chicago: Quandrangle Books, 1967), passim.

³Review of China Market, by Thomas J. McCormick in The Journal of American History, March, 1968, pp. 910-912.

An important part of the uncrossed river relates to the conditions prevailing in the China market. To this must be added a careful examination of the activities of the American business community and government. Each was the subject of assumptions as to their role in the conquest of the China market. The answer to the central question as to whether the nature of the market in China or the attitudes and actions of businessmen were commensurate with the assumptions of American expansionists has been the focus of the preceding chapters. That answer has been consistently in the negative and it helps to explain why the aims of American policy were indeed modest if compared with the expectations of China enthusiasts. Indeed the results of the investigation as reported in this paper might have discouraged even an Alfred Mahan or Josiah Strong if they had been available to them. Supposition and reality showed no promise of meeting in any near future.

Those who stressed the great prospects for American trade in China were most encouraged by the latter's large population and by the almost totally undeveloped status of her transportation and communication systems as well as her industrial plant. But further inquiry demonstrates that these conditions stood in the way of trade and, moreover, other factors, of which cognizance was not taken, also served as barriers to trade. American officials reporting from the scene revealed that only about 13 per cent of China's estimated 400,000,000 souls were candidates for American trade efforts and that

American imports rarely got as far inland as fifty miles. No nation, they noted frequently, had paid so little attention to road building and the development of communication networks as had China. Railroad development had proceeded slowly, and even by the close of the period considered here, the nation could boast of only five thousand miles of track. What sale of goods inland did take place occurred only after slow, arduous, and relatively costly transport. Even the country ostensibly open to trade by these standards was so beset by regulations, internal taxes on the movement of goods, and piracy as to make profitable commercial activity a near impossibility.

This was true despite the fact that other inhibiting factors had to be included if the true character of the market in China was to be appreciated. The most prominent of these were the abject poverty of the Chinese, their peculiar preferences that eliminated the possibility of sale for many American items, the exchange problem that saw the Chinese purchasing power steadily reduced, the intensity of competition for sales in China among Western nations, and, above all, the intense hostility of the Chinese generally toward all foreigners operating within the confines of their Celestial domain. Certainly these rather gruesome realities did not comport well with Charles Denby's reminder in 1899 in Munsey's Magazine that in China one-fifth of the world's population simply awaited the delivery of American wares. Neither the size of the market nor the ease of sales were reflected with any degree of accuracy by such remarks.



But even when these obstacles to trade were clearly recognized by officials in China, consular officials, in particular, zealous in their concern for increased American sales in China, clung to the hope that the nature of the market might be speedily transformed, the iniquities of the market from the American viewpoint cured, and the earlier visions of China's potential fulfilled. However, these same officers also recognized that many specific changes were requisite to improved commercial achievement. Consul William Martin at Nanking, speaking in 1904 of the then dim outlook for windmill sales in China, outlined carefully what would be necessary in order for the prospects to improve. The obstacles to be overcome included the severe poverty of the Chinese farmer as compared with his counterpart in the United States, the antiquated methods of farming in China by Western standards, and the extremely small size of Chinese farms. Other changes recommended as essential by Martin were a plan for the re-allocation of the large labor force then employed in carrying water, a re-education of the Chinese designed to allay their fears that the introduction of machinery of any sort meant economic ruin rather than advance for the laborer, and finally, a substantial reduction of the price of the American windmill itself.⁴ In short, in addition to cutting costs severely at home, he spoke of creating a new China streamlined along Western lines.

⁴U.S. Bureau of Statistics, Department of Commerce and Labor, Special Consular Reports. Windmills in Foreign Countries, XXXI, 132-133.

While Martin like other of his fellows delivered his recommendations in an optimistic vein and was convinced that their impact would be one of encouragement to the American manufacturer, his remarks, if read at all, could not have been greeted by the businessman in the same tone of éclat as they were delivered. The task outlined by the consul was awesome, and events through 1904 had demonstrated that the desire, not to mention the ability, of China to remake herself lay at some increasingly distant and nebulous rather than immediate point in the future. How distant may be gathered from estimates in the 1960's that the annual per capita income under Communist leadership and reform had advanced to only seventy-five dollars.

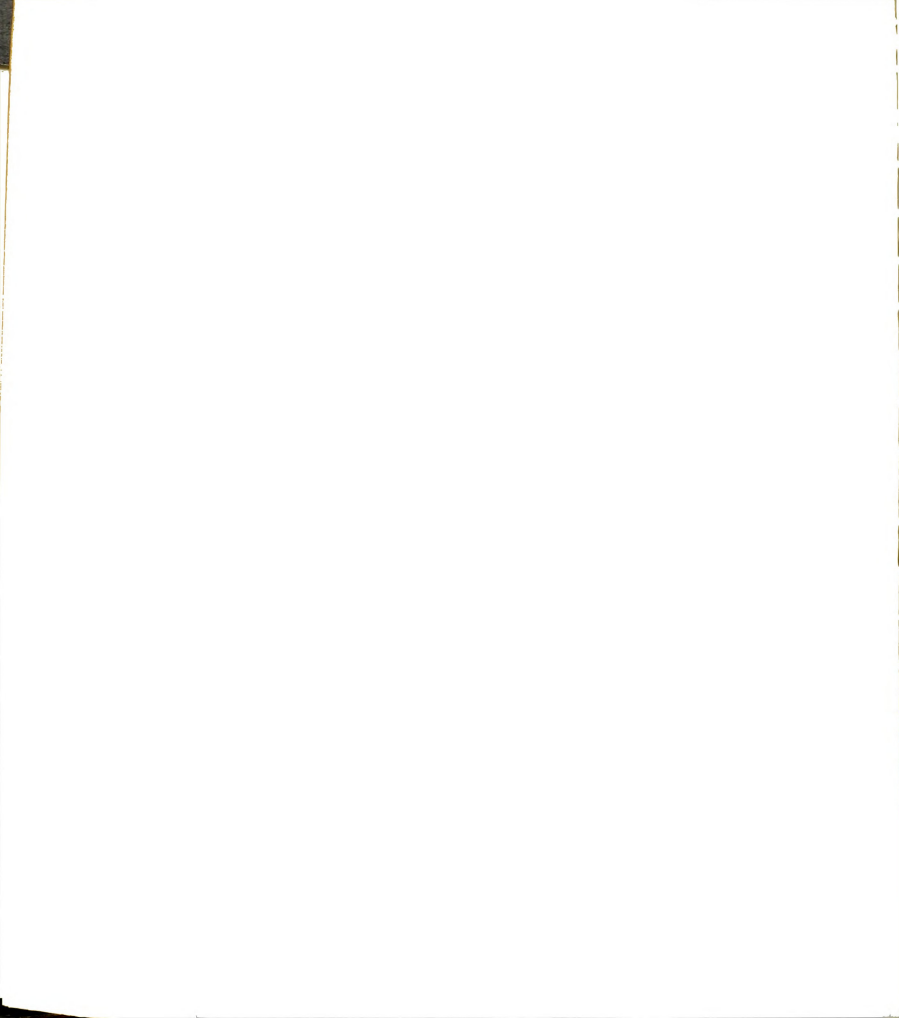
Even more cogent is the fact that suggestions such as those offered by Consul Martin as well as the optimistic forecasts of the 1890's were in part based on the assumption that American manufacturing firms would be so desperate for a large market in China for their wares that they would be willing to make any effort required to increase sales in the area. This assumption was based in turn upon the popular belief that the home market was irrevocably saturated. The pace of production had outstripped the purchasing power of the American public. The analysis seemed confirmed by the three years of severe depression that followed the Panic of 1893.

Subsequent events, however, revealed that this appraisal of the ills of the domestic market was vastly overstated. Rather than a market at home permanently incapable of supporting industrial growth, the problem revolved around a temporary

setback in purchasing power for large groups of American consumers. After reaching new peaks in the 1880's, farm prices fell off in the first half of the 1890's. Wheat dipped to a low point in 1894, corn in 1896, and cotton in 1898. In addition, a falling off in commodity prices had resulted in declining wages for industrial workers which in turn reduced their buying power and created widespread discontent among their numbers. A early indication of this trend is found in the reduction of wages by Carnegie Steel Company in 1892 and the resulting Homestead Strike. Unemployment reached a high point in 1894. Loss of confidence in the monetary system played a role as well, producing runs on the banks of the West and South.⁵

By the turn of the century, the nation's economy had recovered. A significant increase in the gold supply after 1896, increasing farm and land prices, and rapid expansion of bank loans led to a new surge forward in industrialization accompanied by increased wages. The effect was a significant improvement in the state of the economy generally. What followed was an extended period of prosperity for the nation which was not seriously disrupted until 1921. The period from 1897 to 1921, in fact, represented one of the longest cycles of business prosperity in American history. It was interrupted

⁵Fite and Reese, An Economic History of the United States, p. 306; See also, U.S., Department of Agriculture, Gross Farm Income and Indices of Farm Products in the United States, 1869-1937, Technical Bulletin No. 703, December, 1940, passim.



by only a slight recession in 1903, a severe but very brief panic in 1907, and by a short-lived economic "reaction" in 1913. Even during the partly depressed decade of the nineties, it should be noted, the nation's wealth increased by \$23 billion or 30 per cent although half of the increase was in real estate values.

The gloomy predictions of the 1890's of a permanently glutted market failed to materialize. As mass production moved forward again in such industries as clothing, oil, food products, and iron and steel, a "mass market" was available because of the steady rise in real incomes in the period after 1897. One economic historian, reflecting on this development, has noted that this growth in real incomes "meant that there was enough purchasing power in the hands of individuals, business, and government to produce a fairly strong demand for commodities of all kinds." It was important to recognize, he continued, "that most American production was consumed at home, emphasizing the role of the domestic market in the country's economic development."⁷ Foreign trade did, as noted earlier, increase in this period. But the real solution to burgeoning production lay in the fostering of a vastly increased capacity for consumption at home. These facts certainly buttress the comments of Howard Ayers in 1910 to the effect that as long as a large market and general prosperity

⁶Fite and Reese, An Economic History of the United States, pp. 306-307.

⁷Ibid., p. 322.

reigned at home, increased efforts to sell abroad would be considered superfluous by the business community and could not be anticipated in any immediate future.

Given the portentous obstacles to profitable and voluminous trade inherent in the China market, and the dramatic improvement in home consumption, it is not difficult to understand the languid attitude and relatively small foreign sales that characterized the record of the American business community. Its showing did not even approach the role assigned in the plans of trade expansionists. Consular officers in China alluded again and again to their disappointment with American sales efforts. Their reports reveal a general unwillingness to make the adjustments necessary. Their pleas for improved trade circulars and catalogs, more attention to packaging, longer and more generous credit terms, improved shipping service, and increased numbers of trained personnel to study the market and promote sales fell on ears deafened by growing and more easily obtained sales in Europe and North and South America and a home market that was the best in the world. The evidence is strong that the convictions of publicists concerning America's need for the market were not shared by the American business community whose attitude reflected a contentment with disposal in small quantities of those items that sold themselves in China.

Although business itself was largely silent with regard to the China market, its voice was registered clearly if trade statistics for the period are scrutinized. Satisfaction with

small sales was fully reflected in those figures. American sales to China did increase consistently, if unimpressively, through 1905. But even in that year of peak sales resulting largely from the dislocation of the Russo-Japanese War, American exports reached a total of only \$53,453,385, which amounted to only $3\frac{1}{2}$ per cent of total American sales abroad. China's growing inability to purchase American wares after 1905 due to a combination of factors, the most important of which was the decline in value of silver, was fully registered in declining American sales. By 1910, the American effort in China amounted to less than one per cent of total export sales for the nation. No single line of American exports became heavily dependent on sales to China in order to achieve success. Manufacturer's of illuminating oil--one of our leading export items to the Celestial Empire--disposed of only 8 per cent of their sales abroad in 1910 in the China market.

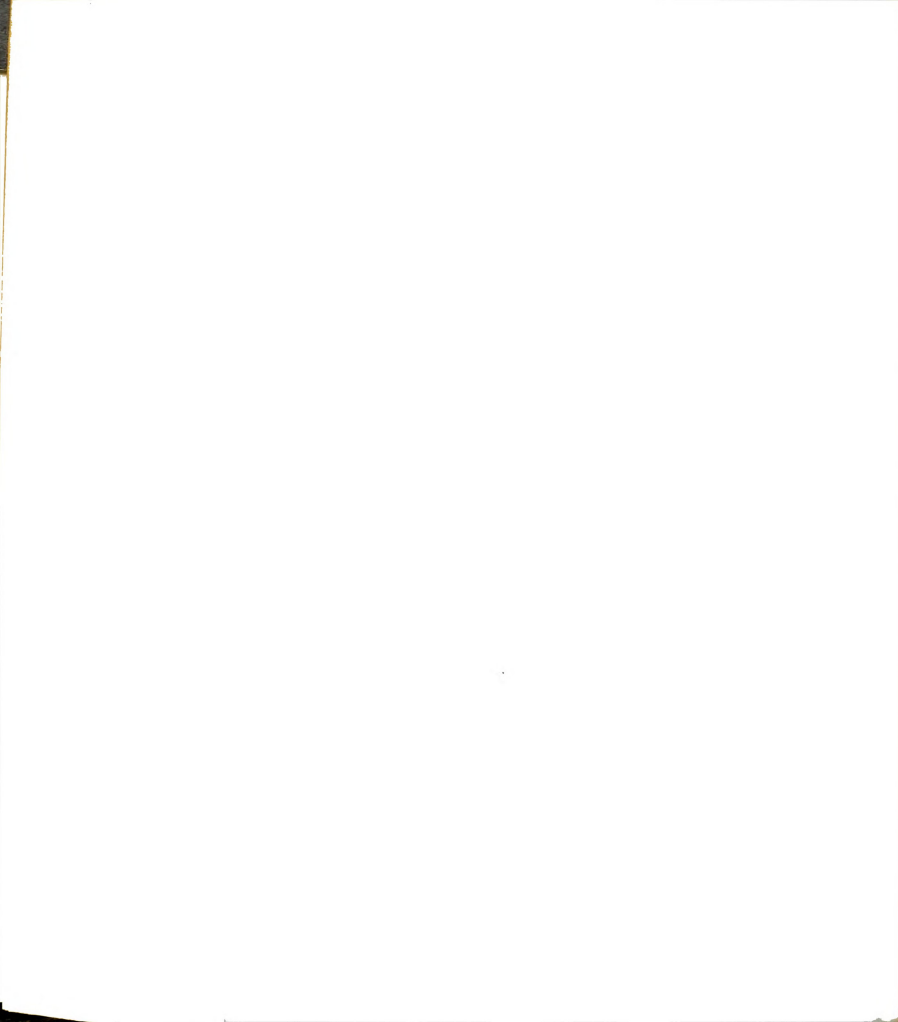
Investment efforts by Americans in China that might have served to increase sales likewise failed to materialize. Even pleas by American officials that investment would enhance the size of the commercial effort and in turn increase American leverage in combating the political and economic desires of other powers involved in China were not sufficient to stimulate American financiers. Indeed, their efforts, if compared with the achievements in Chinese finance of other powers, were of a peripheral nature. By 1913 American money in China trailed behind British accounts by over \$550 million. "Little" Japan

outdistanced American efforts by more than \$160 million. While one could continue on with such statistics, these figures suffice to indicate clearly that the future point when the China market might play a sizable role in American foreign trade was as remote in 1910 as it had been twenty years earlier.

Turning finally to the matter of American policy in China with regard to commercial interests, one finds that it too was based upon the realities of the nation's small economic stake as opposed to the myth which called for urgent and determined effort to secure the conquest of a market sorely needed by the business community at home. Government support of its consular service in Chinese ports was noticeably weaker than that maintained in other areas such as Europe where American trade reached large proportions. Even the Consular Reform measure passed by Congress in 1906 failed to provide for improvement of the sorry quarters and outdated equipment that were the subject of constant complaint from all consular areas in China. American trade efforts certainly did not receive anything approaching the degree of "paternalistic aid" that was characteristic of Japanese, British, French, and German policy in China. Individuals like Frederick McCormick continued to level criticism through 1911, decrying the failure of the government to take "measures adequate to protect America's stake" in the China area. But the fact that no further protection was proffered by the government despite

such criticism was indicative of its view that its level of support was commensurate with the level which American trade interest displayed in China dictated.

In the early years of the new century, the government's main stress in its China policy was a periodic display of reverence for the principle of equal commercial opportunity embodied in the Open Door notes. But even that degree of involvement met with diminishing returns. After the Russo-Japanese War, the aims of foreign powers were so altered as to make even the Open Door Policy inapplicable to the realities of China's plight. The danger was no longer the dissection of the Empire or its division into spheres of influence. Rather the Powers turned their energies to gaining leverage in Chinese affairs by way of investment in the railroads, mines, and industrial projects that would, they believed, be central to the modernization of China. The Hay policy was not an effective device to counter this strategy. What was required was rather a counter-involvement by American investors. The government lent its support in strong fashion to such ventures after 1907. But its move came too late and, because of the overtones of political involvement that accompanied it, failed to entice adequate response in American financial circles and fell short of real accomplishment. After the dust had settled only America's share in the Hukuang loan of 1911 remained. It represented little more than a foothold in the



scurry for concessions. But the result seemed again to place government efforts in line with the desires of American business interests in the Middle Kingdom.

The policy of the United States was epitomized in the response of Secretary of State Elihu Root to a major dispute with the Russians over the issue of illegal Russian control of political affairs in the strategically important city of Harbin in northern Manchuria. Some American officials, disturbed over the unhealthy precedent threatened by Russian activities, were willing in 1908 to go to the mat over the issue. Root, however, sounded a note of caution. He warned his subordinates against becoming too "bumptious or disputatious or unfriendly" in the assertion of American rights. The rationale offered in support of his request for a closely measured response centered on Root's reminder that "the interests to be preserved are the future interests of the open door and there is no present interest which would justify us in exhibiting undue excitement in this quiet and firm maintenance of our position."⁸ The government might then be responsive to a future push if dictated by business, but it was aware that such moves should be on a par with and not in advance of a determination by American forces that a larger share of China's trade was needed. That determination, like the potential of the China market, awaited fruition at a point in a future whose configurations remained blurred from the vantage point of 1910.

⁸Elihu Root, Secretary of State, to Alvey A. Adee, Assistant Secretary of State, June 19, 1908.

These findings, however, it should be noted, with regard to the condition of the China market, the scope of business activity, and the configuration of American policy were not available to most contemporaries and did not impair confidence in the future of American commercial relations with China. Even in the 1930's, for example, when concern again became acute for enlarged foreign outlets for American manufactures, such exciting prophesies concerning the role to be played by China as those penned in Alice Tisdale Hobart's Oil for the Lamps of China received new popular interest and acclaim.⁹ These factors point up the need for a broad study of American economic relations with the Middle Kingdom through the Second World War. Such a study promises new insights into the scope and nature of American-China relations. Particularly, it would provide an opportunity to test the rhetoric of succeeding generations against the nature of the China market and against the posture assumed by the business community and the American government toward it. The result should be a closer approximation to truth.

⁹Grosset and Dunlap, New York, 1933, passim.



BIBLIOGRAPHICAL ESSAY

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A number of sources that have received but sparse attention in earlier studies of America's role in China have been the principle buttress of the arguments constructed in this paper. These are, of course, the records compiled by the American government in the period from 1890 to 1910. The unpublished correspondence between the State Department on the one hand and the American Legation in Peking and the various American Consulates along China's coast on the other offer most instructive reflections on the condition of the China market and the attitudes and activities of the American business community toward that market. These reports are on file in the National Archives of the United States and available on microfilm. While the greatest portion of the correspondence from American consular officials was routine, they contain frank appraisals of the American trade position in China. The main burden of the correspondence from the Legation in Peking related to political and legal matters, but analysis and summary of commercial affairs was not beyond the province of American ministers. Particularly was that the case during the period that Charles Denby, E. H. Conger, and W. W. Rockhill served as ministers. The only obstacle to effective utilization of

these sources lies in the fact that many of the letters in the 1890's were handwritten and that penmanship was not among the greatest strengths of some of the contributors.

Consular Reports: Commerce, Manufactures, etc., issued by the Government Printing Office in Washington, D. C., under the auspices of the Department of State provide the broadest spectrum of testimony among published government documents as to the difficulties facing American trade efforts in China. It also forms the best index of the broad categories of disappointment experienced by American officials in their attempts to stimulate increased interest and improved techniques in the market by American traders and industrialists. After May of 1903, this series was prepared and published by the Department of Commerce and Labor, and in September the title was changed to Monthly Consular Reports. Beginning with the October, 1905, issue it was altered again to read Monthly Consular and Trade Reports. Finally in 1910, improved facilities in the department allowed for a daily compilation of trade news and the series was designated Daily Consular and Trade Reports. Due to larger staffs and updated equipment within the nation's Consular Service, these later editions were more voluminous and informative as well as offering more immediate reflections of trade advances and declines and the conditions responsible for both. But beyond this, no major alterations were experienced. The purpose, format, and focus of concern remained largely the same.



The related series Special Consular Reports consisted of reports from the Consuls of the United States in response to specific inquiries from the Department of State, and after 1904, to inquiries from officials in the Bureau of Statistics of the Department of Commerce and Labor who assumed responsibility for publishing the series after that year. These special reports were published annually and each edition focused on a broad area of concern to Americans involved in foreign trade. As it related to China then, the series provided an invaluable index to the prime difficulties experienced by those involved in the China trade while it offered elucidation by the consular respondents as to the scope and impact of each problem. Particularly was this true with regard to the portions of the studies on transportation facilities, the sale of paints, varnishes, canned goods, and cotton cloth that described the situation maintaining in the China market.

Two other government-sponsored publications of the period proved useful in clarifying the posture assumed by the business community and American officials in China. The Special Agents Series produced by the Bureau of Foreign and Domestic Commerce of the Department of Commerce and Labor and whose pages were filled by reports of officials assigned to study various aspects of the nation's endeavors in foreign trade provided valuable insight into American credit facilities in China as compared with those of her competitors. The series Commercial Relations of the United States with Foreign Countries, the publication of which was also shifted from the



Department of State to the Department of Commerce and Labor in 1904, proved valuable as a review of trade conditions in each Consular area in China. These summaries were published at the close of each year and were based upon reports of United States consular officers located in each foreign nation that received American exports. The reports from China summarized the sales trends for specific American products in each of China's major ports and detailed particularly any disappointments encountered in each area. Most of the observations recorded in this series were distinct from those contained in the Consular Reports although some overlapping did occur.

The only complete listing of statistics on American trade abroad is to be found in Foreign Commerce and Navigation of the United States, compiled by the Bureau of Statistics of the Treasury Department through 1903 and by the corresponding bureau of the Department of Commerce and Labor after that date. While techniques of statistical compilation in this period cannot, if compared with current standards, be praised as approaching sophistication, selective use of the source allows the student of the American-China trade an approximation of the extent of sale for specific items of import and export. In addition, it provides the best available figures on the annual total value and volume of the trade between the United States and the Middle Kingdom.

The only figures for this period on American investment in China are contained in C. F. Remer Foreign Investments in China (New York, 1933). While information on American investments is spotty, Remer has explored all available sources, Chinese and American, and his estimates of American business and missionary investments are backed by sound evidence and careful analysis. The study is particularly valuable because it explores the investment efforts of all the major powers in China and provides the statistics needed to compare American achievement with that of its foreign competitors.

Among business publications, the New York Journal of Commerce and Commercial Bulletin was by far the most insightful and concerned voice of the American business community in China. The extensive editorial coverage given American immigration policy and the silver exchange problem and the effect of both on American trade with China was particularly helpful. The editors kept close watch of economic and political developments in the Celestial Empire and analyzed the impact of each on American trade and investment interests. The Commercial and Financial Chronicle, a weekly New York trade newspaper, was a disappointing second in its coverage of Far Eastern affairs. Its treatment of China centered on discussion of topics of general concern, but was largely silent on the special problems confronted by Americans attempting to expand trade.

Two magazines were of considerable value because of their responsiveness to matters of current interest. The Outlook, which began as a religious publication sponsored by the Congregational Church under the title Christian Union until 1893, was transformed under the editorship of Lyman Abbott into a sensitive and highly respected authority on American life. It took a lively interest in the Far East after 1898 and published articles that were reflective of American business attitudes toward China and other nations in the Far Pacific. The Forum, a popular and widely circulated monthly review, proved useful as a voice of expansionist sentiment toward the Far East and China. Of particular interest was its campaign in behalf of reform of the American Consular Service.

Two secondary studies that proved particularly useful both as an introduction to the subject of China's foreign trade and as references on many occasions were C. F. Remer The Foreign Trade of China (Shanghai, 1926), and Hosea Ballou Morse The Trade and Administration of China (Shanghai, 1913). The former is an impartial statement of the prime considerations of the foreign trade, trade balances, and specie movements of the Middle Kingdom in the period from 1870 to 1921. The latter focused on the state of the Chinese economy from the vantage point of 1913, offering especially insightful chapters on the currency, revenue and expenditure, weights and measures, and internal and foreign trade.

Essential background on the early pre-treaty trade between the United States and China may be found in Foster Rhea Dulles, The Old China Trade (Boston, 1930). The work captures the excitement, size, and importance of the trade from both the American and Chinese viewpoints. Tyler Dennett in his Americans in Eastern Asia (New York, 1922), carried the story of political and economic relations between the two nations through the 1890's. His coverage of trade relations, however, is superficial at best.

Several recent studies offer excellent insights into China's internal development during the period considered here. Most useful is the second volume in the History of East Asia Civilization series, entitled East Asia: The Modern Transformation by John K. Fairbank, Edwin O. Reischauer, and Albert M. Craig. John King Fairbank, The United States and China (Cambridge, rev. ed., 1958), in its paperback form (Compass Books, Viking Press, 1962) is particularly enlightening on Chinese political and social thought and contains a 28-page bibliography down to 1961. Harold M. Vinache, A History of the Far East in Modern Times (New York, 6th ed., 1961), and Edmund O. Clubb, 20th Century China (New York, 1964), are the most recent surveys, the latter also with an extensive bibliography.

The trend of American diplomatic relations with China are best surveyed in A. Whitney Griswold The Far Eastern Policy of the United States (New York, 1938). Paul A. Varg

Open Door Diplomat: The Life Of W. W. Rockhill (Urbana, 1952), and Herbert Croly Williard Straight (New York, 1924) proved extremely useful to understanding the thoughts and desires of two of the leading actors in the drama of American-Chinese relations.

The two most prominent works in the "informal empire" school are Walter LaFeber, The New Empire: An Interpretation of American Expansion 1860-1898 (Ithaca, New York, 1963), and Thomas J. McCormick, China Market: America's Quest for Informal Empire, 1893-1901 (Chicago, 1967). Both studies boast of irrefutable evidence of the strong sentiment for economic expansion into China among politicians, diplomats, missionaries, and others. But, if the findings of the present study are accurate, their willingness to assume that this sentiment was representative of a large future effort by business and government to conquer the market seems open to question.

Reference to the many other secondary sources cited once or twice in this paper are unnecessary as their usefulness in dealing with the subject are made sufficiently clear in the text of the study.

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