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The Roles of Tea and Opium in Early Economic Globalization: A Perspective on China's Crisis in the 19th Century

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Abstract Alongside military conquest which characterized great part of globalization during the 19th century, the globalization of markets no doubt was its main manifestation. Addictive consumption goods played a leading role during this process, as observed in the case of China, tea and the opium trade had the largest impact. Owing to the importance of Britain's growing demand for tea and its concomitant tax revenue, Anglo-Chinese trade became the dominant trade that Britain had in the East. To make up the trade deficit with China, Britain took advantage of its Indian colony and did its best in expanding its opium trade. Within this triangular trade scheme, Britain was the master, India was the instrument, and China was the ultimate victim. Confronted by the irresistible trend of globalization, China was ill prepared when facing this challenge leading to a complete failure in both military and commercial warfare and later on to an overall crisis in the 19th century.

Keywords tea trade, opium trade, globalization, 19th century, addictive consumption goods

The economic globalization in the 18th–19th centuries manifested itself as a globalization of markets. That China had been involved in this process was essentially attributed to the tea and opium trade, because the two commodities were closely related to the way the world leader of the day—Britain, who controlled and exploited the East. The British were tactical in dominating the sale and production of the two commodities, and in doing so, they had achieved enormous profits as well as the overlordship in the East. Through tea and opium China became economically connected with foreign countries, but ultimately it

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turned out to be the victim of the Western powers and therefore lead to a total crisis in the 19th century.

Economic Globalization and Special Commodities

Akin to other consumer goods of addictive nature, tea and opium were both products of and stimulus to early economic globalization. They were essential to Chinese society and its economy in the 19th century, or more accurately put, the rise and decline of the tea and opium trade was vitally influential not only to the history of China, but also to that of the world.

In the popular history of plants, the spread of a specific ordinary plant was usually a result of incidental factors. An interesting case is seen with American native plants where maize, potato, and peanuts had not been introduced to other parts of the world until the discovery of that new continent. Once this occurred they became major sources of food supply for people in areas where famine was prevalent. It is also safe to say that they were the immediate cause for the rapid population growth in Europe and Asia as well. However, the introduction of plants containing psychoactive addictive ingredients and the popularization of their processing techniques was by no means fortuitous. Just as David Courtwright has observed, “the global circulation of addictive commodities such as alcohol, tobacco, caffeine-containing plants, opium, and cocoa leaves, was intentionally promoted on the basis of profit-making. It not only changed billions of people’s everyday life, but also affected the environment.”¹

Though China and Britain are separated by seas and oceans, the connection between the two nations during the 19th century was exceptionally close due to the importance of tea and opium. It was from the very end of the 18th century when Britain began to seek all possible means to obtain an unrestricted entry into the Chinese market. This clearly reflected the fact that tea had become a necessity of British life, and that the capricious nature of the tea supply could impact British social stability and government revenue leading Britain to heavily rely on China—who at the time was the only existing tea supplier. However, Britain during this period was growing stronger and stronger, and eventually established its position as the leader of this process of globalization. China’s involvement in this trend was necessarily an outcome of the promotion led by the British and driven by the need for Chinese tea. If there had been neither Chinese tea nor a British habit of tea consumption, British interest in the region would have been much weaker. We can also boldly assume that without Britain’s endlessly attempting to find ways to open China’s door for tealeaves, Chinese

¹ David Courtwright, 2005, 3.

society could have followed its original course. As for the question how far it could have gone, we can not know. The contingency of history is here once again demonstrated.

The baneful influence of opium spreading across China is also largely attributable to historical contingency. Supposing that there had been enough British commodities sold to China to pay for tea and no obstacles for British cotton textiles in the Chinese market, Britain might not have had to conduct a mass-production of opium in India that was then smuggled into China in large numbers. Thus as a result, the Chinese would not have had to endure such a horrible degree of suffering. Although opium has been around for a long time as a part of human civilization it was most harmful during the 19th century in China where it had been a relatively unknown product.

Chance usually plays a significant role on occasions when history is about to take a dramatic turn. However, throughout history, all fortuitous events all converge into the inevitable. For example, the British realized that selling opium to China could help address the imbalance of their purchase of Chinese tea while at the same time, dumping commodities into India in return could allow them to purchase raw materials. After discovering this mechanism, Britain became a strong supporter of opium trade, and done her utmost to promote it. Furthermore, the British opium trade with China via India was the basis on which Britain had maintained its interests in the entire East Asian region. On this matter, Greenberg has presented an insightful analysis stating that “the total economic significance of opium trade for Britain cannot be measured in terms of the profits it brought to the British traders in China. Rather, it must be measured by its relation with the East India Company concerned with Indian and Chinese affairs....Namely that of territory and commerce in which opium trade carried out by private merchants became the economic foundation on which foreign merchant groups rose in China.”² For the British, the opium trade was akin to a Rubik’s cube. As long as they were able to skillfully play the cube, they could control trade in the East, and as a result the region of East Asia. However accidental everything seems, in actual fact it was inevitable that these two addictive products (tea and opium) and two nations (Britain and China) and their respective destinies would become intertwined.

The influence of tea was most evident in Britain among all European countries as their life-style was greatly shaped by its consumption which mostly came from China. In fact, from the 18th century onwards, tea-drinking had in effect become a national custom of the British. A study related to this topic also indicates that tea had played a crucial part in accelerating the British “Industrious Revolution.” Tea also played a pivotal role in the development of British society and economy.

² Michael Greenberg, 1961, 96–97.

The improvement of the average British person's diet is the best example of such a phenomenon. Until the later period of the 18th century, tea had become a staple food among the new dietary habits of the British working class. In the late 19th century the average worker would spend generally 10% of their total food expenditure on tea and sugar compared to the 12% spent on meat and 2.5% on beer. As a result, tea, bread, and cheese formed the most important parts of a common daily diet.³ For the working class who had an extremely limited income, "bread + tea" was their ideal meal. At a time when the prices of meat and beer were soaring, it is hard to imagine what would have happened if there had not been a daily consumer product that was as cheap as tea while still providing enough calories. A clergyman in the 18th century wrote, "Thank God for tea! How would the world do without tea? How did it exist? I am glad I was not born before tea."⁴ Numerous literary works emerged at this time in Britain extolling tea's contribution and virtues.

Alan Macfarlane and Iris Macfarlane have argued that: "a cup of warm sweet tea is a refreshment of mind and body. In the midst of the labor-intensive Industrial Age, a cup of comforting tea became an important driving force at work, as important as the steam engine during the non-labor-intensive age of machinery." It was even believed that "without tea, the British empire and its industry would have never arisen. Without regular tea supply, British enterprises would have gone bankrupt."⁵ This remark is possibly not an exaggeration. Besides the fact that tea consumption had made Britain the center of worldwide tea trade, the shipping of tea had also promoted the growth of the British shipbuilding industry, while the habit of drinking tea with sugar had brought along the development of colonial sugar industries.⁶ Hence, one can conclude that tea trade was indispensable to, or to some extent, boosted the expansion of British Empire.

What is ironic, however, is that while tea had become an addictive daily necessity of British life, Chinese people at the same time were, on the contrary, indulging themselves in opium. It is this latter topic to which I will pay attention later on in another article.

Tea and Opium: Key Commodities in the British-Indian-Chinese Triangular Trade

The triangular trade among Britain, India, and China has a prominent place in the

³ Alan Macfarlane, Iris Macfarlane, 2003, 179.

⁴ William Ukers, 1949, 27.

⁵ Alan Macfarlane, Iris Macfarlane, 2003, 179, 189.

⁶ Tan Chung, 79.

history of modern international trade. Undoubtedly, Britain dominated this triangular trade which had emerged as a result of her own pursuit of economic benefits. On the other hand, China occupied a central position as both key commodities, tea and opium were intricately related to this operation. Within this complex trading network, Britain was the sole master, India was its instrument and China the ultimate victim.

The Importance of Tea Trade to British Economy

Tea trade was important to Britain for two reasons. One is that tea had become a daily necessity for the British people. The other reason resides in the fact that tea tax was an essential component of revenue for the British government. Since this has been already referred to in the first chapter, a brief summary is provided below.

The importance of tea for Britain emerged at the beginning of the 18th century, as it became absolutely necessary for British daily consumption. It is also in this period that “tea began to take silk’s place as the major commodity.”⁷ Meeting the domestic needs for tea was the priority of the British government in its attempts to develop commerce with China. Without enough supplies arguably, the price of tea would rise and smuggling would be out of control, even a social disorder would break out. In fact, as early as 1787, the British government had already stated clearly in its instructions to Lt. Colonel Cathcart, the first British ambassador to China, that:

The actions the Government initiated of late to take back the tea trade from the hands of other European nations have achieved the desired good results. The legal influx of this commodity into Britain has been at least doubled, if not tripled. Another thing to notice is the prosperity of our Indian territory. The sale of products from this region has to be improved in the Chinese Empire, while its loans must be sufficient enough to supply the annually over 1 300 000 pounds investment back in Europe.⁸

It is thus clear that the protection of the tea supply was the fundamental consideration of Britain in order to control trade in the East.

China in the 18th century was barely a market for Britain’s manufactured goods. This is particularly true when compared to India where the market for British products was 20 times larger than that of China. Beginning in the late 18th century, Britain’s trade with China started to increase sharply, and in the early

⁷ Hosea Ballou Morse, *Qu Zonghua*, 1991, Vols. 1, 2, 156.

⁸ *Ibid.*, 478

19th century, China as a market in demand of British manufactures was almost on the same scale as India. During this period, the British East India Company was in charge of the transportation of British industrial products to Asia. Oddly enough, instead of benefiting from the exportation of British industrial goods, the Company often had no profits at all or even lost money in this business. The Company's real profits practically all came from the monopolization of the import trade. The importation of Chinese tea was the magic key for the Company to make a profit, or to a larger extent, the foundation which allowed it to preserve trade in the East. Subsequently, it started to cut down more and more businesses and had its transactions restricted to that of tea, the most profitable commodity of the time. As a matter of fact, it was due to the monopolization of trade by the East India Company that Britain had reaped profits from the commerce with China, which was why the East India Company had existed in the first place. "The export trade during all this time from 1793 to 1834, according to the directors of the Board, was very distressing.... With no profits from the Chinese products, the trade with China then cannot go on. If this is true, the East India Company on the whole will be critically impaired, even if it survived the bankruptcy that the supporters of monopoly have predicted."⁹ The profits the East India Company gained from the importation of Chinese tea were so attractive that even those who firmly stood for free trade and against the Company's monopoly of Oriental trade were silenced. In the last years when it was still granted the royal charter, the East India Company only purchased tea in China and left the rest of import commodities to be managed by private merchants. As for its specific lucrative operation, the Company bought tea at a low price in China and then sold it in Britain at a higher price thus improving trade figures. From the late 18th century to the abolishment of the East India Company's monopolization, the Company's net profit had been maintained at a level of 30% and above in the tea trade. More importantly, over 90%, or sometimes 100%, of its profits came from the tea trade alone.¹⁰

Not only did the tea trade hold the key to the survival of the British East India Company, the tea tax, for quite a long period, was also essential for Britain's fiscal revenue. As early as the 18th century, "the British had already developed an addiction to the mildly stimulating drink. Moreover, the British economy started to depend upon tea as well, because the tariff rate the Ministry of Finance imposed on tea had reached up to 100%."¹¹ This of course was the situation before the enactment of the 1784 "Commutation Act" which effectively brought down both tax and the price of tea. However, even if the tariff rate was lowered

⁹ Arthur John Sargent, 49–57. In Yao Xiangao, 1962, Vol. 1, 267–269.

¹⁰ Earl Hampton Pritchard, 1970, 163–166.

¹¹ William Travis Hanes III, Frank Sanello, Zhou Huirong, 2005, 21.

afterwards, the tea tax remained as a major source for the revenue of the British government when one considers the immensity of its import volume. In fact, the levy on tea after 1784 was still obstinately high, sometimes as high as 100% like it was in the past, for Britain at that time was preparing a war against Napoleon. The interests the British government benefited from in relation to import duties on tea were far higher than the profits China made from the export of tea.¹² During the last years of the British East India Company's monopolization, the tax revenue from tea added an annual average of 3.3 million pounds to the national treasury of Britain, equivalent to 10% of the total income of the British Exchequer and almost all the profits of the East India Company.¹³ Even years after the Company was closed, the tax collected by the British government on domestic consumption of tea was still an impressive figure (as shown in Table 1).

Table 1 Tea tax ratio in Britain's total revenue

Year	Total revenue	Tariff duties	Excise duties	Stamp duties	Land tax & real estate tax	Personal property tax & income tax	Mail duties	Tea tax
1842	100	45.02	28.35	13.98	9.00	—	2.68	7.84
1843	100	44.23	26.61	14.09	8.81	1.15	3.13	8.63
1844	100	39.86	24.69	12.52	7.76	10.04	2.82	7.98
1845	100	41.41	24.74	12.54	7.56	9.35	2.92	8.31
1846	100	37.91	25.39	13.74	7.65	8.93	3.30	8.88
1847	100	38.14	25.77	13.23	7.73	9.57	3.44	8.71
1848	100	38.68	24.78	13.73	8.20	9.62	3.74	9.50
1849	100	39.10	26.36	11.76	7.79	9.80	3.81	9.47
1850	100	39.05	26.27	12.26	7.88	9.69	3.85	9.80
1851	100	38.53	26.80	11.73	8.06	9.63	4.03	10.34
1852	100	39.43	27.35	11.55	6.75	9.46	4.26	9.06
1853	100	38.57	27.40	12.04	6.28	10.10	4.19	9.92
1854	100	38.46	27.86	12.14	5.64	9.95	4.27	8.77
1855	100	34.62	27.08	11.38	5.13	17.00	3.85	9.30
1856	100	33.29	25.11	10.19	4.45	24.20	4.02	6.89
1857	100	32.55	25.35	10.05	4.29	23.10	4.02	7.57
1858	100	34.53	26.61	11.06	4.78	16.10	4.33	7.88
1859	100	37.48	27.84	12.44	4.98	10.00	4.98	8.41
1860	100	34.95	29.10	11.41	4.56	14.90	4.71	7.74
Average								8.68

Source: John Y. Wong, 1998, 349.

Notes: The land tax includes the tax on landed property and the tenement on the landed property as well as the tax on job and annuity. The real estate tax includes the taxes on residential house, attendant, carriage, saddle horse, and horses for other purposes, mule, dog, horse guardian, dry shampoo, heraldry, and entertainment.

¹² John Wong, 2002, 343.

¹³ Michael Greenberg, Kang Cheng, 1961, 3.

Opium as a Key Commodity in Britain's Trade with East Asia

While the quantity of tea Britain imported from China was growing by leaps and bounds, the staple commodities it exported to China in the early 19th century saw a slow increase, and sometimes, even recessions. There are two reasons for this, one is that the living standards of Chinese people were too low for the consumption of Britain's industrial products, as proved by the fact that the costly artistic yet nondurable goods made in Britain, such as woolen textiles, feathers, printed cotton fabrics, calico, and cotton yarn, found no market in China. Another reason is that British merchants did not know the Chinese ways of life or habits, so that a great many of their industrial products were unfavorable among the Chinese people. Even after the opening of Chinese treaty ports, this situation witnessed no obvious improvement. Numerous British traders suffered heavy losses because of their feverishness and rashness.

Britain's two largest trading partners in East Asia were India and China. Comparatively speaking, its total value of exports to India increased faster than that to China, the latter of which, was chronically at a standstill. Fig. 1 below provides a convincing description of such a trend.

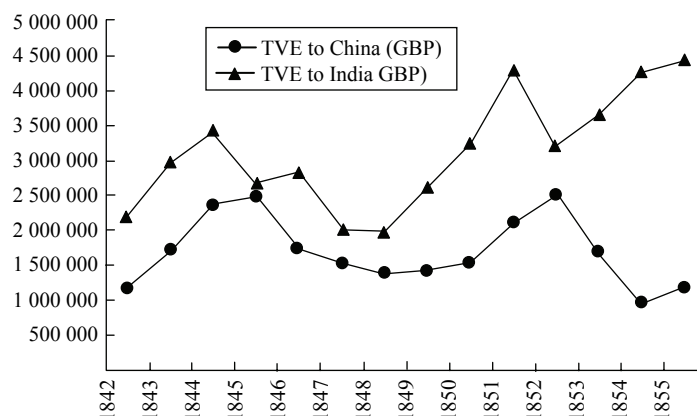


Fig. 1 The total value of UK exports to China and India (1842–1855)

Source: Yao Xiangao ed. 1962, Vol. 1, 633.

Throughout the British East India Company's monopolization of trade with China and the period of the post-Second Opium War, the manufactured goods of Britain had, from beginning to end, failed to find a market in China. Judging from this, it is understandable why Britain had taken such a strong and firm position towards preserving the opium trade with China, because only opium could solve its trade deficit problem with China. "Selling opium in China kept being the financial source the Select Committee relied on to fund

their investment in the tea shipped homeward.”¹⁴ This indeed is a true picture of the East India Company’s monopolization in the 1820s. Up to the years between 1854 and 1858, Britain’s trade imbalance with China was still as much as 7 192 759 pounds a year, 89% of which, however, was solely covered by the opium trade with 6 365 319 pounds sterling worth of Indian opium annually exported to China. In addition, in the opium trade a modest investment could deliver huge returns and with both the British government and merchants benefiting from this business, expansion of the trade was consequently urged. For instance, in the 1850s, the British government spent 250 rupees on every chest of opium, whose “hammer price” in Calcutta markets would be 1 210–1 600 rupees per chest. This was 4.8–6.4 times higher than its original cost. In western and middle India, the toll charge the British Indian government imposed was purely net profit, without any cost, and more exportation could only mean more income. Opium traders were also beneficiaries of the extravagant profits from the opium business. Generally, opium was sold in China at a price five times higher than its F.O.B. (Free On Board) price in India. Thus, the benefits were still considerable after taking off the cost.¹⁵ The lucrative profits obtained from opium smuggling also led to an increasing number of dealers to take up the trade.

For the British people, opium trade had a much deeper meaning than simply being a resolution of Britain’s unfavorable balance of trade and as a source of payment for the tea that would be shipped back home. On this matter Greenberg has made a brilliant point indicating that the total economic significance of opium “cannot be measured in terms of profits it brought to the British traders in China, but by its relation with the East India Company on the Indian and Chinese affairs—territorial and commercial.” Opium trade “as a trade carried out by private merchants has a deeper meaning. It is the economic foundation on which foreign merchant groups have risen in China.”¹⁶ Indeed, not a single corporation who had business with China in the 19th century was not involved or engaged in the opium trade. The most well known examples of such are Jardine Matheson (Yihe yanghang) and Dent & Co. (Baoshun yanghang).

The Importance of Tea and Opium in the British-Indian-Chinese Triangular Trade

As pointed out above, Britain dominated this triangular trade, who owed its existence to the pretenses of British interests in the region. China occupied a central place, because without its supply of tea and acceptance of opium, this

¹⁴ Hosea Ballou Morse, Qu Zonghua, 1991, Vols. 4, 5, 98.

¹⁵ Lin Chengjie, 1998.

¹⁶ Michael Greenberg, Kang Cheng, 1961, 96, 97.

triangular trade would have been rendered invalid. Subservient to British interests as a colony, India functioned in this triangle as a link for the British to have access to Chinese tea. This triangular trade fully embodied the interdependence among world economies.

It is widely known that since the 1820s, among the Indian goods exported to China, cotton had taken a back seat and opium had begun to play a more important role. If there had been neither opium nor the possibility for other export commodities to increase, the Chinese silver ingots transported to India would have been dramatically reduced in their value as was the case in 1818 “from 6 000 000 to 1 000 000 dollars.”¹⁷ What satisfied the British was the fact that every year there was a constant huge growth margin and a good market for opium. This ensured that Britain had sufficient silver dollars to purchase Chinese tea, whereas the foreign exchange earned by China from tea trade all flowed into India due to the purchase of opium. Since the output of opium increased, Britain no longer had to carry tons of cotton to China to make up for its shortage of capital to buy Chinese tea.

This also coincided with the British textile industry’s enormous demand for cotton during this period. Hence, Indian raw cotton was carried straight to Britain instead in great quantities. It was only up to the late 19th century when the homegrown opium in China began to rise that the exportation of Indian opium to China was seriously affected. This trend also produced a further effect on the price of foreign currency. The above case also “proved the global trade interdependence, and the importance of the opium trade between China and India in conditioning the abrupt fluctuation of exchange rate.”¹⁸ Without any doubt, the difference between the leading and the supporting roles in this triangular trading relationship was obvious to everyone.

In order to pave the way for trade among Britain, India, and China; the East India Company created a whole set of fund remittance methods such as a bill of draft, an exemption of freight tax, money transfer, advance payment, and the acknowledgement of receipts. “Through these complex remittance methods, the export surplus of both private trade and the trade among China, Indian, and British in Guangzhou was transformed into the East India Companies’ capital to purchase Chinese commodities. For example, tea would be delivered to Britain for sale in order to pay for various bills of exchange. Country merchants, in this way successfully realized a safe transfer of their assets in Asia back to their homeland. Private trade, country trade, and the East India Company’s trade were therefore bound together with one another into a triangular trade system among

¹⁷ Hosea Ballou Morse, *Qu Zonghua*, 1991, Vol. 3, 335.

¹⁸ Li Bizhang, 1993, 407.

Britain, China, and India.”¹⁹ All in all, the underlying trait of this triangular trade is that both the buying and the selling were to be settled in London which in effect meant that both corporations and individuals could only realize their assets in London.

The route map of the British-Indian-Chinese trade can be most clearly described as follows: Indian opium exported by Britain to China, Chinese tea imported by Britain back to Britain, and finally British cotton textiles exported by Britain to India. The key point of this route map is that every link was under British control and thus wealth naturally flowed back into Britain.

The most essential commodity in this triangular trade was neither silver ingots nor tea or cotton fabrics, but that of opium. Opium was the one commodity that “had caused the general changes of ‘global trade’ between China and the West in the 19th century.”²⁰ Indian opium was strategically more important than Chinese tea, American raw cotton, or British cotton goods. But the British played the leading role in this trade, by which it ruled India, controlled China, obtaining not only riches and tea, but also the raw cotton it needed badly for the development of its textile industry back at home. A scholar summarized the distinctive feature of this Britain-India-China trade as “Indian opium exported to China, Chinese tea to Britain, and Britain dominating India,” which was also precisely “the only balance in this triangular trade.”²¹ To be sure, all of these would have been invalid without China in its central position.

Economic Globalization and China

Economic Globalization and World Market

There is no doubt that economic globalization was an important aspect of 19th century globalization. In studying the Industrial Revolution, scholars have generally paid more attention to the important technological breakthroughs, while not fully aware of the significance of the world market. As for Britain, the cradle of Industrial Revolution, foreign trade or overseas market with promising prospects, was the motive force for its domestic industrial development. Thus to build a world market was a critical part of its industrial development. Both export merchants and manufacturers had the same role in this machine-based mass-production industrial development. Historians specialized in this subject, however, have concentrated their attention on technology and the internal

¹⁹ Gong Yingyan, 1999, 176.

²⁰ Guo Weidong, 2003, 120, 121

²¹ Tan Chung, 1985, Vol. 2, 206.

changes of organizations, which as a result neglected this fact.²² In this light, Greenberg's criticism towards some historians is not unreasonable. To this day, many historians still consider technological breakthroughs as well as the discovery and utilization of new energy resources as motive powers for the Industrial Revolution. The truth is that market expansion is as significant as technological leaps and the discoveries of new energy during the Industrial Revolution. If it had not been for the consumption of industrial products, the market, particularly the overseas market, it would have been impossible for new machines to continue working. In the history of modern social development, the rising contribution rate of global trade to the economy meant that the advanced industrialized countries had subsequently developed an even stronger reliance on overseas trade (Refer to Fig. 2).

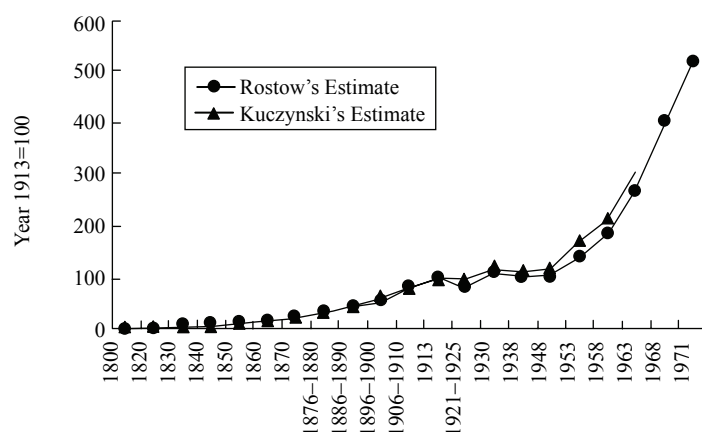


Fig. 2 World trade volume index (1800–1971)

Source: Saiichi Miyazaki et al. eds. Chen Xiaohong et al. trans., 1989, 20.

The inclusion of India and China into early globalization was a major move in Western developed countries' market expansion, in which trade undoubtedly played an extremely important part alongside military conquest. The primary reason for Britain, the leader of early globalization, to establish contact with the East was finding a market.

Britain was both the initiator of the Industrial Revolution and the driving force of economic globalization. Being the first and the only nation to abandon a traditional economic policy as early as the first half of the 19th century, it began to pursue a policy of unrestricted free trade. This epoch-making change was of course based on its powerful growing strength in the economy, and at a time when there were no competitors or rivals, this strong momentum was sustained

²² Michael Greenberg, 1961, "Preface," 6.

until the first half of the 20th century. Moreover, most British politicians in the 19th century believed that trading was the country's lifeline and free trade would benefit both British merchants and consumers, which was also why industrial development had never become Britain's most favorable undertaking.²³ Two points can be summed up here. One is that numerous men of insight had already realized that trade and market were the lifeblood of the country and were probably more important than production and the invention of new machines. The other is that Britain's free trade policy was one of its essential approaches to seek dominion over the world. Take the East India Company as an example, who monopolized trade with the East, including that of tea and opium with China, until 1833, after its dissolution, the tea and opium trade with China did not decrease. Quite the opposite, the trade, particularly the opium trade, drastically increased, which, to the British, meant the legitimacy, the necessity, and the importance of free trade. It made them unswervingly hold that expanding the overseas market was the means to an end, and even further provided them with the excuse to go to war with any country that refused free trade.

Objectively speaking, the market did not evolve as a system that dominated resource allocation until the 19th century. It was the most crucial factor in forming the production relations of capitalism. In the history of modernity, the resource allocation capacity of markets was well materialized in Britain. For example this could be observed in the relationship between mineral resources and the wool textile industry. However, as the Industrial Revolution rapidly expanded, the domestic market now seemed too small to meet the growing need of commodities. Hence, to open up the overseas market appeared to be the only plausible choice available. The British industrialists and merchants who had been wildly excited about the large populous China visualized that every factory in Britain would have to take up production at full speed if China were a market for British goods. Both the McCartney Mission and the Amherst Embassy to China were sent exactly for persuading the Chinese emperors to open China's market to Britain. After rounds of frustration and failure, they finally came to the realization that modern (i.e. Western) diplomacy was completely futile due to the huge differences found between the two countries in the level of productive forces, the mode of economic growth, cultural customs, social systems, etc. Consequently, the British resorted to violence against China according to the so-called free trade rules formulated on its own. This is an objective fact: Britain's overseas market was conquered mainly by force, and the pattern of its industrial revolution was that of the market accompanied by violence. India and China were targeted one after another by Britain as the two most important objectives for its market expansion.

²³ Thomas K. McCraw, 2006, 71.

China's Role in the 19th Century Economic Globalization

Sino-Western trade began to see a gradual growth after the 16th century. But as is universally known, the Ming and the Qing dynasties, especially the latter, maintained a conservative policy on foreign trade and thus the vast inland areas of China were barely influenced by the growth of trade except for some coastal areas. It seemed to the Chinese that having business with the Portuguese, the Dutch, or the British was merely an extension of the traditional trade with the barbarian tribes in the east and north of ancient China. The only difference was that there were several more “red-haired barbarians” to deal with. In fact, until the eve of the Opium War they even could not tell the Dutch from the British or the Spanish from the Portuguese at all. However, China was not alone in all this. Among all the continents, “the influence on Asia was the smallest and the late in time, since Asia was militarily, politically, and economically strong enough to avoid direct or indirect conquest. In most of its territories, people were totally unaware of the persistent and unpleasant European merchants present in the coastal areas.”²⁴ It is true that Asia was the last one to be influenced, but not the least-affected one, as proved by the British occupation of India as well as its opium trade and wars with China. Both events in actual fact altered the history of Asia as a whole.

The influence of economic globalization on China started to take effect in the 18th century. However, it was not until the 19th century that its effects had a great significance on the Chinese economy and society. It is also the century when radical transformation of Chinese society began. Wallerstein's idea of the “modern world system” is closely linked to the concept of “globalization” explored in this work. His theoretic elaboration and perspectives on China are very enlightening in this respect. He believes that the modern world system was a historical one, arising from among a few areas in Europe, and then spreading to other parts of the world and ultimately covering the entire globe. Personally speaking, China was not included in this world system until the 19th century.²⁵ It is a sufficient evidence of Wallerstein's original and penetrating insight to look upon the “modern world system” as a “historical system,” because whether it is a “modern world system” or “globalization,” they both took shape in history while hugely influencing history. His reference to China's inclusion into the global system in the 19th century was another particularly unique point of view.

Then, what roles did China play in the process of modern globalization? Its first role was that of protector of Chinese cultural tradition when it was trying to

²⁴ Leften Stavros Stavrianos, 1999, 224.

²⁵ Immanuel Wallerstein, 1998, “Preface to the Chinese Version,” 1.

prevent Western infiltration into its inland areas. The Chinese government made continuous efforts to reject westerners' expeditions in the region and their pursuit of trade in China. It especially disapproved of direct transactions between Western and Chinese merchants. The *Shisanhang* (Thirteen Foreign Companies) was the official institution in charge of foreign trade during the Qing Dynasty. Its establishment was aimed to confine foreigners' influence in Guangzhou, while also limiting Chinese merchants' excessive profit-oriented contact with their foreign counterparts. Though the Qing Administration was recognizing the considerable difference of its new rival from former "barbarians," it did not work out new measures to cope with them. The next role China played was an externally enforced secondary one. At the beginning of Sino-Western relations, it was impossible for the Chinese owing to their cultural superiority and big-nation chauvinism to be mentally prepared for equal diplomacy. The result of Sino-British competition was that China was too weak not only in military confrontations but also in trade wars and eventually it had to sign one ignominious treaty after another. From being originally the protagonist of history to later taking on a subdued minor role, the Chinese people were simply unprepared for the 19th century.

The crisis China faced in the 19th century resulted from the enormous changes in world history. Although these were enormous the Chinese people practically knew nothing about them. Wallerstein argued that a European economy with Western Europe at its core came into being sometime between the late 15th century and the early 16th century. In contrast to other empires in history, it was not a political entity but an economic one. Its dimension covered empires, city-states, and emerging "nation-states." It was a "world" system not because it included the whole world, but because it was larger than any legally defined political unit was. By contrast, an empire was a political unit.²⁶ It was a very convincing argument Wallerstein made here to classify the burgeoning European capitalist system into a "world economy" with the emphasis on reciprocal economic relations, while categorizing the traditional influential powers as "empires" with the stress on their political importance.²⁷ The theory is satisfactorily helpful for us to understand the true nature of Sino-Western conflicts in the 19th century, that is, China was not in conflict with just one particular Western nation or several. The collision was actually that of one

²⁶ Immanuel Wallerstein, 1998, Vol. 1, 12.

²⁷ Shmuel Eisenstadt's definition of "empire": 'Empire' generally refers to a political system geographically composed of an extensive yet highly concentrated territory. In this system, the emperor and the central political organs at the center form an autonomous entity. In addition, though based on traditional constitutionality as a rule, an empire often includes some more extensive and more widespread political and cultural directions, which is not provided to any of its integral parts. See Immanuel Wallerstein, 1998, Vol. 1, 12.

between a traditional empire and a newly developing world system. We can still have a further understanding with the aid of this theory in that the Western powers' concerted actions against China were precisely attributed to their interrelated economic interests, which is also why oftentimes there were always two or more nations allied to declare war on China or putting pressure on the Chinese government.

In the history of Sino-Western relations, before the mid-18th century, the West was more subject to the influence of China in such fields as history, art, philosophy, and politics. In another word, the West was once completely fascinated by China. In contrast, the European influence on China was minimal, except for some realms of specialized knowledge, such as astronomy.²⁸ From the late 18th century onward, Europeans began to lose their admiration for China and shifted their interest in Chinese culture to its resources and market. In the 19th century, a global influence and domination of Western nations came into view in world politics, economy, and culture, through their formidable military force and stock corporations. China in this century, however, was utterly reduced from being a country who had always taken the lead in history to one, who only followed the lead of other countries. Up to the later period of this century, it had actually turned into a puppet of the Western powers. Andre Gunder Frank once made a metaphor that before the middle 18th century the West had just "bought itself a third-class seat on the Asian economic train, then leased a whole railway carriage, and only in the nineteenth century managed to displace Asians from locomotives."²⁹ Gunder Frank was only half right on this, nor was his metaphor necessarily appropriate, because before the 18th century, Asia had been isolated in its development. Its impact on the West was very limited, and it could only have been indirect, if at all. Thus East and West were not on the same train at all. When it came to the late 18th century and the 19th century in particular, the influence of Western development was spreading globally, and with Britain as its engine, the capitalist world economy was bringing into its sphere of influence the other countries in the world, some supplying it with raw materials, some offering it market, and some providing it with labor force. The Western train was thereupon on a fast track, leaving the East far behind. It had done nothing but offer (the West) fuels and services.

Scholarly work on the Western impact upon China in the 19th century has mainly focused on politics, sovereignty, and indemnities, seldom on the economy. In fact, the impact that Western economic changes exerted on the Chinese economy was a tremendous one. However, when considering the sheer size of the Chinese economy and China's vigilance against the intentions of Western powers,

²⁸ Leften Stavros Stavrianos, 1999, 233.

²⁹ Andre Gunder Frank, Liu Beicheng, 2001, 69.

Western influence on China rather experienced a gradual process. For example, it was in effect quite late when the influence of Britain's banking business was actually effective in China, in view of the fact that the British overseas banking industry had already provided London a well-connected international banking network as early as the 1830s. For years, penetrating into China was impossible, and the situation remained more or less the same even in the following 20 years. Nevertheless, the economic transformation of Europe and the immense driving force of the market since the Industrial Revolution had unceasingly knocked at the locked door of a self-sufficient China who could not resist Western influence for much longer. Once this influence took shape, the trend of global interconnection became inexorable. After 1853, a number of major banks set up their branch offices in China, among which, it was without doubt that British and Indian banks operated most of the money remittance services in China. This was in great part due to the fact that the trade volume between China and India was too huge for the banks to cover the bills of exchange issued from India directly to London. The branches in China would sell the drafts issued by their offices in Britain to the Chinese opium importers, and with this income, they purchased bills of exchange for pound sterling and posted them back to Britain to make up the drawings of pound sterling from their offices in India.³⁰ The impact of the banking system, undoubtedly the center of a modern market economy, was radical one transforming China's traditional market and commerce.

However, no matter how hard the Qing government had tried to exercise isolation, the influence of world economic development on China only grew deeper and deeper as economic globalization speeded up from the mid-19th century. When the Suez Canal was open to navigation and the laying of the Sino-Western submarine cable was completed, an economic change was set off globally, and China was no exception:

After the Canal was opened for navigation, the foreign sailing vessels bound for China were soon replaced. As for the foreign merchants in China, circumstances now made it difficult for them to handle their business with unruffled calm. When submarine cable communication became available, even the foreigners started to feel the necessity of occasionally dictating actions. In short, since the conclusion of the Tianjin Treaty (*Tianjin tiaoyue*), China has become more and more associated with global economic organizations. Thus, even though the American Civil War, the financial panic in London, and the Prussian-French War all took place in areas far away from China, China's foreign trade has actually been affected, because by this time China has stopped implementing strict self-seclusion and isolation, and has started to

³⁰ Albert Stephen James Baster, 1934, Vol. 1 (Jan.), 140–145. In Yao Xiangao, 1962, Vol. 1, 407.

engage in international trade with other countries.³¹

Tea provides an interesting example of the above. The American Civil War had from 1863 onward caused a sharp decline of China's tea exports to the U.S. This was particularly the case with China's production of green tea, in which approximately two thirds of the green tea China produced was exported to the U.S. (black tea to Britain, and brick tea to Russia). This also accounted for almost one sixth of the total volume of China's tea exports. Thanks to the European importation of Chinese tea mounting up in this period, the entire tea industry in China had therefore not been seriously threatened. But as many important technological breakthroughs were significantly affecting the pattern of world trade, tea, the constant leader among China's export commodities, was beyond doubt the first one to be affected. As mentioned above, the opening of the Suez Canal to navigation and the completion of the laying of a submarine cable between London and Shanghai were indications of the great changes that were about to happen to the tea trade between China and Britain. One important change was related to the production and management of Chinese tea which was forced to modify accordingly. Prior to this, worldwide tea price were usually China-oriented, decided by the supply and demand condition of tea in Shanghai, Fuzhou, Hankou, and other ports. Half of foreign merchants could only find out detailed tea information through tea stations and Chinese businessmen. Moreover, the great distance and the insecure transportation network, regular tea stocks in London held more than needed. With the birth of new communication technology, London could keep abreast of the tea situation in China at all times and send out for tea directly without any middleman. With the Canal open for navigation, the route to China was considerably shortened; hence there was no need for London to make a corner in tea any more. It could very well decide its inventory level according to domestic needs. In a word, "in former times, the producer and its market were separated afar by vast oceans, without direct mutual contact. The only link between them was the overseas merchants who, occupied in intermediary trade, usually could accumulate immense immediate wealth only within a matter of years and then became magnates. The operation of this business at present has turned from indirect to direct, and there is no harm to call it Tea Revolution,"³² or more precisely, Revolution of Tea Trade.

Conclusion

Though involved in the interconnection of a global economy, China was quite

³¹ Banister, 1931, 81–84.

³² Ibid., 118–125.

slow in reacting to the ongoing global changes, not to speak of effective responses. The Chinese did not feel the necessity of learning from foreign countries, on the ground that their internal huge market and abundant produce were basically satisfactory in meeting their demand for life. Foreigners in China those days lamented that it is absolutely possible for us to replace various Malaysian or Indian cottage industries, if we want to. As a matter of fact, we have practically accomplished it. But to take the place of the unshakable Chinese household production, there is no hope of success.” They admired as much as opposed China’s traditional economic system: The products in the southern and northern provinces are complementary to each other—the interdependence among the labor in all the provinces simply excludes foreigners and their strange products. This is an impenetrable economic system, perfect, and inaccessible.³³ Some scholars even held that China had already been very advanced in traditional agricultural knowledge and practice before the introduction of most Western crops. And with its grain production surpassing that of Western countries, it “was self-sufficient enough to accept the Western technologies”³⁴ even as early as the 18th century. Here, a key problem is posed, namely, the acceptance of new ideas and new things took time in a country under the nurture of a millennia-old civilization.

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³³ Great Britain Foreign Office, 246–247. In Yao Xiangao, 1962, Vol. 3, 1336.

³⁴ Eugene N. Anderson, Ma Ying, Liu Dong, 2003, 91.

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