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The Return of China: Historicising China in the Global Economy

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Abstract

This thesis explains China's economic transformation and success in the post-1978 period by situating it in historical context. Taking on the familiar approaches of neoliberalism and state developmentalism, the thesis provides an alternative understanding of 'open and reform' via 'managed liberalism', which provides the common ground position between the 1684 through 1800 period under the Qing and the post-1978 era. It examines two sectors – foreign trade and the cotton/silk textile industry in both periods. Based primarily on historical archival research and comparative historical analysis, the thesis undertakes a two-stage research agenda. By engaging the historical archives, the first stage of research critiques the conventional historical understanding of China's political economy in 18th century and explains how maritime trade and the textile industry developed through the Qing court's agenda of managed liberalisation. Through comparative historical analysis, the second stage of research reveals similarities and continuities of economic reform and development between the two historical epochs while also being sensitive to certain discontinuities. In so doing, the main argument of the thesis is that the trajectory of economic transformation and development after 1978 essentially echoes that of Qing-China's in the 18th century rather than being something that is entirely new.

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Declaration

I, the author, confirm that the Thesis is my own work. I am aware of the University's Guidance on the Use of Unfair Means (www.sheffield.ac.uk/ssid/unfair-means). This work has not been previously been presented for an award at this, or any other, university

Introduction

The global economy has changed dramatically since the 20th century. A remarkable event is the economic rise of China. Since 1978, the opening and reform have brought complete changes in China, not least in the economic realm (Golley & Song, 2010). From 1979 to 2010, the average GDP growth rate was 10.4% annually, an unprecedented development in modern history (Lin, 2011, p. 1). Grounded on the successful economic transformation and remarkable growth, China has evolved to be more influential or even a central player in the global economic arena. Since China gained accession to the WTO in 2001, China's economy has exerted a more far-reaching influence on the global economy. Some studies (Garnart, 2009; Abeysinghe & Lu, 2003; Barth et al., 2009, p.73) suggest that China has been perceived as the 'engine' for global growth or the 'powerhouse' of the global economy. By all accounts, the influence of China's economy has started to change the landscape of the global economic system, in which the United States has been the major actor since the 20th century. Therefore, the phenomenon of China's rise has drawn attention from all over the world.

China's successful economic transformation and development have not only brought China back to the centre stage of the global economy, but it essentially brings about a new round of discussion concerning the trajectory of economic development and transformation in the modern era. In the long term, the world, particularly the developing countries, has been looking for an alternative pathway of development to the American market fundamentalism since many empirical cases have shown the problematic application of the Anglo-Saxon liberal modernity (Huber & Solt, 2004, p.150). The failure of the 'shock therapy' in East Europe and Latin America largely discredited liberal universalism in the past decades. In this case, the successful Chinese economic transformation might have contributed to the discovery of an alternative pathway (Nolan, 2004, p.156). In 2004, Joshua Cooper Ramo published an article named 'The Beijing Consensus', which has been perceived as a manifesto of the 'China model' (Ramo, 2004, pp.55). Thereafter, the debate on how to conceptualise the trajectory of China's economic transformation has been growing more intense than ever, as many studies suggest that China's rise has substantially challenged the conventional understanding regarding economic development and transformation (Kennedy, 2010, pp.461-462). The debate on 'China's rise' and the 'China model' has drawn wide attention from academics, particularly in the social sciences. In International Political Economy (IPE), two analytical frameworks, neoliberalism

and state developmentalism, have been extensively applied in explaining the trajectory of Chinese economic transformation and development, which will be discussed in the later section. Nevertheless, the conceptualisations made by these two frameworks have largely misperceived the Chinese economic transition and development in the course of the opening and reform.

This thesis sheds new light on the understanding of the economic transformation and development in the period of post-1978 through tracing its historical roots. By investigating how Qing-China implemented economic reform in two crucial sectors, maritime trade and the textile industry, in the 18th century, the thesis conceptualises the economic dynamics during this period as based on 'historical managed liberalism'. By applying this new conceptualisation and the new analytical framework, the thesis examines how liberalising reform has been conducted in the foreign trade regime and textile industry in the period of post-1978. In so doing, the historical linkage between economic reform and development can be unveiled. Hence, the main argument is that the Chinese economic success in the modern era echoes that of Qing-China during the 18th century. The trajectory of economic development in these two epochs can be conceptualised as historical managed liberalism and modern managed liberalism. Therefore, the proposition is that 'China's rise' is better understood as 'China's return'.

As far as the methodology is concerned, a two-stage research agenda is adopted by the thesis. Primary archival research and comparative historical analysis are applied in each research stage. In the first stage (chapters one-three), the thesis investigates the economic changes in the maritime trade and textile industry in the 18th century. It deconstructs the conventional historical statement regarding the Chinese economy in the 18th century and reconceptualises it as based not on heavy and regressive state interventionism (along the lines of the Eurocentric Oriental despotism theory) but rather on historical managed liberalism. In the second stage (chapters four and five), comparative historical analysis is applied in analysing the trajectory of economic development in modern China. By comparing and contrasting the reform in the foreign trade regime and textile industry in both periods, the thesis reveals the continuities and similarities between these two cases and how the historical managed liberalism is being resurrected in the modern era, albeit with a new intensity due to changed global economic circumstances.

In the later section, the chapter will explain how and why the two mainstream analytical frameworks of neoliberalism and statist developmentalism fail in conceptualising China's rise in the modern era. Fundamentally, the misperceptions in both frameworks are grounded on the same paradigmatic assumption. First, both theoretical frameworks are built upon the assumption of a dichotomic state-market relationship. 'Market-led' neoliberalism and the 'state-developmental' perceive the state and market as a pair of contradictions. Thus, to accept the function of the market would inevitably reject the practice of state in the course of economic change, and vice versa. Second, a latent assumption in most studies regarding the debate of China's rise is that the economic rise is a brand-new event in modern history. All the striking changes and development supposedly commenced in 1978. History, particularly early modern history, does not matter in these analyses, as there was nothing but backwardness in the Chinese early modern history based on the conventional historiography such as the 'Oriental despotism' theory (Wittfogel, 1981/1957; Hall, 1985). Thus, the current mainstream narratives conceive the year 1978 as marking the birth of Chinese political economy, and China's rise is a new event accordingly. However, as a continuous civilisation, many characteristics of China's economic history have been resurrected today (Kuhn, 1980, pp.12). Therefore, arbitrarily cutting off the connection with the histories would inevitably misconceive China's development and rise today. Hence, both a new framework and new historical understanding are needed in this case, which should reject the paradigm of the dichotomic state-market relationship and the ahistorical methodology. In this sense, this thesis attempts to contribute to the understanding of China's modern rise by providing the historical managed liberalism, an indigenous framework that provincializes liberalising economy in the Chinese context.

The justification of case selection is equally important. In terms of the selection of the time span, there are two reasons for selecting the period of 1684-1800 as the focus of this study. First, China was experiencing the last flourishing age (*Shengshi*) in imperial history during this period, which is known as the 'high Qing'. Afterwards, China entered a long and turbulent historical phase, including the imperialist invasion, warlordism, anti-fascism and Mao's period. A common feature is that there were no stable domestic social and political environments for economic development during these periods for various reasons. Thus, the conventional Chinese state-market relationship was unable to function normally in these scenarios. The period of post-1978 might be the first time that the economy could develop under a stable

environment, and China has ushered in another ‘flourishing age’ since the high Qing. Secondly, the global economy was experiencing dramatic changes in the 18th century. Multiple studies suggest an integrated global economy was formed by 1800, and some suggest 1500 as the inception point. As will be analysed in this thesis, the dynamics of the Chinese economy in the 18th century played a significant role in integrating the global economy. Similarly, the global economy has been undergoing other changes in the late 20th century and early 21st century due to China’s rise. Therefore, the thesis attempts to reveal the continuities and similarities of the economic success between two historical epochs while being sensitive to changes in the global economic context.

1. Main debate regarding China’s rise and contributions

This research intends to contribute to the study of IPE by engaging in the debate of China’s rise in the modern era. In the extensive literature on China’s rise in the study of IPE, two analytical frameworks – neoliberalism and state developmentalism – have offered the prevailing accounts and conceptualisations regarding the trajectory of China’s development in the modern era. However, both of these two frameworks misperceive China’s economic rise for several reasons. The following section reviews the arguments made by the two mainstream frameworks and explains why their arguments are problematic.

Neoliberalism in the debate of China’s rise

The first mainstream account resorts to the neoliberalism framework in analysing China economic transformation in the last forty years (Heberer, 2005; Wang, 2005; Harvey, 2005; Ikenberry, 2008; Wu, 2010; So & Chu, 2012; Kennedy, 2016; Duckett, 2020). By highlighting the liberalising market and minimal state, neoliberalism conceives that the striking economic transformation and rise in China is largely attributed to the fact that China has followed the neoliberal guidance on economic development. Since the initiative of opening and reform in 1978, China has completed a series of liberalising reforms which almost cover all sectors in the economic sphere. The implementation of the market economy, the privatisation reform of ownership and the empowerment of private enterprise, etc., all these changes suggest that liberalisation is the main reason for Chinese economic growth and success in the last forty years. From the perspective of liberal proponents, all these changes suggest that China has

abandoned the socialist economy to which the CCP had committed and stepped onto the neoliberal path of development. In the meantime, China gained accession to the World Trade Organisation (WTO) in 2001, which has widely been perceived as China embracing the liberal global economy. Benefiting from the liberal trade under the framework of the WTO, China's exports expanded significantly, which has made huge contributions to the economic growth of the country. Therefore, as the major beneficiary of a liberal global economy, China might reduce the global influence of the USA, but it would not overthrow the liberal order (Ikenberry, 2008, p.37). Furthermore, since neoliberalism attributes China's economic miracle to the receding state and the market liberalisation as well as the privatisation, the prospects of the Chinese economy are largely dependent on whether China can commit to further liberalisation, not only in the economic domain but also in the political realm (Cao, 2005, pp.4-5). Therefore, in the sight of neoliberalism, China's rise in the late 20th century and early 21st century endorses the function of a neoliberal antidote to economic development.

Although neoliberalism has been a mainstream theory in explaining the economic development in the IPE study, the conceptualisation regarding China's economic rise made by this framework is misleading. Firstly, the 'market-led' proposition in the neoliberalist narrative is insufficient to explain the successful case of Chinese economic transformation. Conventionally, neoliberalism has been conceived as the antidote to the 'economic backwardness', yet multiple failure cases in Eastern Europe and Latin America significantly discredited this neoliberal doctrine (Green, 1996, p.109; Weyland, 1999, pp.96-97). Supposedly, China's economic success, as claimed by the neoliberal advocates, is due to the neoliberal path of development, symbolised by the Chinese economic liberalisation. There must be distinguishable features in China's case that can explain why neoliberal tenets function in China while they failed in Eastern Europe and Latin America in the post-war period. Unfortunately, most studies with the neoliberal framework only highlight the importance of economic liberalisation to Chinese economic success but fail to spell out distinguishable features in the course of economic transformation.

Secondly, neoliberalism substantially neglects the fact that the state maintains control over several critical sectors in the economic spheres, including the financial system (e.g., banking system and exchange rate) and state-owned enterprises (SOEs). From the perspective of

neoliberalism, these controls and interventions are signs of uncompleted reform, which would hinder economic development. However, multiple cases suggest that economic risk has been significantly curbed because of the (partial) control. For instance, due to the financial control and the function of SOEs, the economic regulation has been more effective and efficient during a period of global crisis, which largely shields the domestic economy from the impact of crisis (Shao, 2009). As a matter of fact, the state is maintaining a certain scale of control and intervention in the economy, and it would be over-simplistic to generalise that state intervention in the economy is all good or bad for economic development. In the meantime, inherited from the essence of classical liberalism, the neoliberal economic blueprint that entails the 'receding state' as the form and function of the market, as well as the market economy, is grounded on the 'certain propensity of human nature' (Smith, 1977/1776, p.29). However, transited from the planned economy to the market economy, the course of the market economy in China was not the result of a receding state but a product of deliberate state policies and institutional designs. This is a paradox that neoliberal proponents are unable to answer.

State developmentalism in the debate of China's rise

In stark contrast to neoliberalism, state developmentalism's analytical framework highlights the leading role of state intervention in the course of economic and industrial development. This framework offers insightful accounts in explaining Tiger Economies' success during the second half of the 20th century. One remarkable similarity in these cases is that the government played an active role in economic development. For instance, through industrial policies, the government could achieve the industrial upgrade by forming the champion industries (Yeung, 2016, p.11) and shield infant industries from international competition in the meantime. East Asia's economic rise in the post-war period essentially endorsed this state-led development model. In this case, China's economic transformation in the later period has been conceived as following the path of development of the East Asia economies and is in line with the conceptualisation made by the state developmentalism (Baek, 2005; Bolesta, 2007; Nee, et.al., 2007; So, 2007; Athukorala, 2009; Beeson, 2009; Quan & Yin, 2009; Holslag, 2010; Breslin, 2011; Li, 2012; Rodrick, 2013; Heberer, 2016). By rejecting the neoliberalism statement, state developmentalism argues that the state has been maintaining substantial intervention in the economy through economic and political means, which are the key to the success of the Chinese economic rise in the later period. Even though economic liberalisation has been ongoing for

forty years and the absolute state control over the economy has been significantly loosened compared with the pre-reform era, the state intervention has been maintained on multiple levels, including the subsidisation of SOEs, and the incentivisation of exports, etc. All these forms of intervention substantially improved the Chinese economy's competitiveness and decreased the economic and industrial risk from the external shocks. Despite the fact this contentious method should be eliminated from the government's arsenal of trade stimulation, it has contributed to the expansion of China's export in international trade and the creation of a large number of foreign reserves. According to state developmentalism, all this evidence suggests that China's economic success is not built upon the liberal economy, but decisive state intervention; as Rodrik states, 'China is the leading bearer of the mercantilist torch' (Rodrik, 2013, p.2). China's rise might be understood as the revival of the 'East Asia' model or the trajectory of state developmentalism.

State developmentalism offers prevailing accounts in explaining the successful transformation of the Chinese economic development in the last forty years. However, this paradigm is problematic for three reasons. First, the Tiger economies in East Asia are extensively conceived as the ideal type of state developmentalism (Evans, 2014, pp.31-33). Nonetheless, if we examine the trajectory of Chinese economic transformation through the East Asia model, the divergences and incompatibility suggest that it would be oversimplistic to categorise China and the Tiger economies in the same group in terms of state developmentalism. For instance, these states' attitudes and strategy towards foreign direct investment (FDI) have been diametrically divergent from those of China and others, notably Japan (Wan, 2014, p.75; Horesh & Lim, 2017, p.8). During the reform, the Chinese government adopted a series of preferential policies to attract FDI. In the government's design, FDI and foreign enterprises offered the main route to industrial upgrading and the increase of competitiveness. In the early stage of opening and reform, the average level of Chinese industrial and economic development was relatively low. Hence, the inflow of FDI brought both funding and advanced technologies, accruing considerable benefits for the Chinese economy.

By contrast, the Japanese government was far more cautious concerning FDI. The state's economic policy in Japan was intended to foster specific industries and enterprises to create national competitiveness globally. Thus, the Japanese government curbed FDI in the domestic

economy, as they assumed that strong FDI and foreign enterprises would potentially endanger the development of the pertinent domestic industries. Meanwhile, the scale of FDI has been augmented in the Chinese economy since the commencement of the opening and reform, which has been a pivotal element for economic growth in the last forty years (Yu, 2020, pp.61-63). The state's strategy might have been the most notable disparity between China and other Tiger economies in East Asia (Peng, 2013, pp.33). Another difference is that throughout the economic reform period China's SOEs have been on a much larger scale than those in other Tiger economies. Since China had practised the planned economy in the pre-reform stage, the SOE was the dominant type of enterprise. Therefore, the liberalising reform of ownership of enterprise has been a remarkable feature in China's case. Moreover, SOEs in China act as the state apparatus, through which it has directly engaged in domestic and global production, which is a unique characteristic of China's experience of economic success. These differences in the Chinese economic transformation experience have been significantly understated and ignored by state developmentalism.

Secondly, the miraculous Chinese economic growth in the last forty years is substantially driven by the private sectors. During this process, private enterprises have been the most significant contributor to economic development. In 2007, approximately 70% was contributed by private enterprises. For instance, in the foreign trade sector, private enterprise, mainly foreign-invested enterprises, played the leading role in the course of the expansion of China's foreign trade. From 2000 to 2010, over 50% of total foreign trade was conducted by foreign-invested enterprises. The reform of enterprise ownership in the 1990s was a remarkable change during the Chinese economic transformation. Consistent with the marketisation, the privatisation incentivised enterprises to pursue profits through the market mechanism, which subsequently benefited the Chinese economy. In this regard, the Chinese economic transformation and rise may not perfectly fit into state developmentalism. This concept overly underscores the state-led development, which blurs and obscures the reality that the market and private sector have both played a pivotal part in the economic boom.

Thirdly, political elements should not be excluded from assessing whether China and the Tiger economies can be categorised in the same group. During path designing, political considerations such as geopolitics and the domestic political system have played a significant

role. For instance, compared with Japan and Korea, which maintain a close relationship with the United States, the relationship between China and the U.S. was hardly considered as positive, particularly in the 1990s. Thus, it is much more challenging for China to participate through alliances in a global economy dominated by the U.S. As a result, China had to make huge concessions during the negotiations on WTO entry (Moore, 2002; Lardy, 2003; Breslin, 2007). As will be discussed in chapter four, the commitments that China made largely impacted the reform procedure during the period of post-2001. On the one hand, the liberalising and opening process had to be accelerated, according to the commitments. On the other hand, however, it resulted in heavier state intervention in the economy. Such high-speed opening would bring instability to the domestic economy and shock to domestic industry. This explains why China's liberalisation process was speeded up in the first five years after gaining accession to the WTO, but there was a reluctance to implement further liberalising reforms after 2006 (WTO Report, 2007).

In the meantime, the political system helps distinguish whether Chinese economic reform was state developmentalism. Several studies discuss that an essential feature of state developmentalism is its grounding on Weberian bureaucracy (Evan, 1995, p.12; 2014, p.567; Weiss, 2010, p.14; Yeung, 2016, p.14). As an ideal type, Weberian bureaucracy would enable the state to gain the 'embedded autonomy' that would allow it to be immune from the interests of multiple social groups but simultaneously to maintain a connection with society (Evan, 1995, p.50). Nevertheless, China's bureaucracy is hardly conceived as the Weberian ideal type (Zhou, 2017, pp.63-64). China has a rather mature bureaucracy which has lasted for over a thousand years. Notably, a distinctive feature is that two sets of logics are intertwined behind the Chinese bureaucracy and its functions. On the one hand, it possesses a complete set of mechanisms, including bureaucrat selection, assignment, reward and punishment, etc. On the other hand, the bureaucratic system is imbued with various types of interpersonal relationships or Guanxi, which have strong impacts on the bureaucratic practice in reality (Zhou, 2017 p.67). Since this form of bureaucracy essentially holds accountability upward, the bureaucratic institutions are not embedded in society. By the same token, it would be wrong to assume that the Chinese state is dis-embedded from society, even if this has occurred in various historical epochs. In China's case, the embeddedness is not accomplished through bureaucratic institutions but by the cultural and ideological linkage between the state and society, which I will discuss in the next section. Therefore, the embeddedness in China's case is not firm or stable. Thus, the state

in China might enjoy much more autonomy but less state-society ties than the states with ‘embedded autonomy’. When the state pursues the goal of economic development, it could practise a more effective and efficient strategy, even if this strategy causes damage to certain social groups. A quintessential case is that of the reform of the SOEs in the late 1990s. The government fulfilled this change in the very short term and at little expense. However, 20-30 million workers were laid off (Xiagang), with little state compensation. Here, we are not assessing whether the state should or should not conduct such reform but aim to reveal the peculiar form of the state and state-society relationship exhibited by this unique experience in the Chinese economic transformation. This experience might not be understood under state developmentalism or the East Asia model.

China might be a ‘developmental’ state in a broad sense, yet to apply this framework in an unqualified way to the analysis of Chinese economic transformation would be problematic, as I noted above. Fundamentally, the concept of ‘developmental state’ lacks consensus in a theoretical sense (Knight, 2014, p.1342). The common feature of all types of developmental states is that the state deliberately pursues economic development, and that state power stimulates economic growth through institutional arrangements (Weiss, 2010, p.15, Knight, 2014, pp.1336-1337). Nevertheless, following these criteria, most states can be categorised as developmental states, and the experience of economic development in most states has included a ‘developmental stage’. Only underscoring the state’s role in economic development inevitably neglects the uniqueness of external and internal environments in each case. In this sense, the concept of ‘state developmentalism’ should be only applied as ‘a theoretical framework with historical specificity’ (Yang, 2018, p.96).

As I have shown above, the two mainstream theoretical frameworks in analysing Chinese economic transformation in the modern era, the neoliberal and state developmental approaches, have mis-conceptualised China’s rise from several perspectives. This is fundamental because both hold a binary strategy regarding the state-market relationship. Analysts should not be confined to the ‘market-led’ versus ‘state-led’ paradigm since emphasising the importance of the state would inevitably dismiss the market’s role and vice versa. In the case of Chinese economic transformation, a bizarre fact is that both the market and the state have played an important role in economic development. Simply inquiring into which one is more important,

as do neoliberalism and state developmentalism, could significantly mis-conceptualise the Chinese case. In this sense, an alternative framework is needed. The following section explains how the alternative framework, the historical managed liberalism, forms. Specifically, enlightened from Adam Smith and Karl Polanyi's insights regarding the concept of liberal economy and the state-market relationship behind it, the next section reveals how the concept of 'liberalising economy' can be provincialized in the Chinese historical context.

2. From Adam Smith to Karl Polanyi, the liberal economy in the Chinese context as an alternative analytical framework

Founded by Adam Smith, the core argument of classical liberalism is that the market is the best tool for economic development. The market mechanism would allocate sources effectively, and market competition would encourage economic actors to participate in economic activities, which would drive economic growth. Fundamentally, Adam Smith argues that the emergence of the market is based on human nature. The function of the market mechanism fits the best interests of individuals and society (Goldsmith, 1995, p.634). Therefore, the only role that the state should play is that of a minimalist 'nightwatchman', since state intervention obstructs the function of the market mechanism. Adam Smith's idea regarding the state-market relationship has had a far-reaching influence on developing the concept of economic liberalism and its avatars. However, this concept has been critiqued and challenged by Karl Polanyi. In his seminal book *The Great Transformation: The Political and Economic Origins of Our Time*, Karl Polanyi critiques classical liberalism by rejecting the presumption of the minimalist state and the primacy of the market economy. Instead, Polanyi argues that the emergence of the economy is the product of deliberate state action, and the economy should be grounded in social institutions (Polanyi, 2001/1944). For example, Polanyi analyses the economic function in the Western Melanesian community, in which the market undertook the functions of 'reciprocity', 'redistribution' and the 'household' and each function secured a different type of social institution (Polanyi, 2001/1944, pp.49-50). However, when the market institutions outmatch other social institutions, as occurred in the 19th century, the contradiction between them would lead to crises. Accordingly, as a dis-embedded economy, the unlimited market force advocated by liberal doctrine can ultimately destroy human society. In this sense, to secure cultural and social integrity, state intervention is vital in keeping the economy embedded in social institutions (Lacher, 1999, p.314).

Both Adam Smith's and Karl Polanyi's arguments provide insights for the understanding of the state-market relationship. Mainly, Polanyi's concept of the embedded economy provides a different foundation to build up an alternative framework in understanding China's economic transformation. There are two distinctive features in Polanyi's argumentation that will be deployed to develop a new framework. Firstly, the state and market are not spontaneously contradictory. The concept of the embedded economy explains, from a social dimension, why the state must intervene in the economy and the market. In Polanyi's terms, this is because state intervention can prevent the economy from dis-embedding from society, as the dis-embeddedness might eventually cause a social and economic crisis (Somer & Block, 2014, p.32). Therefore, the state should maintain an active role vis-à-vis the market. On the other hand, however, the state's intervention and institutions are also restrained by state-society relations. The ultimate purpose of state intervention is to keep the economy embedded in a series of political, social, and cultural institutions. Therefore, investigating state-building is a prerequisite to conceptualising the state-economy relationship. Secondly, the concept of an embedded economy does not prioritise economic gains as the main goal. Since the state's action is to secure the social integrity and embeddedness of the economy, the methods and reasons for the intervention in the economic sphere are not only based on economic motives (Hodgson, 2015, p.63). Both economic and non-economic motives might affect state action in attempting to secure the embeddedness of the economy. Following this thread, whether the state should intervene in the market, as the debate between neoliberalism and state developmentalism, is irrelevant. Instead, the following questions would be how, where, and why state intervention occurs (Evans, 1999, p.20). Polanyi's theory might offer a new understanding in terms of the state-market relationship and economic development. However, both Smith's and Polanyi's conclusions are grounded in the experience of Europe. Thus, it is crucial to bring their theoretical understanding to the Chinese historical context.

State-building and state-market relations in the Chinese context

In 221 BCE, when Yinzheng first unified China, the centralised state emerged. In the following two thousand years, state-building in imperial China demonstrated a distinctive trajectory that was divergent from that which formed the European experience. The distinctiveness of state-building in China can exhibit in two dimensions. Firstly, imperial China was concentrating more on domestic issues and not on external expansion. For China itself, the primary challenge

was how to maintain and develop a dynastic state with huge populations and territory (Wong, 1999, pp.96-98;). Unlike the scenario in Europe, where European states encountered various challenges and competition from each other, the external environment for China was more stable and peaceful. This was not because China was isolated from the interstate system, as claimed by many Eurocentric studies (Wallerstein, 1974). Instead, it was largely grounded on the tributary system initiated and maintained by China and its neighbours (Hobson, 2020, p. 365). Essentially, the Chinese tributary system was hierarchical, with imperial China playing the central role and defining the functions of this system. Since imperial China was largely grounded on Confucianism, the concept of ‘worldview’ (Tianxia guan) substantially shaped the state-building of imperial China. Under the worldview, the orthodox Chinese culture (Huaxia wenming) should be the core of any political system. Other cultures, civilisations and communities would either be assimilated into the orthodox Chinese culture or show their subordination to China (Li, 2012, p.132; Lv, 2013, pp.3-7). Therefore, the Chinese tributary system was built upon this concept. As the core, imperial China had little intention to claim territorial control, but instead to ask for diplomatic and ritual subordination from the surrounding states. In most cases, the subordination was reified in the form of a tribute, which involved the commissions from vassal states presenting a tribute to the Chinese emperor and receiving rewards from the emperor. In this scenario, a delicate balance had been reached under this Chinese tributary system, whereby the vassal states could almost practise full autonomy in state governing except for showing diplomatic subordination to imperial China. (Hobson, 2020, pp. 365). The stable external interstate system determined that the domestic order was the priority for the state ruling in China. To maintain social order, the state had to deploy a series of adequate social controls and fulfil social obligations, which Confucianism had defined. Therefore, the market was only a means for the state to maintain the domestic order.

Secondly, the domestic order, politically and economically, significantly determined the state legitimacy, which is another distinctive feature in Chinese state-building. By and large, state legitimacy in imperial China was grounded in Confucianism. The Confucianist foundation was predominantly reflected through the political elites. Since 500-600, state official selection was based on the imperial examination system (*Keju*), in which most of the contents in the examination were based on Confucian literature. In the meantime, local gentry and even commoners needed to learn Confucian literature from a very early age. Hence, Confucianism formed the foundation of both society and state in imperial China. Under this circumstance, a

particular political value affected state-building throughout China's imperial history, named the 'Mandate of Heaven' (*Tianming*). This idea reckons that the ruler of this state is authorised from heaven. Thus, the ruler's decisions embody the will of heaven. However, when this ruler made an incorrect decision or misbehaved, heaven would send a message to this country's people. Such a 'message' is commonly reified as natural disasters and people's rebellions. Thus, as a ruler, he/she has to behave morally and righteously so that he/she can ensure that his/her people keep their faith in this ruler. As a ruler of this country, he/she has a natural responsibility to maintain the social order's stability and provide a good life to his/her people. Otherwise, (s)he would lose heaven's mandate to rule (Bünger, 1987). Such a 'good life' mainly refers to social stability and national unity, providing public goods and material life (Zhao, 2013, pp.46-47). In this regard, the legitimacy behind the traditional Chinese state was grounded on a compound of traditional, moral, and performance-based legitimacy.

In the modern era, the 'mandate of heaven' idea has been expelled from Chinese political belief. However, performance legitimacy has been maintained and resurrected as the main source of state legitimacy, particularly during the post-Mao period. In Mao's regime, socialist ideology and Mao's charisma constructed the CCP regime's legitimacy. Nevertheless, the 'Great Leap Forward' and the 'Cultural Revolution' were catastrophic mistakes due to Mao's guidelines for China's political economy, which subsequently triggered a severe legitimacy crisis. Under these circumstances, the leadership of the CCP urgently sought an alternative framework to legitimise the ruler in power. Thus, performance-based legitimacy has re-emerged. Compared with the early modern period, modern China's performance legitimacy might be more important for successful state rule. The traditional legitimacy, manifested by the concept of 'mandate of heaven', has vanished. In the meantime, the ideological and charismatic legitimacy sources were proved to be failures. In this scenario, the state does not have many choices but to claim legitimacy by highlighting 'good' state governance. Inherited from Chinese history, assessing 'good' performance is largely built upon the government's ability to 'accomplish concrete goals such as economic growth, social stability, strengthening national power' (Zhu, 2011, p.2). Therefore, for China's modern state, economic development is vital and might be the only viable path to gain legitimacy as developments in other aspects, such as in the political or social dimension, might jeopardise the CCP's power. Deng Xiaoping's speech in 1992 explicitly manifested the strong linkage between economic development and state legitimacy:

(If the state) does not aim to develop the economy and promote people's living conditions, it will be the dead-end (for us) No matter who tries to change the path of opening and reform, people will not permit it, and this person will be overthrown.

(Deng Xiaoping, 1992, speech in the southern tour)

Based on this statement, Deng had been aware that promoting a social economy was the only way to obtain public support, which almost had been proved as truth in China's two thousand years of imperial history (Creel, 1970, p.94). He implied that the 'dead-end' and to 'be overthrown' would be the consequence if the state failed to fulfil this responsibility. Noteworthy, when Deng gave this speech during his southern tour, the state was facing another severe legitimacy crisis due to the aftermath of the Tiananmen Square protest. After repressing the student demonstration, many commentators and party elites estimated that Deng might cease the economic liberalisation, as many believed the political turmoil in Tiananmen Square was a result of the economic liberalisation conducted in the 1980s. However, Deng's speech in 1992 manifested that the state would continue with economic liberalisation. The only reasonable explanation is that Deng was clearly aware that the state's legitimacy crisis could only be cured by qualified economic performance and economic development had to rely on the market and economic liberalisation. One of his most notable statements, '(economic) development is the absolute principle', corroborated this philosophy. Deng's philosophy of state politics had returned to the vintage wisdom of state-building, as I analysed previously. In this regard, economic development is the means for the state and state rulers, leading to state legitimacy and social stability (Breslin, 2017).

If state-building in China is built upon performance legitimacy, the state-market relationship in the Chinese context would have been exhibited differently compared with the conventional understanding of the state-market relationship. In the conventional understanding, the state-market relationship is primarily grounded on the dichotomy. This paradigm has significantly influenced mainstream theories and analytical frameworks in the study of social sciences. However, this type of state-market relationship is drawn by the European experience; thus, it

might fail to explain many cases in China's context, as discussed in the previous sections. As far as the state market in the Chinese context is concerned, the peculiarity of state-building in imperial Chinese history has significantly shaped this relationship in a different form. Since social stability and a 'good life' for the mass majority of people are the primary targets for a 'rightful ruler,' the market acts as an institution for the state to deliver economic and social responsibilities. In this regard, the market could only function when the state granted autonomy to it. Notably, the autonomy between state-market is not a zero-sum game. At first glance, the state would concede autonomy by giving it to the market. Yet, since the state could gain legitimacy from the society by delivering the economic benefits through the market, public support and consensus would generate more autonomy for the state. Hence, the obtaining of autonomy of the market might transform the function of state autonomy instead of causing the state to recede. A quintessential case is to compare the state's autonomy in the pre-reform era with that in the period of 'opening up'. Initially, Mao's state held absolute autonomy. However, it soon decayed due to wrongful political movements and the stagnated economic development. The social disorder and chaos significantly curbed state autonomy and capacity. During the peak of the cultural revolution, most government agencies had been decommissioned, and the state's entire machinery had been paralysed. On the contrary, during the period of opening and reform, the liberalising economic reform entailed state concession, at first glance. Many state apparatuses started to retreat from the economic realm. However, from a longer perspective, the CCP has accumulated an abundance of legitimacy by developing the economy. Thus, state autonomy and capacity would increase accordingly. In this regard, the Chinese context's state-market relationship is not at two ends of the scale, and the rise of one side would not suppress another. Since imperial history, the Chinese state-building's uniqueness has determined that social stability and economic development are the primary concerns for the state, which serve as the main source for state legitimacy. Then how to deploy the market is the essential question for the state.

Historical managed liberalism and its modern version: a liberalising economy in the Chinese context

If we examine Chinese history, many cases can reveal adoption by the state of liberalising economic policies, which I conceptualise as 'historical managed liberalism'. During the flourishing ages (*Shengshi*), the wise emperors and ministers thought that both society and

economy would benefit from a liberal environment (Qiu & Qi, 2007, pp.138-139). This ideal society was usually generalised as an environment that can ‘lighten the corvée and tax to rehabilitate people’ (*Qinyao Bofu, Yumin Xiuxi*). This economic idea has had a far-reaching influence on Chinese economic history. For instance, during the Han period between 180 BCE and 140 BCE, the court attempted to rehabilitate the society and recover the economy by relieving the tax burden and reducing the penalties, which eventually led to the flourishing age of the ‘Rule of Wen and Jing’ (Li, 1980, pp.25-26). Similarly, this liberalising economic policy had been externalised in the early Qing period. In 1644, the Shunzhi emperor explicitly stated that the economic and social policy should be aimed to lighten the tax burden and rehabilitate society (Chen, 1999, p.79). Despite the fact that the practice of liberalising economic policies did not proceed successfully due to multiple reasons during Shunzhi’s reign (1644-1664), this idea was inherited and perpetuated by his son, Kangxi emperor, and his successors. As will be analysed in later chapters, by systematic liberalising reform by the Qing court between 1644 and 1800, the maritime trade and textile industry achieved a high level of development, which ushered in the latest flourishing age of Chinese imperial history – the ‘High Qing’.

The managed liberalising economy can be discovered in two scenarios: the transitional period between two dynasties or the post-war period. In both scenarios, the state had to develop the economy by creating an ideal (liberal) environment, as the state was confronted with a war-torn society that needed to be recovered urgently from the perspective of the economy (Jiang, 1978, pp.47-48). In the meantime, the state might have fallen into a legitimacy crisis in both cases. Either as a new state ruler or as a post-war state, the priority of state concern was legitimacy. Therefore, the best choice for them was to develop the economy by creating a liberal environment. In a liberal environment, the market mechanism could effectively guide economic growth. Adopting the liberal economic strategy was an important sign that the state was unwilling to be a predator, which largely avoided clashes between state and society. Alongside the state’s liberalising economic environment, another important factor to justify that the managed liberalising economy did occur in Chinese history, particularly between 1684 and 1800, as highlighted by this thesis, is based on economic development assessment under the given economic environment. As will be discussed and analysed in the later chapter, a high level of development was achieved by the maritime trade and textile industry under the liberalising environment. In the maritime trade, the trade expansion was largely due to the market mechanism. In the silk and cotton textile industry, the improvement of productivity and

output was largely grounded on the ‘Smithian dynamics’ – the division and specialisation of labour. All these suggest that liberalising the economy had been deployed by the state for economic development.

However, this managed liberalism in the Chinese context entailed state intervention. In general, state intervention would occur in two scenarios. The first one was when the market failed to deliver the state’s economic goals (Nolan, 2004, p.144). For example, in chapter one, this research mentions that the domestic grain price surged significantly during the Kangxi reign due to the shortage of grain. Under this circumstance, the mass majority of people’s material lives could not be guaranteed by only resorting to the market mechanism. Therefore, the Qing state announced a new trade policy to attract grain import by decreasing and exempting the grain trade tariff. The second scenario, that the state would intervene in the market, occurred when the expanding market force would jeopardise the mass majority of society. For instance, during periods of food calamity, the price of food usually increased. Many merchants either sold their food reserve at a high price or held their reserves and waited for further growth of the price. In this case, the state strictly punished those speculators or forced them to sell at regular market price. Although speculation was a market behaviour, it could threaten the populace’s living, which then could cause social disorder. In this case, through constraining the market’s autonomy, the state’s intervention was important to secure the social order and integrity.

In this regard, the distinctiveness of the framework of historical managed liberalism can be generalised as the following features show. Firstly, the managed liberalising economy would be adopted by the state in order to develop the economy, which would be established mainly through the state’s policymaking and institution building. Once the liberalising reform was conducted, the market would be the main engine to drive economic growth, including trade expansion and industrial upgrading. Secondly, the state intervention would be maintained at a ‘moderate’ level. The purpose of intervention is to prevent market failure and the scenario in which unfettered market power overrides state and society. Thirdly, the state’s ultimate goal in practising this managed liberalising economy is to (re)gain legitimacy from society, as performance-based and moral based legitimacy has been the primary source of state legitimacy. As will be discussed in this thesis, when the Qing court and CCP launched their liberalising

economic reforms in 1684 and 1978, respectively, they both encountered legitimacy problems, although to a different extent. Put differently; the legitimacy concerns were the catalysts for the state to conduct liberalising economic reform in both cases.

Lastly, the ‘moderate’ intervention is significantly grounded in the historical contexts, both domestically and internationally. As we will see in the later chapters, the managed liberalism during the high Qing exhibited a less interventionist stance than in the post-1978 era, which is the main difference between the two cases. The fundamental reason for this is that Qing China was a politically and economically advanced state and what it envisaged was a multipolar global economy. On the contrary, on the eve of China’s opening and reform in 1978, the state economy was at an underdeveloped level. In the meantime, the West had come to dominate the global economy after about 1850. The global economy has been significantly shaped by western power. Thus, international institutions and organisations are grounded on western neoliberalism, which would put more pressure on China in selecting the path for economic development and participation in the global economy. Hence, in liberalising reform, the reform that modern China exhibited led to a stronger interventionist stance than that of its Qing predecessor. Therefore, the liberalising reform in both cases can be respectively conceptualised as the historical managed liberalism and its modern version. These features substantially constitute the historical managed liberalism, which would shed new light on how the Chinese economic transformation and success in the period of post-1978 mirrors the Qing’s opening up in the 18th century. The liberalising economy in the Chinese context follows the statement of Adam Smith in terms of the market mechanism being the engine for economic development. In the meantime, it concurs with Polanyi’s argument regarding the embedded economy that the formation of the market is the product of deliberate state action and that the market should be embedded in society. In the Chinese context, this embeddedness is not externalised by the institutions, but a state-society tie based on culture and legitimacy.

3. Methodology and structure of the thesis

This research intends to offer an alternative explanation regarding China’s rise during the period of post-1978 through a historicised perspective. To accomplish this goal, a two-step strategy is adopted in this thesis. In the first step, the thesis attempts to reconstruct and reconceptualise the image of Qing China’s political economy from 1684 to 1800 through

critiquing the conventional historiography regarding the Qing China's political economy in the 18th century. Specifically, the thesis re-examines the dynamics of political economy in the maritime trade and textile industry, arguing that the advanced developments in these two sectors during the 18th century can be conceptualised as the historical managed liberalism. In the second step, the thesis aims to 'use the past to serve the present' (Nolan, 2004, p.111). By conceptualising the liberalising reform during the period of post-1978 as the historical managed liberalism in the modern version, the thesis aims to reveal the similarities and continuities between the two cases of liberalising reform respectively between 1684 and 1800 and the period of post-1978, while also being sensitive to the discontinuities regarding the intensity of state interventionism. This thesis utilises archival research and comparative historical analysis for the research in each step.

Archival research and application

As a conventional research method, archival research is extensively applied in studies of the social sciences and humanities. The historical archive is perceived as 'the traces of the remains of times past' (Stanley, 2017, p.33). Meanwhile, archival research mainly entails 'locating, evaluating, and systematic interpretation and analysis of sources found in archives' (Alan Bryman, et.al, 2004, p.20), thereby 'providing us access that we might not otherwise have to the organisations, individuals, and events of that earlier time.' (Mohr and Ventresca, 2002, pp.2). Archival research is the foundation for this thesis and is applied in the first step of the research (chapters one-three). In this stage, the thesis attempts to break down the conceptualisation of the 'oriental despotism' made by the conventional historiography regarding China's political economy up to 1800. In this case, two types of historical materials are collected and examined by the thesis. The first type is the archives (*Dang'an*) collected in the First Historical Archives of China (*Zhongguo Diyi Lishi Dangan Guan*). This archive has collected and compiled most historical materials regarding various categories during the Ming and Qing period. Since this thesis mainly focuses on the development of maritime trade and the textile industry, the archive collection follows these two topics accordingly. In the maritime trade, the archival collection focuses on the superintendents' annual reports in four customs houses and the Ministry of Revenue's verification sheets (*Hubu*). In the annual report, the superintendents routinely listed a series of data regarding the maritime trade in this region, including the amount of duty in each category (e.g., formal duty and additional duty). In some

instances, the report describes the basic situations of maritime trade in the given year. If the amount of duty in the given year is far higher or lower than the year before, the report will give a brief explanation. Notably, the consecutive annual reports in the four customs houses commence in the year 1725. Most reports regarding the period of 1684-1725 are missing. In the meantime, an archival compilation, 'the archive of trade and business between China and the West during the Ming and Qing dynasty (*Mingqing Gongcang Zhongxi Shangmao Dangan*), is another source of the archival collection, which includes most records and reports related to the maritime trade between China and western countries. The textile industry archive is mainly based on the annual reports from three silk textile weaving bureaus and the verification sheets in the Ministry of Revenue. The reports and verification sheets respectively recorded data, including the expenditure, workers' wages, and annual production, which cover the period of 1736 to 1799. In the analysis of maritime trade and the silk textile industry, the yearly reports and verification sheets are particularly important, providing foundational data in reconstructing the overall scale of trade and production of weaving bureaus in the 18th century.

The second type of historical material is based on history books (*Shishu*), which mainly refer to the official or private sector historical records in the corresponding historical dynasty. The most well-known history books are the Twenty-Four Histories (*Ershi si shi*). These twenty-four historical books cover the entire Chinese centralised history (The historical record of the Qing dynasty is not included. Added in a later period, the Qing period's record is named as the twenty-fifth history). Each book is written or compiled by the writers in the corresponding historical dynasty or writers and collectors in the following dynasty (e.g., The History of the Ming was written and compiled by Zhang Tingyu, who was appointed by the Qing court to conduct this work). These books are conceived as orthodox histories (*Zhengshi*), which specifically record the major events in each dynasty. Most of these types of historical records have been republished and digitalised. The thesis accessed this type of document through the 'Chinese Text Project' website (<https://ctext.org/ens>) and 'Wenxue 100' website (<http://www.wenxue100.com>). Specifically in the case of the Qing dynasty, records of this type such as the 'Great Qing Code' (*Daqing huidian*), 'Great Qing Law Code' (*Daqing Lvli*), 'Note on Kangxi's daily life' (*Kangxi qiju zhu*) and the 'Chronicle of Events of the Kangxi Period' (*Daqing shengzu ren huangdi shilu*) were studied. Particularly in the analysis of the maritime trade, all these official records provide an abundance of details in relation to the laws and regulations of maritime trade. Moreover, this type of record also provides the emperor's

speeches and daily talks between the emperors and ministers, many of which are associated with policymaking and institution building in the trade sector. In the textile industry study, this type of archive includes ‘Record of cotton’ (*Mumian pu*) and ‘Record of Suzhou Weaving Bureau’ (*Suzhou zhizao juzhi*). ‘Record of Cotton’ notes the process of cotton planting in China during the 18th century, which contributes to the assessment of cotton production and the estimation of household income during this period. ‘Record of Suzhou Weaving Bureau’ records all information and regulations in the silk weaving bureau in Suzhou, including the arrangement of looms and staff, the working hours, wage levels and expenditure, etc., which provides all the required details to exhibit the image of how this quasi-factory had functioned. Through the archival research in chapters one-three, the thesis aims to reveal what kind of level of development the maritime trade and textile industry had achieved from 1684 to 1800 and how the state conducted and managed liberalising economic reform during the historical epochs to incentivise the development of these two sectors.

Comparative historical analysis and application

In the second step of the research (chapters four-five), the thesis adopts comparative historical analysis in probing the trajectory of Chinese economic reform in the modern era. Through the comparative analysis in these two chapters, it reveals the historical continuities between the two cases. In general, the method of comparative historical analysis ‘implies a long-standing intellectual project oriented toward the explanation of substantively important processes and outcomes by means of systematic and contextualised comparisons’ (Mahoney & Rueschemeyer, 2003, p.1). In so doing, it aims to ‘move back and forth between theory and history in many iterations of analysis as they formulate new concepts, discover novel explanations, and refine pre-existing theoretical expectations in light of detailed case evidence’. (Mahoney, 2004, p.88). Specifically, in this thesis, the reforming measures and economic dynamics in the development of the trade and textile industry during the 18th century are adopted as the comparison tools to analyse the case of reform in post-1978. In this sense, chapters four and five, respectively, reveal the reform of the foreign trade regime and textile industry since 1978, comparing it with the case of reform conducted by the Qing predecessor. In this way, the historical continuities and similarities can be revealed. Furthermore, the discontinuities and differences are also analysed in these two chapters. These discontinuities and differences are primarily reflected in the more intensive state intervention in the economic reform in modern China than occurred under the Qing predecessor. By conducting analysis on

the domestic and global environment in each historical epoch, these two chapters explain how the different intensity of state interventions in the two cases can be seen as the products of the state's responses to different historical environments in each epoch.

The data and documents in these two chapters primarily originate from the following sources: macroeconomic data and statistics regarding China's foreign trade, such as the value of exports and imports, the exchange rate of currency and commodities composition, etc., collected from the database of the National Bureau of Statistics of China (<http://www.stats.gov.cn/tjsj/ndsj/>) and database of the World Bank (<https://data.worldbank.org/>). The policy and institutional changes in the foreign trade regime are based on the Five-Year Plan Reports (*Wunian jihua baogao*), which can be accessed via the official website of The State Council of the People's Republic of China (<http://www.gov.cn/>). All statistics, data and policy changes regarding the Chinese textile industry are based on the annual China Textile Industry Development Reports (China National Textile and Apparel Council, 1982-2018). Additionally, secondary sources, including the pertaining studies, are extensively used in these two chapters in order to supplement the deficiency of data collected from the primary sources.

Structure of the thesis

The thesis comprises five empirical chapters. Chapter one aims to break down the conventional statements regarding Chinese maritime trade during the period of 1684-1800. In this task, the chapter reveals how a managed liberalising economic reform was conducted by the state in the maritime trade through policymaking and institution building. Specifically, the analysis in the chapter is driven by the three main events during this period. Initially, the thesis focuses on the process and significance of Kangxi's opening in 1684. The chapter reveals how a managed liberalising economic environment was formulated through the analysis of the state's policy and institutions implemented in the maritime trade. The chapter then discusses the trade ban with southeast Asia in 1717 and the formation of the 'Canton system' in 1757, which are widely conceived as 'historical facts' by the conventional historiography; the latter aimed to prove that China had retreated from the global economy in the 18th century. By re-examining the formation of the trade ban and Canton system, the chapter reinterprets these two events, explaining that they not related to Chinese 'isolationism' or 'oriental despotism' as Eurocentric historiography claims. In so doing, the chapter rebuilds the image of Chinese maritime trade by 1800 and conceptualises it through the framework of historical managed liberalism.

Based on the analysis in chapter one, chapter two provides an assessment of the performance of Chinese maritime trade under a liberalising environment that was created by the state, and the significance to the global trade system in the 18th century. The assessment proceeds via two channels. In the first channel, based on the customs houses' data, the chapter estimates the overall value of Chinese trade in the 18th century. By comparing with Britain, the chapter gauges the magnitude of maritime trade and recalibrates the importance of Chinese trade to the global trade system. The second channel entails the recalculation of global silver flows. Although various studies have contributed to the estimation of the inflows of global silver, the results vary significantly. In this case, this chapter makes a proper estimation. More importantly, through the calculation of silver inflows and the measurement of trade value, the chapter reveals that significant expansion had occurred in maritime trade, which had played an important role in integrating the global economy by 1800.

Chapter three shifts focus back onto the domestic textile industry in the 18th century. The primary purpose of this chapter is to reveal how managed liberalising economic reform had also been implemented and influenced the development of the textile industry. Hence, this chapter firstly examines the developmental level and dynamics, respectively, in the silk and cotton textile industry. The assessment is grounded in two dimensions. In the quantitative sense, the chapter assesses a series of industrial indexes in the two industries, including the industrial outputs, amount of labour in the pertaining industry, the wage levels and funding scales, etc. In the qualitative sense, the chapter focuses on the potential changes in the form and organisation of production. As seen in the chapter, the development of these two industries, such as the increase of productivity and output, was largely driven by Smithian dynamics: the division of labour and the specialisation of production. Meanwhile, the chapter reveals how the early capitalist self-evolution, or the embryo of capitalist production (*Ziben zhuyi mengya*) had emerged in the silk and cotton textile industry with the development of these two industries. As experienced in Europe, signs including the emergence of waged labour, the textile-producing mills in the silk textile industry and the quasi-putting-out system in the cotton textile industry show that the development of the textile industry in the Qing-China had not only reached an advanced level but also started the self-evolution. Following the textile industry assessment, the chapter attempts to reveal the relationship of the development of the textile industry with the state's liberalising economic reform. Epitomised by the reform of the tax system and corvée system, the liberalising reforms significantly contributed to industrial development. Lastly, the chapter tries to provide an alternative understanding of why the textile

industry in Qing-China was able to reach a rather high level of development but failed to evolve into modern capitalist production, and why capitalist self-evolution in China and Europe started similarly but ended up differently. By comparing the different trajectories of development of the textile industry in China and Britain during the 18th century, the chapter explains that the Chinese state played a less active and interventionist role in the course of industrial expansion and transformation, which enabled the textile industry to achieve a high level of development but failed to accomplish a capitalist self-revolution.

The comparative historical analysis is applied more substantively in chapter four. Concentrating on the liberalising reform of the foreign trade regime in the period of post-1978, this chapter provides insights for a new understanding in terms of how the liberalising reform in modern China essentially echoes with the case in the Qing period as discussed in the previous chapters. The thesis firstly reveals the continuities and similarities between the two cases from three dimensions, including the catalyst of reform, the trajectory of reform and the consequences, as well as the implications of reform. In so doing, the chapter argues that the liberalising reform in the post-1978 period can be conceptualised as a rehabilitation of the historical managed liberalism of the Qing era. At the same time, the thesis unveils the differences displayed by the two cases. It exhibits a stronger interventionist role of the state in the modern version of historical managed liberalism in the course of liberalising reform. Lastly, by conducting analysis of the external and internal environment in each historical epoch, the chapter explains that the stronger interventionist stance of the state in the reform of foreign trade regime in the modern era can be understood as the response of the peculiar Chinese state-market relationship to the harsh environments of the domestic and global economy. The transformation and development of trade in these two historical epochs are essentially similar.

Following the pattern of chapter four, the comparative historical analysis continues in chapter five by focusing predominantly on the transformation of the textile industry in the post-1978 period. By arguing the trajectory of transformation of the textile industry in the modern era echoes the Qing period, which can be conceptualised as the historical managed liberalism in the modern version, the chapter reveals the similarities and continuities from the four perspectives, namely, the remarkable performance and rationale; the pathway of liberalising reform; the empowerment of industrial actors; and the dynamics between the state and private sectors. Followed the same pattern with chapter four, the differences between the two cases are analysed and explained as the state-market relationship's response to the different historical

environments. In this regard, the historical managed liberalism demonstrated by Qing China and the historical managed liberalism in the modern version reflected by the PRC turn out to be two sides of the same coin, rather than entirely different forms of currency.

Chapter 1. Opening up and development of the Chinese maritime trade, 1684-1800

In conventional studies regarding the Chinese maritime trade in the 18th century, China's policy has extensively been conceptualised as 'Close the border and lock the door' (*Biguan Suoguo*) (Dai, 1988; Chang, 2001; Xu, 2004; Landes, 2006; Zhang, 2007; Wallerstein, 2011), to epitomise the isolationism and oriental despotism of Chinese political economy from 1500 to 1800. By and large, this mainstream conventional statement is grounded on the official trading ban policies implemented by the Qing court during this period. For instance, the Qing court announced a comprehensive trade ban in 1656 and a trade ban with Southeast Asia in 1717. Meanwhile, the formation of the Canton system in 1757 is widely conceived as the landmark and last step of Chinese isolation from the global economy (Naquin & Rawski, 1987, p. 102; Dai, 1992, p. 442). Following this lead, a corollary is that China was unable to participate in the global integration during the period of 1500-1800. Until 1840, Qing-China was forcibly enmeshed in global trade and the global economy due to the Sino-British war. However, this Eurocentric narrative has been critiqued and challenged by historical revisionist studies (Yan, 1986, Frank, 1998; Pomeranz, 2002; Hung, 2001; Hobson, 2004, 2020; Schottenhammer, 2007; Zhao, 2013). The advancement of maritime trade did not cease or decline during this period, either empirically or theoretically. The conventional historiography significantly misconceived the state's policy at this stage. A quintessential case is the Kangxi emperor's opening policy in 1684, which is largely understated or even neglected in the analysis of conventional studies. As explained shortly, this opening up policy had a far-reaching influence on the development and transformation of maritime trade at this stage.

Therefore, based on the revisionist studies, this chapter further argues that far from retreating from the global trade system, Chinese maritime trade was developed and expanded significantly due to the Qing court's liberalising reform. Through policy and institution implementation, the Qing court created liberal conditions for the maritime trade, in which the market mechanism played a large role to drive the trading expansion in this stage. Hence, the course of the advancement of maritime trade during this stage can be conceptualised as historical managed liberalism. This chapter comprises three sections. In the first section, it analyses and reinterprets the significance of Kangxi's opening up in 1684. In so doing, it reveals how the liberalising economy was introduced into maritime trade during this period. In the second and third sections, the chapter investigates two historical events – the trade ban with southeast Asia in 1717 and the formation of the Canton system in 1757. It critiques the

interpretations made by conventional studies that these two events show China's isolation in terms of the maritime trade and explains why the trade expansion did not cease under these two scenarios but kept enlarging during this period.

1.1. The opening up and institutionalised reform

In the initial phase of the Qing reign, the Qing court issued edicts several times on banning maritime trade (*Jinhai lin*) and evacuation of the coastline (*Qianhai lin*). According to records on the 'Great Qing Law Code' (*Daqing Lvli*), the trade ban policy was strictly issued and implemented in 1655 and reaffirmed several times in the ensuing years, based on which 'people who ship animals, iron... and trade beyond border line will be beaten by the heavy stick for one hundred times...' (*Daqing Lvli*, Clause.225). As discussed early, this trade ban policy is widely regarded as evidence that China believed in isolationism and the Qing court held negative attitudes towards foreign trade. Nonetheless, this conceptualisation is substantially a fallacy and misunderstanding, as the trade ban in the early Qing period was essentially attributed to the existence of Zheng's regime, which controlled Taiwan island and threatened China's southeast coastal line. As Ming court residues, Zheng's growing military force and monopoly of regional trade threatened the national security and stability, in the sight of the Qing court (Liu, 2005, pp.56-58). In the meantime, other rebellions, such as the Revolt of the Three Feudatories (*Sanfan zhiluan*) in south China between 1673 and 1681, exacerbated the national security situation. Under this circumstance, the Qing court decided to ban foreign trade in the south-eastern regions and evacuated the coastal line cities.

As a matter of fact, many historical records can confirm that the primary reason for the Qing court to implement a trade ban was Zheng's threat rather than any isolationist policy orientation. For example, the Qing courts issued an administrative order, the 'Maritime trade Prohibition' (*Yanjing tonghai chiyu*), in 1661, in which it explicitly stated Zheng's regime was the main reason for issuing this order (Archival Compilations of the Ming and Qing dynasties, 1973, value. 4, pp.257). Likewise, when the Shunzhi emperor discussed the embargo with his ministers, he mentioned that he decided to adopt this strict policy only because of the threat from Zheng's force from the sea (Zhao, 1985, p.49-50; Liu, 1994, p.123). Later, when the Kangxi emperor opened up foreign trade, he made a very similar statement that 'the previous trade ban was only because of the marine harassment...' (Liu, 1912-1911, p. 5515). In this regard, the trade ban in the early stage of the Qing dynasty can be assessed as a temporal strategy for wartime. In reality, the Qing court took over Taiwan island in 1683. The Kangxi

emperor immediately announced the phasing out of the trade ban policy and reopening of the sea for maritime trade in 1684. Hence, far from being a retreat from the global trade system, Kangxi's opening manifested a new era for Chinese maritime trade (Wei, 1989, p.106).

Kangxi emperor and the 'opening up' policy

In 1684, the Kangxi emperor and the Qing court officially announced the phasing out of the trade ban policy and reopening of maritime trade, which manifested the commencement of liberalising economic reform. By and large, the opening up policy was able to link the emperor's concerns over state legitimacy with economic performance, as well as social stability. As discussed in the last section, the Qing court adopted a local evacuation strategy on the eastern coastline during the war with Zheng's force. Despite the fact that the Qing court eventually won the war, the local economy and social order were significantly sabotaged by the evacuation strategy (Wang & Su, 2010, p.216). This being the case, social unrest emerged locally. With the social discontent in other rebellion regions, the Qing court soon envisaged critical economic and social issues emerging in these regions, the deterioration of which might have caused a legitimacy predicament for the Qing court. Therefore, to recover the economies of the southeast coastal cities was the aim of the Qing court. The historical document, *Daqing shengzu ren huangdi shilu*, records how Kangxi responded regarding the previous trade ban policy, as he explicitly stated that:

People are keen to live in the coastal cities because they can fish and trade... In the beginning, the Qing court ban trade was due to harassment from the sea. Now, the pirates and rebellions are wiped out, and what are we waiting for? ... As the official state, caring for people's living should be prioritised. In the past, foreign trade never ceased, regardless of the trade ban. Many officials who oppose open trade are senior officials. They are against the opening policy only because of their interests...

(*Daqing shengzu ren huangdi shilu*, 1723-1731, vol.116, para.28-30)

The context of this harsh-toned talk was that some senior and local officials were against the resolution to open up. Under this circumstance, the emperor highlighted that the purpose of the previous trade ban was based on security considerations rather than a belief in anti-commercialism or isolationism. Once Taiwan had been conquered, the security concern vanished. In addition, he was deeply aware of the necessity and urgency of restoring maritime

trade for the sake of people's livelihoods. This is why he immediately ordered his office to investigate coastal conditions for opening and criticised officials who were against this policy through this statement.

More importantly, Kangxi perceived that maritime trade was not only a remedy for regional economic depression and social disorder but also a pivotal link in the economic development of the entire state. Based on the historical document, the *Daqing shengzu ren huangdi shilu*, the Kangxi emperor made a speech regarding the opening of maritime trade, which can be labelled as providing guidelines for opening-up policy.

Opening the maritime trade can enrich people who live in Guangdong and Fujian provinces. The wealth of these two provinces will spill over and circulate to other interior areas through which all provinces will get benefits. In the meantime, most of the merchants that conduct foreign trade have a certainly considerable fortune. Therefore, taxing them moderately will contribute to military spending on these two provinces and save money for other provinces. Eventually, people who live in both coastal and inland provinces will get the benefit. This is the reason for opening maritime trade.

(*Daqing shengzu ren huangdi shilu*, 1723-1731, vol. 116, para.114-120)

This statement was significantly important to understand Kangxi's opening and the development trajectory of maritime trade during this stage, which is widely underestimated even in the revisionist studies (Li, 1992, pp. 65-69; Xie & Huang, 1992, pp.54; Li & Yang, 2008, p.23). Two interpretations can be made in terms of this statement. Firstly, the importance to the local economy of opening up trade was reconfirmed, as it explicitly stated that Fujian and Guangdong provinces received benefits from it. Secondly and more importantly, as this thesis argues, this statement substantially implied a liberalising economic policy orientation, which largely guided the expansion of maritime trade in the following period. Kangxi was aware of the existence of economic circulation and how it could contribute to the national economy. Under this circumstance, the state's task was to reduce the barriers to economic circulation and allow the market mechanism to allocate the resources. In the course of opening up policymaking, the Kangxi emperor played a decisive role. Largely, his concerns and decisions symbolised the state's willingness in this case, though bureaucratic groups might have influenced him (Wang & Su, 2010, p.28). This explains why Kangxi expressed that the

duty levy should only be ‘moderate’ in order to avoid burdening the merchant group. As will be discussed shortly, the practical duty rate in the customs house was pretty low, and largely could be categorised as a liberal standard of customs duty. Meanwhile, this statement manifested liberalising economy guidance that can be paralleled with Deng Xiaoping’s statement concerning the Chinese opening and reform in the post-1978 period, which was as follows:

Our change (opening and reform) is aimed to permit some people and some regions to prosper in advance. Afterwards, they can benefit and help others, through which the whole society could achieve prosperity.

(Deng, 1993, p.374)

Deng’s statement is extensively conceived as guidance on Chinese economic liberalisation. Comparing this statement with Kangxi’s statement regarding the opening-up policy, they shared several similarities, including why and how to develop the economy. Both of them conceived that enriching society is the goal of economic reform. In order to accomplish this goal, the economic reform should attempt to create a robust economic circulation. Paralleled with Deng’s economic reform statement, therefore, the statement made by Kangxi essentially implied a liberalising economic strategy for developing the maritime trade.

Kangxi’s liberalising economic stance was also reflected in his attitude towards the merchant group. Under the conventions of the Chinese imperialist history, business and mercantile occupations were dishonourable, based on the Confucianist tenets. This is an important reason for many studies making the assertion that China adhered to isolationism in the 16th-18th century (Weber, 1951, p.55; Hevia, 1995, p.73). Nonetheless, this assertion is misconceived since the Kangxi emperor maintained very pragmatic and selective attitudes towards Confucianism with respect to state businesses and businessmen (Zhao, 2012, p.80). Through examining the historical records, the Kangxi emperor expressed many times phrases such as ‘caring merchants’ (*Xushang*) and ‘thinking of merchants’ (*Nianshang*). These phrases reflected the emperor’s willingness to protect and cherish businesses and businessmen, as the following quote shows:

...The merchant group is one of four social classes in our state, which is just like others. The state should protect these people, and reserving wealth among the

people should not be haggled over...

(Daqing shengzu ren huangdi shilu, vol. 97, para.46-47)

Noteworthy, this record unveiled that the Kangxi emperor did not oppress or discredit the merchant group, as assumed by many conventional studies (Ye, 1989; Deng, 2004). More significantly, Kangxi presented his philosophy regarding the state formation and state-economy relationship as ‘reserving wealth among the people’ (*Cangfu yumin*). This statement, as the opposite to the phrase ‘reserving wealth in the state’ (*Cangfu yuguo*), reflected the ideal state formation for the Kangxi emperor was not to extract wealth from society but to enrich people’s economic development. Thereby, in Kangxi’s view, the state should not act as a predator by pursuing wealth through squeezing the society but instead create a stage for the market function. In so doing, both state and society could be benefited. This idea shared many similarities with Adam Smith’s argument regarding the state-market relationship in his seminal book *The Wealth of Nations*. Although their understanding of the state-market relationship ended divergently: in Kangxi’s understanding, the state would become more legitimised and stronger through the enriching of society, while in Smith’s argument, the state would gradually recede due to the expansion of the market, both of them recognised the function of the market could enable the economy to develop.

Therefore, Kangxi did not intend to impose heavy customs duties on the merchant group and their products, despite many senior officials suggesting that this measure would bring more fiscal revenue for the state (Huang & Deng, 1985, p.65; Zhu, 2000, p.119). From Kangxi’s perspective, however, it was infeasible and unsustainable. Wei (1989, p.106) analyses the talk between the Kangxi emperor and officials in terms of how to formulate duty regulation in the customs houses. Initially, the officials implied that increasing the duty levy would generate more tax revenue for the state. However, Kangxi rejected their proposal, as he was concerned that heavy duties might cause a burden to the merchants and traders. By rejecting imposition of heavy duties on maritime trade, Kangxi manifested the idea of ‘cherishing the merchant’. More importantly, as will be discussed shortly, the light-duty levy essentially reflected Kangxi’s liberalising economic policy orientation towards maritime trade.

The institutionalisation of the opening: formation of the customs house system and the formulation of customs duty

The Qing's liberalising reforms extended to the institutional level as well. In the wake of the commencement of opening up, the Qing court announced that they aimed to establish a customs houses system and formulate duty regulation, measures which were conceived as institutionalisation and normalisation of the opening up (Akira, 2014, p.27). The primary function of this system was to regulate the maritime trade, which was expressed by the Kangxi emperor, as follows:

Maritime trade could benefit people's livings. However, if the state does not formulate the duty regulation, it will eventually harm merchants and their businesses.

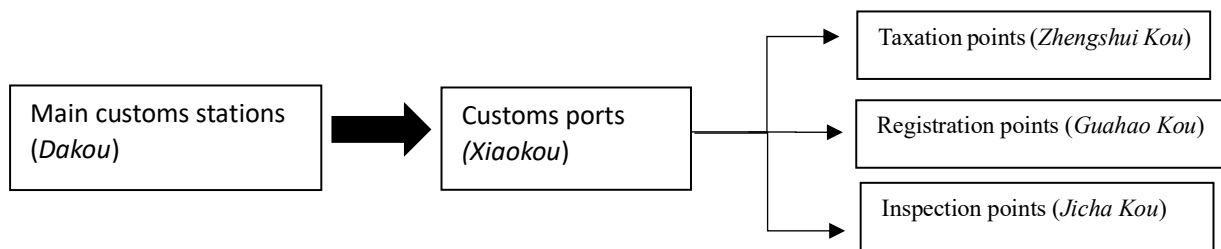
(Shengzu ren huangdi Shilu, vol. 115, para.44)

Kangxi was concerned that in the absence of regulation or rules for instructing the maritime trade opening, local senior officials and generals might use their power to gain monopoly over foreign trade for their own benefit. In fact, some central officials realised this potential problem during the process of opening trade. For example, senior official Sun Hui highlighted the important role that the regulation of maritime trade played in effectively curbing the corruption and extortion (Huang, 2000, p.18). In this regard, the formation of customs houses secured the Qing's opening up, creating a liberal environment for the development of maritime trade. Moreover, it can be seen as a measure of state intervention that was able effectively to prevent the occurrence of monopoly and corruption by local officials.

The first measure was to establish the customs houses system. Overall, four customs houses were successively established in Fujian, Guangdong, Zhejiang and Jiangsu provinces from 1684 to 1686 (Peng, 1984, pp.128; Chen, 1991, pp.111-112; Huang, 2000, p.45; Liang, 2014, p.63). As displayed in table 1-1, the structure of each customs house was constituted by several main customs stations (*Dakou*) in the given region; each main station comprised different numbers of customs points (*Xiaokou*). These customs points, according to various functions, can be categorised as the duty levy points (*Zhengshui kou*), the registration points (*Guahao kou*) and the inspection points (*Jicha kou*). The standard procedure of duty levy would be as follows: trading ships and vessels registered and received the certificate at the registration point. Then, the ships and vessels were escorted to the point for duty levy, based on their commodities and

size of the vessel. Besides, the inspection points were mainly aimed to prevent smuggling and protection in the given waters. Table 1-2 lists the provincial settings of the customs houses and the number of customs stations and points in each province. These customs stations and points were distributed along the key trading and transporting lines, forming a complete customs system across the south-eastern sea areas (Xu & Long, 1992, pp.55-56). Through this system, the Qing court was able to effectively protect and regulate the maritime trade, which effectively institutionalised the Kangxi's opening up and contributed to the expansion of maritime trade in the ensuing years. Furthermore, with the establishment of the customs houses in these regions, the Qing court soon formulated new duty regulations in the customs houses, which were perceived as important measures to underpin the maritime trade, and which will be explained in the following section.

Table 1-1. The customs house system in the Qing period



Sourced from: Huang., G, (2000) *The Customs in China's Four Southeastern Provinces before the Opium War*, Fujian: Fujian People's Publishing House, pp.125-137

Table 1-2. Provincial customs stations and number of customs points in each

	Number of customs points
Guangdong Custom House	75
Fujian Custom House	45
Zhejiang Custom House	24
Jiangsu Custom House	11

Sourced from: Huang., G, (2000) *The Customs in China's Four Southeastern Provinces before the Opium War*, Fujian: Fujian People's Publishing House, pp.125-137

Another pivotal reform of maritime trade under the Kangxi's opening was the formation of

duty regulation in the customs houses. Without formal duty regulation, the customs system became degraded as an instrument for local corruption (Huang & Deng, 1985, p.66). Indeed, corruption among local officials rapidly emerged once maritime trade opened up, which became the main concern of the Qing court in many institutional reforms throughout this period (Zhao, 2013, pp.123-125). The efficacy of the customs house system, at large, was heavily influenced by magistrates' and superintendents' behaviour. Therefore, Kangxi discussed with other senior officials how to formulate duty regulation in the customs houses, as he explained:

...If there are no norms and standards for duty in the maritime trade, it would inevitably encumber merchants' businesses. Therefore, the relevant department should discuss and formulate the norms and standards on the basis of law...

(Huangchao wenxian tongkao, vol. 26, para.21-22)

According to Kangxi's decree, the Ministry of Revenue (*hubu*) soon responded that 'The customs houses in Fujian and Guangdong will only tax products in maritime trade, and the trade through inland waters and ports will be exempted.' (Archives in Ming and Qing, Compilation 4, p. 746). Based on the process of this policymaking, the essence of formulating the customs duty was regulating rather than placing a burden on merchants (Liang, 2014, p. 158). As a matter of fact, the Kangxi emperor expressed this concern several times in the various scenarios to prevent the abuse of taxation in the maritime trade. Further, in order to relieve financial pressure on the people, the Kangxi emperor exempted 'fishing boats and ships carrying daily articles' from duty in 1689. Similar duty reduction and exemptions policies were issued multiple times from 1684 to 1800. All emperors during this period demonstrated a commitment to regulate the maritime only with light custom duties.

As far as the duty rate is concerned, no consensus has been reached among the pertaining studies due to lack of systematic data (Peng, 1984; Dai, 1988; Li, 1992; Chen, 1993; Qi, 2004; Luo, 2010). Some studies contend that the tariff rate in the customs houses was high, as the Qing court attempted to maximise tax collection from the customs in maritime trade (Zhang, 2007, pp. 77-78;). This argument might imply misunderstanding of the nature of customs designed by the Qing court. As analysed above, the emperor and the Qing court reiterated that the customs system was not supposed to extract wealth from people. Therefore, a high-level

duty rate would be contradictory to the state’s intention in this case (Huang, 2002, pp.34-36; Liao, 2009; p.112). Since there is a lack of comprehensive and systematic data, the estimation can be only made through the existing records and cases of duty levies. In general, the customs duties consisted of three types, including vessel duty (*Chuanshui*), product duty (*Huoshui*) and additional duty (*Zashui*). The estimations of the duty rate in each individual category of customs duty were combined to determine the total duty rate in the customs houses during this period.

The first type of customs duty was the Vessel duty, which imposed duty according to the size of the trading vessel. According to records in the Journal of Guangdong Customs House (*Yue haiguan Zhi*), the duty levy standard varied according to whether the vessel departed from a western state or an Asian state. Each standard comprised four duty categories considering the size of the vessel, as displayed in Table 1-3 below:

Table1-3. Standards and categories of vessel duty

	Vessels from western countries	Vessels from Asian countries	Duties (Unit: English Pounds)
Level	Size (Length × Breadth)	Size (Length × Breadth)	
1	57.6 m ²	57.6 m ²	466.67
2	50.69 m ²	49.28 m ²	366.67
3	42.24 m ²	38.4 m ²	200
4		25.6 m ²	133.33

Sourced from: Liang. T., (2014) *Journal of Guangdong Customs House*, (粤海关志), Guangzhou: Guangdong People Publishing House: Press
Morse. H. B., (1929) *The Chronicle of the East India Company Trading to China 1635-1834*, Vol. 1, Oxford: Clarendon Press, pp. 199-267

It is noteworthy to mention that after setting the specific standards for vessel duties, the Qing court announced a reduction of the 20% vessel duty rate in order to benefit both domestic and international merchants (Chen, 1988, pp. 133; Yao, 2005, pp.85-89). Furthermore, the duty differentiation between vessels from western and Asian countries was eliminated in 1689. The

duty standard conformed to the original standards on Asian vessels. Considering more duty was paid by vessels from western countries, based on original standards, the unified duty standard *de facto* was in favour of western merchants. In this case, the vessel duty, in general, was significantly low in the Guangdong customs house. Huang (2002, p. 227) estimates that each trading vessel carried products with a value of 50,000 pounds on average. Hence, the vessel duty only accounted for 4% of the total product value.

The product duty, which was the second constituent of the final customs duty, was a ‘levy based on the quality of the products’ (Archival Compilations of the Ming and Qing Dynasties, the 4th compilations, Vol. 8, pp. 745). Examining the records on Guangdong customs house, the taxable products were categorised into four groups: clothing, food, consumables, and sundry goods (Liang, 2014, pp. 177-185). In each group the kinds of taxable products and the amount of the duty were specifically stipulated. Due to the complexity of the product categorisation and taxation systems, whereby each article was assessed in accordance with a number of duties, it is hard to obtain a unified duty rate regarding the product duty in the customs house. Nonetheless, Morse (1929) analysed the export duties in a basket of products, according to the case of the ‘Stretham’ vessel. The value of products carried by this vessel and the duties it paid are displayed as follows:

Table 1-4. The value of products per unit and the duties paid by the Stretham

Product	Value per unit (English Pounds)	Duties (English Pounds)	Duty rate (%)
Raw silk	40 – 53.33	0.6	1.1 – 1.5
Musk	4.33	0.07	1.5
Tuckahoe	0.5	0.03	6.7
Rhubarb	3.33 – 6	0.03	0.6 – 1.0
Copper	3.67 – 4	0.13	3.3 – 3.6
Sugar	0.4 – 0.77	0.03	4.4 – 8.3
Tea	8.33 – 16.67	0.07	0.4 – 0.8
Zinc	1.3	0.1	7.7

Sourced from: Morse. H. B., (1929) *The Chronicle of the East India Company Trading to China 1635 – 1834*, Vol. 1, Oxford: Clarendon Press, p. 232

As stated in table 1-4, the export duty rate ranged from 0.4 % to 8.3 %. More importantly, the duties on popular staple products such as silk products and tea were significantly low, being maintained at 1%. Meanwhile, the duty rate on imports was even less than that on exports (Huang, 2002, p. 225). Hence the overall duty rate on products remained at a low level. As far as the specific duty rate is concerned, Peng (1985, p. 133) examines an official report of the Qing court, in which it states the overall duty rate on the products in Guangdong customs houses was only 1% - 2%. This figure is quoted and endorsed by other studies (Huang, 1985, p.154; Wang, 2016, p.33). Additionally, Morse (1929, vol. 2, p. 106) and Liao (2009, p.112) argue that the average duty rate at this stage was approximately 4%. Hence, based on these previous studies and analysis above, the product duty during this period reached 4% as maximum.

The third type of duty was the additional duty (*Zashui*), which included a series of duty impositions in the course of trade. In the customs house's annual report, the vessel duty and product duty constituted the 'formal duty' (*Zhengxiang*) which could be regarded as the measure for the Qing court to manage and regulate the maritime trade. The additional duty *de facto* served the interests of local officials and heads of customs houses, as some regulations were not rectified by the court. Therefore, the actual duty levy was rather complex in reality in terms of the final amount levied. Common categories in the additional duties included the 'Fentou', 'Dantou', 'Jiaosong', 'Guili', and 'Haoxian'. Some of these additional duties, in the beginning, were stipulated for regulating trade and covering daily expenses in customs houses. For instance, the 'Fentou' was designated for taxing the product based on its value as estimated by the customs house. This duty included the silver money brought in by foreign merchants. For a long time, China was not interested in any foreign commodities except for silver. Hence, foreign vessels carried a large amount of silver to China to trade. 'Guili' initially was used as a method of extortion by the officials in the customs houses in their favour. Initially this practice only existed in the Guangdong customs houses (Xin, 1759, p.1359). Afterwards, it expanded to Fujian customs houses as well (Chen, 1992, p.135). Regardless of repeated prohibitions issued by the court, this illegal charge was persistently imposed by the local officials. Eventually, the state had to legalise it as a subcategory, additional duty, and formulate a unified rate. For example, the customs house charged each British vessel 650 pounds and French vessels approximately 683 pounds (Huang, 2002, p. 236). In 1763, a local governor reported that 'the Guangdong customs house collected additional duties of approximately 20,000-23,333 pounds at least, every year' (Liang, 2014, p.155).

These non-transparent and complex additional duties left certain room for corruption which caused further difficulty for the duty rate estimation. In certain cases, the additional duty rate was heavy. For instance, the duty rates of the '*Fentou*' and '*Jiaosong*' respectively reached 4.9% and 10%, according to a report from the governor in the Guangdong customs house (Hao, 1738, para.1). If so, these two duties alone represented a very high duty rate, even without the imposition of other additional duties. However, in reality, the rate was rather contingent on the actual additional duty levy. For example, since the '*Fentou*' levy was based on the estimative value and the estimation usually was lower than the market price (Dai, 1988, p. 63), the actual rate was accordingly lower than 4.9% in most cases. Furthermore, since the '*Fentou*' was only targeting the western vessels, the impact on the overall level of the duty rate was limited. According to estimation by various studies, the average additional duty rate was approximately 6% in the Guangdong customs house (Zhang, 1999, p. 124; Chen & Luo, 2009, p. 225).

Therefore, the total duty rate was approximately 10% in the Guangdong customs house (6% additional duty rate; 4% vessel and product duty rate), which is confirmed by a recorded case of a trading vessel purchasing bronze in Guangdong paying customs duties of approximately 10% of the total product value. (Morse, 1929, p. 106). However, two factors could cause that the duty rate of 10% to be overestimated. Firstly, the duty levy in each customs house was different until the Qing court unified it in the middle of the 18th century (Yang, 1756, p.976). In general, the customs duty in Guangdong customs house was at least higher than the average duty rate. The vessel duty was highest in Guangdong customs house (*Qinding hubu zeli*, 1875, vol. 42, para. 13). The product duties in Guangdong and Fujian customs houses were higher than those in Zhejiang and Jiangsu customs houses (Chen, 1992, p. 135). Moreover, compared with other customs houses, the additional duties and related corruption, as well as the extortion, were more severe in the Guangdong than in other customs houses (Li, 1993, p.29). Hence the actual recording of the additional duty rate in Guangdong should be moderately higher than in the others. Secondly, throughout the late 17th and the 18th century, the Qing court announced preferential customs duty policies in various scenarios. For example, the Qing court reduced the vessel duty multiple times from 1685 to 1700 (Huang & Deng, 1985, pp.67-68). Specifically, the European vessel duty reduction rate reached 20% in 1685. These preferential policies either granted duty reduction and exemption to the specific commodities or to the specific trading countries. Consequently, the actual tax rate on customs duty, on average, should have been substantially lower than 10% in the Guangdong customs house. Pertaining studies suggest the average duty rate in the four customs houses was approximately 6% (Huang, 1986,

p.154). This being the case, the thesis adopts 6% for the following analysis.

The significance of the formation of the customs house system and the formulation of customs duty substantially reflected the liberalising economic stance of the Qing court in designing the development path for the maritime trade. First, they marked the institutionalisation of the Qing court's maritime trade opening, as discussed in the aforementioned section. The customs house system provided a legal and economic framework for the maritime trade. The maritime trade was largely practised on the basis of fair market competition, and the Qing court was able to effectively protect the traders on the sea through this full-covered system (Huang, 2000, p.38). Sea patrols were sent out by each customs house in the given region. These patrols undertook tasks including protecting the traders and combating piracy. Secondly, taxation was an instrument used by the Qing court to regulate and intervene in the maritime trade. A quintessential case occurred in 1743, during which the Qing court tried to tackle the difficulty of domestic grain shortage through incentivising grain imports. The Qianlong emperor issued a preferential duty policy for foreign traders. Specifically, a 50% duty reduction was granted to trading vessels which carried grain weighing over 10,000 piculs, and a 30% reduction was granted to vessels that carried grain weighing over 5,000 piculs' (Li, 1747, para.2-3). Due to this preferential policy, grain imports, particularly those from Annam (Vietnam) and Siam (Thailand), surged substantially in the following period, which largely relieved the predicament of the domestic food shortage (Tian, 2007, pp.129-130; Lan, 2008, pp.23-25; Zhang & Xin, 2011, pp.90-91).

Thirdly, the customs house system and duty formulation revealed the liberalising stance of the Qing court's economic orientation. As discussed in the aforementioned sections, the purpose of taxation in the customs house was not to gain financial revenue through imposing heavy duties. Although the emperor and the Qing court recognised that customs revenue could make a contribution to the state finances, they committed to light duty rates, as the ultimate goal of developing the maritime trade was to enrich society and its people. This less interventionist stance adopted by the state was in stark contrast to that of many European counterparts contemporaneously. European countries such as Britain were predatory states in terms of their maritime trade and mercantilist approaches to trade expansion until the middle of the 19th century (Harley, 2002, p.14). This disparity regarding the state's role in trade was embodied in the gap in tariff levels. For instance, the average duty rate of customs duty was approximately 6% in the Qing China, which was far lower than the average tariff in Britain, which was

maintained at approximately 31% between 1700 and 1850 (Hobson, 2004, p.209). In this sense, Qing China was closer to the concept of 'free trade' than Britain in the 18th century.

Significance of the Qing's opening up and managed liberalising reform

Based on the Qing's opening up in 1684 and the economic reform initiatives in the following years, Chinese maritime trade enjoyed a prosperous time. Li Qingfang, who was a local official in Guangdong, recorded the burgeoning trade in a report to the emperor: 'Most of the taxation revenues in Jiangsu, Zhejiang, Fujian and Guangdong are coming from the duty from the growing scale of trade businesses' (Gongzhong dang qianlong chao zouzhe, 1983, vol. 20, p. 1983). Another quintessential case was the trade with Japan. The average number of Chinese junks sailing to Nagasaki was approximately 20 during the period of 1673-1684. Nonetheless, after phasing out the banning policy, this figure surged to 85 in 1685 and 137 in 1687 (Akira, 2002, p. 10). In this sense, the opening up and economic reforms were rather successful in boosting the trade volume, which will be assessed in more details in the next chapter. More importantly, the significance of this opening up can be demonstrated further in the following aspects. First, the burgeoning foreign trade boosted the local economy in the coastal regions. Many port cities, such as Shanghai, Fuzhou, Ningbo, Xiamen, underwent further commercialisation and urbanisation during this period (Huang, 2000, pp.382-384; Xu, 2015, p.70). As a result, the increase of population in this region created further market demand for daily commodities such as food and clothing. Provision of loans at low interest in these commercialised cities allowed merchants and businessmen to purchase more commodities from the countryside or more distant areas (Kwee, 2010, p.155). Consequently, this contributed to the economies in interior regions. In this sense, a robust economic circulation can be discovered, which conformed with the purpose of opening up and Kangxi's philosophy regarding economic circulation.

Secondly, the opening-up policy and following institutionalised reforms brought a new dynamic to the Chinese maritime trade. As analysed in the preceding sections, Kangxi's opening up officially legalised the private maritime trade; the institutionalisation through the customs house system and light-duty rate formulation created a liberal environment for the development of maritime trade. In this environment, the market mechanism was the main force to allocate the sources and drive the trade expansion (Zhao, 2013, p.115). On the other hand, the state only undertook the role of regulator. The light tariff indicated that it was only an instrument for state regulation. State intervention would occur only when the market

mechanism was unable to guarantee social integration, such as in the case of grain shortage. In reality, throughout the 18th century, state intervention rarely emerged in the maritime trade (Hung, 2001, p.491). By and large, this can be attributed to the competitive products in the trading market. Therefore, in the theoretical sense, the development of Chinese maritime trade largely symbolised a liberalising economic trajectory. This market-based development path was in stark contrast to the European trade expansion, which was largely based on mercantilist approaches, despite the fact that both were equally important in relation to the integration of the global trade system.

Thirdly, under this new dynamic of the managed liberalising economy, further changes can be observed in both Chinese and global trade. Regarding Chinese trade *per se*, private trade took over as the dominant form of trade. In contrast, tributary trade had become significantly marginalised (Luo, 2010, pp.90-95; Zhao, 2013, p.98). As the conventional means of trade, the principle of the tributary trade system was that price of rewards were normally higher than that of tribute (Gipouloux, 2011, p.112). During the Ming period, for example, the prices of commodities in the tributary trade were based on the official prices. The official Chinese purchasing price was usually much higher than the market price (Li, 2006, p.76; Li & Zhang, 2007, pp.59-60; Lin, 2006, p.57). As a result, the tributary trade caused a financial burden to the Chinese imperial state. In turn, the deterioration of state finance might have caused the shrinkage of the tributary trade frequency or even the unsustainability of the tributary trade system. Since the value and frequency of tributary trade were restricted by the Chinese court, a large amount of trade was transformed to private trade once it was officially legalised by Kangxi's opening-up policies. On the other hand, however, the tributary trade quickly shrank. In the end, only the political *tributary* system remained, and the economic *tributary trade* system declined (Zhao, 2013, p.105)

In terms of the regional and global trading networks, the managed liberalising economic dynamics and the Chinese trade expansion substantially invigorated the regional Asian trading network and subsequently accelerated the integration of the global trading network (Schottenhammer, 2007, pp.1-5). In this stage, the global trading networks experienced a process of integration through 'multicultural origins', and Kangxi's opening played an important role in this process (Hobson, 2020, pp.44-45). More specifically, the Asian trading network comprised various trading port cities in these regions, such as Riau (in Indonesia) and Johor (in Malaysia), with merchants from the different regions going through these cities to

conduct their business (Gipouloux, 2011, pp. 109-115). These merchants and sojourners carried the expansion of this regional trading network. Since Kangxi's opening up, the network was more deeply linked with Chinese trading ports such as Fujian and Guangdong. Moreover, the more interior market started to link with the trading network through the opening ports. In this sense, the thriving Chinese domestic markets largely contributed to the Asian trade networks. Through the ocean trade carried by the European merchants, the invigorated Asian trade network eventually accelerated the integration of the global trading network.

Finally, it is worthy of note that various studies display a sceptical attitude towards the Qing's maritime trade, as many restrictions were imposed on maritime trade according to the court's official regulations (Dai, 1979; Zhang, 1987, pp. 62; Zhang, 2007, pp. 57-75;). However, this is a misunderstanding as these authors either misinterpret the functions of norms or fail to explore the empirical situation. For example, the contentious restrictions on trade during the time included the size of the trading vessel, prohibition of trading products and registration and certificate system. When the Qing court announced the opening of the sea for trade, they also restricted the size of trading vessels to 500 *dan* as the maximum weight (Qingding daqing huidian shili, 1875-1908; vol. 239, para.16). This restriction, however, failed to be applied empirically as, according to a report from Shilang, who was a famous general in Qing's navy, the actual situation was that 'trading vessels suffused the sea region, regardless of the size'. (Huangchao Jingshi wenbian, vol. 83, para.51). The second debatable restriction related to prohibited trade products. However, the list of prohibited products was very limited, mainly including weapons and rice. Theoretically, silk products were also on the banned list; however, empirical studies and statistics indicate that raw silk and silk products were the main export commodities (Liu, 2009, p.13). As a result, the Qing court had to change the norm and acquiesce to the silk trade. The third so-called restriction was related to the registration and certification system. Merchants needed to submit their personal and trading information in detail to the customs houses for registration, and then they would receive a certificate from the customs house, which allowed them to freely sail the seas (Huang, 2000, pp.302-307). There is no solid evidence in the historical records to indicate that this system created an obstacle for merchants or foreign businesses. On the other hand, in order to prevent extortion by local officials using this certificate system, the Kangxi emperor specifically issued an administrative order that 'Local officials are not allowed to cause difficulties for merchants by any means', according to the Daqing huidian shili (1801, vol.239, para.23). Therefore, the measures set out by the Qing court might be better understood as regulation rather than restriction, since most

of them did not hinder the development of maritime trade.

In this regard, the argument made by the conventional studies that maritime trade during the Qing period was stifled due to the coastal closure and protectionist customs system is essentially a misunderstanding. As analysed and estimated by this section, the purpose and the practice of the customs houses system revealed a non-interventionist stance on the part of the Qing state *vis-à-vis* maritime trade in the 18th century (Hung, 2001, pp.491). The average 6% can be marked as a rather ‘liberal’ level of duty rate by all accounts. Intriguingly, under such a light tariff, the tax revenue increased in the following period (Qi, 2004, p. 21), which also reflected how the scale of maritime trade was augmented under this liberalising economic environment. Kangxi’s opening up in 1684 had laid the foundation for the development of maritime trade. However, two policy shifts occurred in the 18th century – the trade ban with southeast Asia in 1717 and the formation of the Canton system in 1757. These two events, as well as the related policy changes, have been widely conceived as evidence of China’s closure. Nevertheless, the next sections explain how these two events are largely misunderstood by conventional studies and why this would not blur the big picture of the advancement of trade under the liberalising economic reform.

1.2. An interlude for opening – the trade ban with Southeast Asia in 1717

After the Kangxi emperor implemented the trade opening and institutionalised private trade through the establishment of a customs system, China’s private trade experienced a transformative period from indigenous and global perspectives. However, a trade ban policy with southeast Asia was issued by the Qing court in 1717. This interlude has been cited as evidence to prove the argument of ‘China’s closure’ by many studies (Zhang, 1985; Xu & Long, 1995; Dong, 2007; Wang & Su, 2010). However, this chapter highlighted that this interlude should not obscure the fact of Qing’s opening, as this policy did not reflect isolationism, nor did it affect the expansion of Chinese maritime trade in this stage. Hence, it is essential to briefly review and specifically analyse this event. This will reveal that the emergence of this trade ban was not based on economic considerations and that the empirical impact of this policy on maritime trade was marginal. This transient trade policy only lasted ten years and was soon removed once the Yongzheng emperor reconfirmed that social stability and marine safety had been secured. Inheriting Kangxi’s legacy of opening up, the Yongzheng emperor maintained a liberal environment of trade opening.

The emergence of the trade ban with southeast Asia

After the opening up in 1684, the number of people who were engaged in the maritime trade increased substantially. According to the historical record, *Huangchao wenxian tongkao* (vol 6), thousands of people built vessels to conduct maritime trade every year. Countries in South Asia and Southeast Asia prevailed as destinations for trade. With the expansion of private maritime trade in the Southeast Asian region, numbers of immigrants and sojourners started to grow accordingly. Many merchants and sojourners emigrated locally once they arrived there. Meanwhile ‘50% - 60% of them returned to China, and the rest of them chose to stay overseas’ (*Daqing shengzu ren huangdi shilu*, 1723-1731, vol 6, para.97-101). A typical case was the Chinese immigrants to Siam (Thailand). The number of Chinese immigrants in Siam rose substantially from the 18th century onwards, and trading merchants and businessmen were the major types of immigrants (Tang & Tian, 2006, pp.56-59; Huang, 2008, pp.88-90). The growing number of immigrants as well as sojourners in southeast Asia eventually aroused the Qing court’s alarm. The Kangxi emperor issued the trade ban policy with southeast Asia, in which he stated that ‘trading vessels which sail to Japan are permissible but sailing to states in southeast Asia such as the Philippian islands is not allowed’ (*Daqing shengzu renhuangdi shilu*, vol.4, para.38). This statement signified the onset of the trade ban with southeast Asia. In the subsequent year, the Kangxi emperor issued a series of verdicts to specify this ban, among which he aimed to prohibit the sale of rice; to prohibit the sale of trading vessels; to prohibit long-term retention overseas; to prohibit carrying weapons in the vessel; while at the same time emigrants absent for a period longer than three years would not be allowed to return. Under these terms, the trade ban with Southeast Asia was eventually finalised and it was maintained until 1727.

Reinterpretation of the trade ban policy

The mainstream understanding attributes this trade ban to the Kangxi emperor and the Qing court’s conservatism (Wang, 1987, pp.8-11; Xu & Long, 1992, p.53; Wang, 2005, p.240). Some studies further suggest this policy was a reflection of the autarkic nature of the economy and isolative maritime policy (Liu, 2004, p.98). Nonetheless, the policymaking, in this case, was by no means grounded on the idea of isolationism or conservatism, for various reasons. First, Kangxi and his Qing court never cast doubt on the trade opening strategy, regardless of the surge of the migration issue. Indeed, when the Kangxi Emperor decided to ban trade with southeast Asia, he added another comment that ‘sailing to East Asia is still allowed..., ... with respect to foreign trading vessels, they are free to come.’ (Kangxi qiju zhu, 1984/1731,

pp.2324-2325). This comment explicitly revealed that the prohibition on trade with Southeast Asia was irrelevant to trading partnerships with other areas, as all foreign traders were able to carry on their business inside of China.

Other cases can also reflect Kangxi's determination and faith in the trade opening. In 1708, a central government official reported that smuggling of exports had caused the domestic rice price to increase rapidly. Then, he promised to ban maritime trade again. The Kangxi emperor responded, 'Why do we need to ban the trade? ...smuggling can be stopped if the trading routes are strictly checked.....' (*Daqing shengzu ren huangdi shilu*, 1723-1731, vol.160, para.25-27). In the meantime, some officials contended for the withdrawal of the customs houses, and were also against the opening as they argued that the re-emergence of piracy and smuggling was linked to opening up trade. However, Kangxi refused to ban the trade just because of piracy and smuggling (Wang, 2017, pp.164-166). According to these cases, which both emerged a few years prior to Kangxi's trade ban with southeast Asia, the Kangxi emperor was rather confident that the opening of the maritime trade was a sound decision. If so, the implementation of the trade ban policy with southeast Asia should not be grounded on economic concerns (Feng, 2001, p.32).

Secondly, the primary consideration in issuing the trade ban was the national security and stability of the Manchu regime (Wang, 2001, pp. 99-100; Zhao, 2015, p. 103). Specifically, in this case, the trade ban predominately targeted the potential threat from the Han diaspora. In 1716, Kangxi promulgated a statement in which the authentic reasons for this policy change can be revealed:

I have ruled this country for many years and deeply feel that Han people are hard to govern... Since the Ming period, states in Southeast Asia have become the popular destinations for Han people to immigrate to. Then, these places could be the bases for potential rebellions.

(*Daqing shengzu renhuangdi Shilu*, vol. 270, para.114-115)

The Han have been the largest ethnic group in China. Throughout China's entire imperialist history, most dynasties were built by the Han regime, which was perceived as the orthodoxy by Han people. On the other hand, regimes built by other ethnicities were usually conceived as

heterodox. Under such a regime, the tensions between the majority Han people and ethnic minorities were usually a primary concern for the state ruler (Liu, 2005, pp.66-67). In this sense, during the Qing period, the Manchu were a minority that were considered as savages (*Manyi*) by Han people. Once the Qing regime took over China, the emperors retained a precautionary attitude towards the Han group, as several rebellions were instigated in the name of resurrection of the Han regime. Hence, the ethnic tension became a preoccupation for Kangxi when he heard that a certain number of Han people had migrated to Southeast Asia. In addition, the wave of Chinese migration to southeast Asia can be traced back as far as the Ming dynasty. After the collapse of the Ming regime, many Chinese chose to escape from mainland China in order to avoid the Qing's rule. These emigrants included a certain number of Ming court officials and followers, as well as other political dissidents (Hui, 1995, p.61; Huang, 2008, pp.79-80). Hence, the increasing wave of immigration into southeast Asia deepened Kangxi's suspicion that these migrants might collude with previous Ming residues to threaten national security.

Another case can unveil the emperor's concern over the Chinese diaspora. During the Yongzheng emperor's reign (1727-1735), a senior official, Gao Qichuo, proposed that the state should require diaspora to return to China, which would reduce the potential threat that they posed. However, the Yongzheng emperor declined this proposal as he expressed distrust of these sojourners and emigrants (Li, 1992, pp.68-69). The precautionary mentality towards the Chinese diaspora induced Qing's emperors to cut off communications and interactions between the diasporas and people living in China. Throughout the early and middle Qing period, the numbers of the Chinese diasporas in Southeast Asia kept growing. According to Zhuang (1992, p.70), more than one million Chinese diasporas settled in southeast Asia. Back in 1717, this growing trend eventually provoked the Kangxi emperor to announce a trade ban with southeast Asia.

Thirdly, the trade ban policy never achieved a consensus in the court. In fact, it provoked disagreement from both central and local officials (Zhuang, 1987, p.29). A group of senior officials persistently argued for reopening trade. The quintessential case was the petition 'Debate on the trade ban with southeast Asia' (*Lun nanyang shiyi shu*) proposed by Lan Dingyuan (1724, para.5-8). In this petition, Lan critiqued the Kangxi emperor's perception of the security issue in southeast Asia and implied that economic concerns were far more important to social stability and regime legitimacy. The core argument he made in this petition

was that the lucrative maritime trade could ‘benefit both people and state’ (*Liguo Limin*). The growing trade value would enrich the society and contribute to the state’s financial revenue. In addition, Lan issued a reminder that the maritime trade was part of the linkage of the entire economic system and an external source of money for the domestic silver supply. The long-term ban might cause financial imbalance and disorder (He, 2021, pp.47-48). Lan’s argument was eloquent. In the meantime, a group of prestigious officials such as Li Wei and Mao Wenquan petitioned similarly to ask for phasing out of the trade ban. After this new round of discussion on the trade ban, the Yongzheng emperor eventually phased out the ban policy and opening to Southeast Asia was recommenced in 1727.

Hence, the trade ban with southeast Asia was merely a short interlude in the over one hundred years of opening. Overall, the occurrence of this policy was due to the emperor’s concern over national security and his misjudgement on this issue, since the perception on marine trade was generally divergent from that of European counterparts (Lee, 1999, p.18; Schottenhammer, 2007, p.142). Political considerations were of vital importance for the Qing state and emperors. Securing national integration and social order was the primary task for Qing’s rulers (Wong, 1997, p. 280-281; Chin-Keong, 2007, p. 97). However, these concerns and misjudgements were not related to economic beliefs, let alone economic isolationism. In reality, neither Kangxi nor the Qing court ever questioned the importance of trade opening and the determination to develop private trade through liberalising the economic environment. They did not attempt to curb the migration issue through measures such as downsizing the customs house system or increasing the tariffs. When the Yongzheng emperor came to power, he committed to opening up trade. National security might have always been the most sensitive issue for the emperors. However, there was an unambiguous tendency for economic concerns to increase in weight during this period (Schottenhammer, 2010, p.103). The increasing weight of economic concerns explained why the Yongzheng emperor phased out the trade ban after Lan highlighted the economic importance of maintaining the trade opening.

In reality, the impact of this trade ban policy was marginal. Overall, the range and longitude of the trade ban were limited. It lasted from 1717 to 1727, only ten years, and the application range of this policy extended to most of the southeast Asian states, which only accounted for a limited amount of trade compared with the entire Chinese trade partnership; moreover, some Southeast Asian states, such as Annam (Vietnam), had obtained exemptions from this trade ban. Furthermore, the trade ban was not *de facto* functioning efficiently, especially during

Yongzheng's reign, as it was hard to implement. Once vessels had put out to sea, their journeys would be difficult to track, even though customs patrols were sent out for supervision. Zhuang (1987, pp.30-31) made a large contribution to illuminating this issue. By exploring the Dutch records, he found out that Chinese vessels reappeared in Batavia during the Yongzheng period, specifically 21 vessels in 1723 and 18 vessels in 1724. Thereby, he concluded that the efficacy of this banning order was considerably limited. As a matter of fact, the overall value of maritime trade during this period continued to augment. As will be discussed in the next chapter, the customs revenues in each individual customs house were increasing to different degrees, which indicated that no individual region experienced a decline in trade. In this sense, the negative impact caused by the trade ban in 1717 was marginal.

1.3. The formation of the Canton system

In the course of China's maritime trade history, the formation of the 'Canton system' in 1757 has been widely analysed by academic writers (Chen & Li, 1987; Dai, 1992; Li, 1993; Wang, 1993; Carroll, 2010; Cheong, 2013; Zhao, 2013; Vries, 2015; Hobson, 2020). The conventional statement regarding the system is that it was a milestone in manifestation of the retreat of Qing China from the global trade network (Chen & Li, 1987, p.1; Naquin & Rawski, 1987, p.102; Dai, 1992, p.442). Based on these studies, the formation of the Canton system was largely grounded on the economic isolationism and xenophobia of the Qing court. From then, trade was merely maintained on a very minimal scale through this system. However, this argument on the formation of the Canton system is largely built upon Eurocentric understanding, which obscures the actual reason for the formation of this system, as well as the Qing court's perceptions on political economy that lay behind this policy. In this sense, this chapter attempts to explain why this system did not conform to 'closure' or 'isolationism', and why the formation of this system did not hinder the augmentation of China's private maritime trade.

A brief review of the Canton system

From the 18th century, the trade between China and European countries was increasing. Most European countries chose to conduct trading businesses in Guangdong (formerly known as Canton). Compared with other ports, Guangdong had more advantages, including a more mature market, better infrastructure, more experienced local officials and Hang (Hong) guild for dealing with European merchants (Li, et al., 2007, pp.12-15). Accordingly, the trading scale with European countries remained very limited in other ports in the first half of the 18th century. However, long-term trading deficits substantially burdened the EIC and the British financial

situation. Thus, they tried to look for alternative ports in order to find more profitable trading opportunities (Li, 1993, pp.28-29; Hung, 2001, p. 480). From 1750, the EIC sent several trading vessels to Ningbo instead of Guangdong for business, as they claimed that there was less extortion in Zhejiang than in Guangdong.

In the ensuing years, the number of EIC vessels that traded in Guangdong port decreased substantially, dropping from 27 vessels in 1754 to only seven vessels in 1757. This abnormal change soon provoked both local and central government alerts. According to the historical record (Ke, 1756, pp.970-973), the governor of Zhejiang province, Keer jishan, soon reported this situation to the Qing court, and reminded the court that it should take precautionary action to prevent the potential occurrence of local harassment. The first response from the Qing court was not to force the European traders to return to Guangdong but to raise the customs duty rate in Zhejiang, based on the British merchants' complaints about the extortion and hidden taxation from the local officials in Guangdong. The Qing court anticipated that the British traders would go back to Guangdong once the customs duties rate in Zhejiang was increased. From 1756 to 1757, two chief governors in Guangdong and Zhejiang asked for adjustment of the customs duty in the Zhejiang port according to Guangdong's regulations. They explicitly stated that if trading in Zhejiang was not profitable, European traders would go back to Guangdong as usual (Yang, 1757, pp.1095-1097). However, in the August of 1757, another British vessel arrived at Zhejiang, and the merchants expressed that they were willing to pay the adjusted duty in order to trade in Zhejiang. This result exceeded the Qing court's expectation and made the Qianlong emperor suspicious of the European traders' actions (Li, 1993, pp.30-31). Eventually, in 1757, the Qianlong emperor determined that all European traders should stay in Guangdong to conduct their business, which marked the start of the Canton system.

Two years later, an EIC employee, James Flint, violated the emperor's policy by getting a British vessel to sail to Ningbo again, in an attempt to resume trade in Ningbo. However, he was rejected and deported by the local officials. In the end, he pleaded to the Qing court and prosecuted the Guangdong Customs for extortion. After the Qing court's investigation, a local official and his family were found guilty and punished. However, James Flint's violation significantly infuriated Qianlong's emperor. The emperor suspected there was collusion between the Chinese and British which might threaten national security. Hence, James Flint was sentenced to three years in jail and deported afterwards. Then, the emperor reinforced the Canton system with more draconian policies under the 'foreigners precaution clause' (Li, 1759,

pp.1445-1450). This clause imposed more restrictions on foreign merchants' behaviour in Guangdong. For example, they were not allowed to lend their capital to local Chinese merchants, nor were they allowed to hire Chinese employees. In the meantime, restriction on their staying time was made stricter, and they were subjected to more stringent inspection and supervision by local officials and *Hong* merchants during their stay. From then, the Canton system was entirely established and fortified (Hung, 2002, p.482).

Reinterpretation of the Canton system

Conventional studies often generalise that the formation of the Canton system was grounded on the ideology of isolationism, whereby China had retreated from the global trading network until the eruption of the 'Opium War' in 1838. This statement is essentially problematic. Firstly, a historical fact was that the Canton system was a policy only applied to European and American traders (Huang, 1986, p.153). Merchants from other regions were allowed to conduct trade in any open ports. The prosperous East Asian trading network had already been in existence for more than a century, largely due to the frequent economic exchanges among countries in southeast and east Asia. As discussed in the previous section, a growing number of Chinese diaspora and sojourners were attracted by the lucrative trading opportunities in this region, and their activities strengthened the links between China and south and southeast Asia (Zhuang, 2001, p.70). Undoubtedly, Europe played an important role after participating in the intra-Asian trading network, yet the importance of Europe should not obscure the big picture that a large part of this trading network comprised Asian countries and businessmen. From the perspective of Qing China, therefore, the formation of the Canton system did not signify intention by China to isolate itself from the regional or global trading system.

The conventional understanding of the formation of the Canton system overstated the importance of the European trade to Chinese maritime trade as a whole, which also can be reflected in the change of tax revenue in the customs houses before and after the formation of the Canton system. From 1755 to 1765 (See chapter 2), the magnitude of the total tax revenue of Zhejiang custom barely changed, remaining in the range of 88,000 to 90,000 taels. The conspicuous change occurred in the Guangdong customs revenues. After 1757, the annual amount of tax revenues in Guangdong customs house kept increased. By 1795, the annual tax revenue was 1171911.26 taels which was almost triple what it was in 1757 (370037.30 taels). Therefore, the formation of the Canton system did not affect the maritime trade in Zhejiang, as European trade had never been the main contributor to local customs revenue. Yet, it might

have had a positive impact on the local trade in the Guangdong region. This discrepancy between Zhejiang and Guangdong customs reflected the main reason for the formation of the Canton system, which will be explained shortly. From the perspective of the total customs revenue during this period, the impact of the formation of the Canton system was rather marginal (Liao, 2007, pp.90-91). As a matter of fact, the four customs houses experienced a stable increase in total tax revenue even after the formation of the Canton system (See chapter 2). Therefore, the scale of China's maritime trade expanded just as it had before the Canton system.

Secondly, the Canton system was a policy largely influenced by local officials in Guangdong and Zhejiang (Zhao, 2013, pp.176-177). Examination of the process of policy making regarding the Canton system revealed that the role of local officials' interests was rather important, as indicated through the reports of local governors and emperors. For example, when James Flint and the British merchants first traded in Ningbo, they were welcomed by the local officials. However, when a growing number of British vessels began to sail to Zhejiang province, the response from the local chief governor was to remind the emperor to take precautionary actions, as he stated in the report that:

...Foreign vessels normally go to Guangdong and Macao for trade...In recent years, a growing number of foreign vessels have been coming to Ningbo for trade...As time goes by, it will become another trading market...From the perspective of state economy and trade, the market in Ningbo is no different from what it was in Macao. However, as far as the security concerns...It needs precautionary action.

(Ke, 1756, pp.970-973).

This report exhibits the local governor's awareness of the fact that the growing number of trading vessels in this region was abnormal; thus, his concerns focused on local security. As discussed earlier, based on the local customs revenue, European trade was not important for Zhejiang customs. Therefore, it explains why the local governor was more concerned with security issues than the economic issue.

Nevertheless, the trade with Europe was more important for Guangzhou customs. From the local chief governor to humble officials, as well as *Hang* merchants, all significantly benefited from the prosperous maritime trade (Hung, 2002, p.483). By managing the trade with

Europeans, the local officials gained substantially through extortion or corruption. When James Flint sued the Guangdong customs, one accusation related to extortion by the local officials. The result of the investigation confirmed this accusation. Local official Li Yongbiao and his family were involved in such extortion and corruption. This case might have been the tip of the iceberg regarding local corruptions, as the corruption in the Guangdong customs had been rampant since the 1750s (Zhao, 2012, p.108). However, it reflected that maritime trade brought substantial economic benefits for local officials. Therefore, when trading scales declined due to fewer trading vessels going to Guangdong, the benefit for the local officials was reduced accordingly. Therefore, the Qianlong emperor acquiesced to this change when he first heard of the increase of European trading vessels in Zhejiang (Li, 1993, p.30). However, the chief governor of Guangdong, Yang Yinju, was worried, and he pleaded for reconsideration. In the report, he raised the security issues in Zhejiang province, which touched a nerve with the emperor in terms of national security. Only one month later, the emperor made the decision that all European trade had to trade in Guangdong. It might be oversimplistic to summarise that Yang's report or Guangdong officials caused the emperor to make this decision. Nevertheless, a powerful interest group including local officials and *Hang* merchants did exist in Guangdong, and it exerted considerable influence in court. To the Guangdong officials, trade was too important to be given up. In the 1740s, when the Chinese massacre occurred in Batavia, Guangdong officials persuaded the emperor not to impose a trading ban on this region. Compared with Zhejiang officials who might have been equally willing to develop the local trading market, the desire to secure economic benefits was stronger in Guangdong. Hence, the Canton system was formed, by and large, due to efforts by local officials in Guangdong to secure the economic benefits of maritime trade (Chen, 2014, pp.105-107)

Thirdly, from the perspective of the Qing court and emperor, the formation of the Canton system bore no relation to anti-commercialism or isolationism. It was a regulative policy grounded on both security and economic considerations. Regarding security, as reiterated in the foregoing sections, the Qing emperors were sensitive about national security, particularly the security on the frontiers. In this case, local officials explicitly stated that a potential issue in Zhejiang was that the local military lacked the necessary the experience and ability to deal with the rampant smuggling and piracy in this region. Compared with Guangdong, which had a long tradition in maritime trade and protection, the economic activities in Zhejiang were limited. Hence, Zhejiang might not have been able to curb the smuggling and piracy issues once regional trading activities started growing. In the meantime, the emperor was often

concerned about collusion between overseas migrants, as he believed that Zheng and Ming residues were residing overseas. In James Flint's case, the aftermath was that a Chinese merchant, Liu Yabian, was sentenced to death (Li, 1759, p.1442). Allegedly he helped Flint to write the accusation document. Under the emperor's command, therefore, he was sentenced for collusion with James to violate the court's law regarding banning trade in Fujian. In hindsight, this charge might have been a mistake. However, it revealed that any potential collusion between overseas and the mainland would be taboo, from the emperor's perspective (Li, 1993, pp.34-35). Therefore, security was the primary concern for the emperor in his foreign affairs dealings, as geographically, Zhejiang was a more remote hinterland of China. Compared with Zhejiang, in Guangdong security concerns might have been less sensitive, as it is located in the southeast corner of China. Thus, economic concerns might have carried more weight in the Qing court's perception in dealing with foreign affairs in Guangdong. Therefore, the Qing court launched a comprehensive set of policy measures through the Canton system to secure the economic benefits brought by the maritime trade and security in other regions at the same time.

Meanwhile, economic considerations were equally important in shaping the policy of the Canton system. As discussed in the foregoing sections, the prosperity of maritime trade was an important contributor to the local financial revenue and the local economy in Guangdong. Under these circumstances, to secure this source of prosperity was a rational choice from the emperor's perspective. Zhao (2012, p.180) and Liu (2016, pp.98-99) insightfully pointed out that the main problem in Guangdong was a large population with limited farmland. Hence, maritime trade was vital for the local economy and people's livelihoods. In reality, the customs revenue in the Zhejiang customs house only took a small proportion of total customs revenue. In the best scenario, it only took approximately 16% of total revenue. However, the percentage taken by the Guangdong customs was over 30% in the worst scenario (See chapter 2). Accordingly, the maritime trade might have been more advanced and developed in Guangdong, which, in turn, reinforced the decision made by the Qing court to establish the one-port system in Guangdong. Moreover, the long-term thriving maritime trade had resulted in Guangdong becoming China's main trading centre (Liao, 2007, p. 92). Therefore, the formation of the Canton system served to underpin this role.

By reviewing and reinterpreting the formation of the Canton system in 1757, it can be revealed that the conventional understanding misperceived the formation of the Canton system by depicting it as a 'closed door' policy measure (Chen, 1993, pp.300-319). Nonetheless, the

Canton system was not a hindrance to the development of China's maritime trade, as trade continued to expand before and after the establishment of the system. The actual reasons for forming this system were grounded on multiple levels. At the level of local government, the local officials in Guangdong played an important role in the course of decision making (Li, 1992, pp.29-30; Hung, 2001, p.483; Zhao, 2013, pp.176-177). In so doing, they expected to secure personal economic boon and enhance their group interests. At the level of the central state, the policy of the Canton system was based on the security and economic considerations. As indicated by the above analysis, none of these motives related to the ideology of anti-commercialism or isolationism; indeed, the Qing court's attitude towards maritime trade was rather positive. After establishing the Canton system, the Qing court abolished a series of exorbitant levies in the Guangdong customs which had been widely complained about by the European merchants (Xin, 1759, pp.1359). In this regard, the Canton system was not designed for constraining European trading activities; moreover, maritime trade was not stymied by this system in either a theoretical or empirical sense.

Concluding remarks

This chapter analysed the development of maritime trade since 1684. By analysing Kangxi's opening-up policy and institutionalisation, epitomised by the establishment of the customs house system and formulation of regulation, the chapter revealed how this policymaking and institutional building created a managed liberalising economic environment in order to develop maritime trade. Additionally, the chapter reinterpreted two main events – the trade ban with southeast Asia in 1717 and the formation of the Canton system. By and large, this reinterpretation challenged the conventional understanding that these two events were reflections of China's closure and economic isolationism. In so doing, it also explained why these two events should not obscure the big picture of the expansion of Chinese maritime trade under the trajectory of the managed liberalising economy.

Following this line of reasoning, the debate on whether the Qing China closed the maritime trade during this period is meaningless, as it is essentially a product of the Eurocentric historiography (Chen, 2002, p.165). Explicitly or implicitly, the Eurocentric historiography applied the European experience of foreign trade expansion to examine the Qing court's policies and institutions. Following this approach, it is inevitable for studies to draw the conclusion that the Qing court's attitude and policies were hindrances to the development of foreign trade. By the same token, the opening-up policy since 1684 should not be merely

perceived as a 'limited opening' (Xia, 1988, p.87; Li & Yang, 1998), as again, it falls into the Eurocentric fallacy. Both Qing China and Europe played an important role in participating in the global trading network during this period. The truly important question here is how the dynamic driving Chinese maritime trade was similar or different in terms of its European counterparts. In this case, as discussed in this chapter, the distinction between China and Britain during this period was that Britain retained a mercantilist attitude and approach towards expanding its foreign trade, whereas Qing China largely adhered to managed liberalism to develop its maritime trade. Alongside trade in other regions, the two economic dynamics symbolised by these two cases eventually constituted a thriving global trading network. The next chapter will assess the performance of Chinese maritime trade from a global perspective.

Chapter 2. Assessment of Qing China's maritime trade, 1684-1800

In chapter one, the thesis critiques the portrayal by the conventional Eurocentric historiography that the Chinese economy had been undergoing stagnation due to the interventionist economic stance of the imperial state. In so doing, it elaborates on how the managed liberalising economy was formulated in the maritime trade through the Qing court's policy and institution building. The essence of the historical managed liberalism initiated by the Qing court was to create a liberal environment for maritime trade, in which the enlargement and expansion of trade were largely driven by the market mechanism (Zhao, 2013, p.113). Under the new economic dynamics, the Chinese maritime trade thrived substantially in the ensuing years. More importantly, the enlargement of the Chinese maritime trade significantly contributed to the prosperity of the regional Asian trading network (Schottenhammer, 2007; Gipouloux, 2011). Following the engagement of European traders in this region, the prosperity of regional trade eventually accelerated the integration of the global trading network by 1800.

Following the argumentation made in the last chapter, this chapter further assesses the significance and performance of the Chinese maritime trade. More specifically, through estimating and analysing the empirical data regarding the Chinese trade, such as the value of maritime trade during this period, this chapter reveals how Chinese maritime trade developed under this managed liberalising economic framework and how important a role it played, from the perspective of the global trading network. By improvising the analytical framework developed by David Held et al. (1999, p.14-20), in which he identifies features of early globalisation through four dimensions, namely, intensity, extensity, velocity, and impact, this chapter assesses the Chinese maritime trade performance through the value of maritime trade (intensity and velocity); the trading partners (extensity); and the composition of commodities and inflows of silver (impact). Thereby, the chapter comprises three sections. In the first section, the chapter estimates the total value of maritime trade in the 18th century and makes a comparison with the British case. In the second section, the chapter specifically analyses how Chinese maritime trade developed and expanded geographically through examining the trading performances with the trading partners in each region (East Asia, Southeast Asia and Europe). In the last section, the chapter evaluates the maritime trade performance through the composition of commodities in the trade and the inflows of global silver, which can be perceived as the main global currency during the period of 1500-1800. In so doing, the main argument is that under the managed liberalism built by the Qing court, the significance and performance of the Chinese maritime trade can be evaluated as assuming an important role in

the global trading network by 1800.

2.1. Intensity and magnitude of China's maritime trade

Qing's liberal policies led to prosperity of China's maritime trade, which at first could be unveiled by the trade intensity. The increasing figures in records of customs duties and the total value of trade were a reflection of the growing intensity of maritime trade, primarily in the 18th century. The following tables display the changing amounts of customs revenues in the four customs houses and the percentage of tax revenue that each customs house took. Through scrutinising these tables, several features can be unveiled. Firstly, except for the figure in the Zhejiang customs house, customs revenues in the other three houses increased to various extents. The nominal increase of tax revenue in customs was a reflection of the expansion of China's maritime trade during this stage since the tax rate during this period did not change. Secondly, the rates in the four customs houses displayed different patterns of change. Throughout the 18th century, the customs duties collected by Zhejiang and Jiangsu customs houses were somewhat stable and marginal. The amount of duty generated in the Zhejiang house ranged from 70,000 to 100,000 tael. The figures were even lower in the Jiangsu house, ranging from 40,000 to 70,000 taels. Due to the increase in duty collected in the Guangdong and Fujian houses, the percentages taken by Zhejiang and Jiangsu declined. By the eve of the 19th century, these two houses had only gained 6% and 5%, respectively, in terms of total customs revenue.

Thirdly, the sum of customs revenue in Fujian house displayed a moderate increase, mainly before 1757. In the 2nd half of the 18th century, the total customs collection figures in Fujian were rather stable. In most of the recorded years, the customs revenue generated by Fujian accounted for approximately 30%-40% of total maritime customs. This indicates that the maritime trade in Fujian region was fairly busy, which enabled Fujian customs house to generate an abundance of tax revenue. Fourthly, a conspicuous increase in customs revenue occurred in Guangdong customs house almost throughout the 18th century. By the eve of the implementation of the Canton system, the amount of total duty collected in Guangdong customs house had more than tripled when compared to the beginning year of records. From 1757 to 1795, the customs duties taken in Guangdong rose from 370037.30 taels (123345.77 pounds) to 1171911.26 taels (390637.09 pounds). In the late 18th century, the Guangdong house played the dominant role in collecting customs duties, accounting for 73% of total customs revenue.

The changes in customs revenues in the four customs houses reveal several characteristics of China's maritime trade during this period. Firstly, Guangdong and Fujian generated more than 75% of total customs revenue in most of the recorded years, which reflects that maritime trade in these two regions was far more vigorous than in Zhejiang and Jiangsu, as many studies suggest (Dai, 1998, pp.66-69; Chen, 1991, pp.113-114; Liao, 2009, p.113). Furthermore, the continuous increase in Guangdong customs before 1757 manifested that the Guangdong region had high potential for trade expansion in the following years, which was a latent reason for the formation of the Canton system, as discussed in the last chapter. Secondly, both Guangdong and Fujian customs played an essential role in collecting customs duties before 1757. Thus, it would be overly simplistic to conclude that Guangdong was the only prosperous region in terms of maritime trade, as current literature argues (Zhang, 1999, p.234). The percentages of total customs duties taken by Fujian customs house in particular years even overrode those generated in Guangdong. Thirdly, the structure of customs revenue in Guangdong and Fujian houses varied throughout the recorded period. The customs revenue was evenly distributed between formal and additional duties in Guangdong house, whereas it mainly originated from formal duty in Fujian house. One explanation for the differentiation in the structure of tax revenue between these two customs houses was the divergence in partners and commodities. Guangdong was more frequented by western traders who sailed to this port and traded locally, even prior to 1757. In the East India Company's record (Morse, 1929, p.121), 75% of the EIC's vessels arrived in Guangzhou port, whereas only approximately 20% entered through Fujian. In addition, these western trading vessels were distinguished by the fact that they carried a large amount of silver money instead of staple commodities. Both western records and Chinese archives unveil this phenomenon. According to the customs house's regulation, silver money would be taxed and accounted for additional duty. Therefore, the additional duty was equally important as the formal duty in the Guangdong house, whereas it only provided a negligible amount of duty in the Fujian house. This regional uneven development and divergence reshaped the state's considerations on maritime trade, which led to the eventual formation of the Canton system in 1757. Far from being a means of constraint, this policy change did not impede the rapid expansion of China's maritime trade, as the total amount of duty increased rapidly. In the next section, this research explains the growing intensity of China's maritime trade by estimating the amount of maritime trade value and comparing it with the contemporaneous British trade.

Table 2-1. Customs revenue in Guangdong customs house

Year	Formal Duties (Zhengyin)	Additional Duties (Zayin)	Total
1724.2 – 1725.1			97294.5 (31454.5)
1726.1 – 1727.1			129850 (43283.33)
1729.4 – 1730.3	94965.57 (31665.19)	103096.53 (34365.51)	198062.09 (66020.70)
1731.4 – 1732.3	142641.55 (47547.18)	166466.37 (55488.79)	309107.92 (103035.97)
1733 – 1734			225645.60 (75215.2)
1735.4 – 1736.3	110387.83 (36795.94)	161565.79 (53855.26)	271953.53 (90651.18)
1736.3 – 1737.3	135186.37 (45062.12)	96420.97 (32140.32)	*231607.34 (77202.45)
1737.3 – 1738.2	122699.18 (40899.73)	59357.13 (19785.71)	*182074.31 (60691.44)
1738.2 – 1739.3	146030 (48676.67)		
1739.2 – 1740.2	145014.47 (48338.16)		
1740.1 – 1741.1	128161.56 (42719.97)	116819.5 (38939.83)	244980.62 (81660.20)
1741.1 – 1742.1	152473.46 (50824.49)	144447.50 (48149.17)	296924.9 (98974.97)
1742.1 – 1743.1	168879.37 (56231.12)	148289 (49429.67)	317168.37 (105660.79)
1743.4 – 1744.3	163480.46 (54493.48)	165295.54 (55098.51)	328776 (109591.99)
1744.3 – 1745.3	201564.17 (67188.05)	*170032.83 (56677.67)	371597.00 (123865.72)
1745.11 – 1746.9	175919.85 (58639.95)	*163697.15 (54565.72)	339617.00 (113.205.67)
1746.6 – 1747.7			420000 (140000)
1747.6 – 1748.6	206811.5 (68937.17)	228218.9 (76072.97)	435030.4 (145010.13)
1748.12 – 1749.12	214337.58 (71438.19)	233082.60 (71445.86)	*447420.18 (142884.05)
1749.12 – 1750.12	238111.21 (79370.40)	229451.40 (76483.8)	467562.61 (155854.20)
1750.12 – 1751.11	235654.72 (78551.57)	224149.56 (74716.52)	459804.28 (153931.67)
1751.11 – 1752.11	*258876.58 (86230.19)	244613.30 (81537.77)	503489.88 (167767.96)
1752.11 -1753.11	265491.77 (88495.59)	249696.63 (83232.21)	*515188.40 (171727.80)
1753.11 – 1754.11	269811.32 (89937.10)	245980.80 (81993.60)	515792.12 (171930.70)
1754.11 – 1755.11	245608.61 (81869.53)	245608.61 (80225.67)	486285.61 (162095.20)
1755 – 1756			404957.04 (151652.37)
1756.9 – 1757.9	162622.22 (54207.40)	157488.45 (54374.07)	*320110.67 (106703.56)
1757 – 1758			370037.295 (123345.765)

1758.9 – 1759.7	195418.59 (65139.53)	159249.44 (53083.15)	354668.03 (118222.68)
1759.8 – 1760.8	174680.85 (58226.95)	181520.13 (60506.71)	356200.97 (118733.66)
1760.8 – 1761.8	180520.15 (60173.38)	202089.90 (67363.30)	382610.05 (127536.68)
1761.8 – 1762.7	198598.50 (66199.50)	184032.11 (61344.04)	382630.62 (127543.54)
1762.7 – 1763.7	198835.99 (66278.66)	212787.08 (70929.03)	422623.07 (140874.36)
1763.7 – 1764.7	220842.23 (73614.08)	253494.43 (84498.14)	474336.67 (158112.22)
1764.7 – 1765.6			505031.69 (168343.90)
1765.6 – 1766.6	294180.21 (98060.07)	305784.74 (101928.25)	599964.96 (199988.32)
1766.6 – 1767.6	274340.78 (91446.93)	272395.36 (90798.45)	546736.14 (182245.38)
1767.7 – 1768.5			547102.69 (182367.56)
1768.5 – 1769.5			548306.16 (182768.72)
1769.5 – 1770.5	306014.82 (102004.94)	284048.39 (94682.80)	591067.35 (197022.45)
1770.5 – 1771.4	304720.82 (101573.60)	273345.77 (91115.26)	579935.97 (193311.99)
1771.4 – 1772.4	304032.28 (101344.09)	287967.24 (95989.08)	593869.71 (197956.57)
1772.4 – 1773.3	271629.33 (90543.11)	282196.78 (94065.59)	554903.08 (184967.69)
1773.3 – 1774.3	261861.84 (87287.28)	279691.34 (93230.45)	541553.19 (180517.73)
1774.3 – 1775.3			541863.70 (180621.23)
1775.3 – 1776.2			533178.41 (177726.14)
1776.2 – 1777.2			588407.97 (196135.99)
1777.2 – 1778.2	291431.57 97143.86	297022.45 (99007.48)	588453.30 (196151.10)
1778.2 – 1779.1			556185.10 (185395.03)
1779.1 – 1780.1	303397.28	252836.66	556233.94

	(101132.43)	(84278.89)	(185411.31)
1780.1 – 1781.1	289415.50 (96471.83)	292386.69 (97462.23)	581802.19 (193934.06)
1781.1 – 1781.12			
1781.12 - 1782.12	291212.55 (97070.85)	229928.00 (76642.67)	521140.55 (173713.52)
1782.12 - 1783.12			797861.57 (265953.86)
1783.12 - 1784.11			748125.72 (249375.24)
1784.11 - 1785.11	473687.28 (157895.76)	398463.63 (132821.21)	872150.98 (290716.99)
1785.11 - 1786.10			953960.66 (317986.89)
1786.10 - 1787.10			981686.31 (327228.77)
1787.10 - 1788.10	521027.84 (173675.95)	515971.48 (171990.49)	1036999.32 (345666.44)
1788.10 - 1789.9			1101361.96 (367120.65)
1789.9 - 1790.9			1127562.88 (375854.29)
1790.9 - 1791.9	548592.821 (182864.27)	447289.72 (149096.57)	995882.52 (331960.84)
1791.9 - 1792.8			1011426.28 (337142.09)
1792.8 - 1793.8	452932.32 (150977.44)	432680.48 (144226.83)	885612.80 (295204.27)
1793.8 - 1794.8	549409.75 (183136.58)	423538.75 (141179.58)	972948.50 (324316.17)
1794.8 - 1795.7			1171911.26 (390637.09)

a. The unit in the original record is the *tael*; the figures in the brackets represent conversion of the units to *sterling pounds*

b. The figures with asterisks were calculated based on other figures in the table

Sourced from: Historical archive regarding the annual reports from Guangdong customs house (See primary sources in the bibliography)

Table 2-2. Customs revenue in Fujian customs house

Year	Formal Duties (<i>Zhengyin</i>)	Additional Duties (<i>Zayin</i>)	Total
1724 – 1725	100665 (33555)	20000 (6666.67)	120665 (40221.67)
1725 – 1726	116419 (38806.33)		
1733 – 1734	150000 – 180000 (50000 - 60000)		
1734 – 1735	180825.37 60275.12		
1735 – 1736	203336.42 (67778.81)	65306.53 (21768.84)	*268642.95 (89547.65)
1736.4 – 1737.4	190429.45 (66809.82)	18027.61 (6009.20)	208457.06* (72819.02)
1737.4 – 1738.3	202757.95 (67585.97)	18511.84 (6170.61)	221269.79 (73756.58)

1738.10 – 1739.10	230238.66 (76746.2)	20786.81 (6928.67)	251025.47 (83674.89)
1739 – 1740			
1740.4 – 1741.3	237200.00 (79066.67)	21302.00 (7100.67)	*258502.00 (86167.33)
1741.3 – 1742.3	257700.00 (85900.00)	23400.00 (7800.00)	*281100 (93700)
1742.3 – 1743.3	245392.29 (81797.43)	22304.02 (7434.67)	*267696.31 (89232.10)
1743.4 – 1744.3	241223.75 (80407.92)	22353.82 (7451.27)	*263577.57 (87859.19)
1744.3 -1745.3	228618.00 (76206)	21330.03 (7110.01)	*249948.03 (83316.01)
1745.3 – 1746.3	266570.00 (88856.67)	25023.58 (8341.19)	*291593.58 (97197.86)
1746.3 – 1747.3	277974.00 (92658.00)	25944.8 (8648.27)	*303918.8 (101306.27)
1747.2 – 1748.2	292101.00 (97367.00)		
1748.11 - 1749.11	*285909.95 (95303.27)	30159.69 (10053.23)	316069.64 (105356.5)
1749.12 – 1750.12			325989.36 (108663.12)
1750 – 1751			
1751.11 – 1752.11	332418.12 (110806.04)	31793.32 (10597.78)	364211.44 (121403.81)
1752.11 – 1753.11	314448.17 (104816.06)	30183.22 (10061.07)	*344631.39 (114877.13)
1753 – 1754			
1754.10 – 1755.10	328029.04 (109343.01)	31536.00 (10512.00)	359565.04 (119855.01)
1755.10 – 1756.9	326520.8 (108840.27)	31343.52 (10447.84)	*357864.32 119288.11
1756.9 – 1757.9	331910.4 (110636.8)	30000 (10000)	361910.40 (120636.80)
1757.9 – 1758.9	327284.00 (109094.67)	31357.39 (10452.46)	358641.39 (119547.13)
1758.9 – 1759.8	318755.27 (106251.76)	30463.48 (10154.49)	349218.75 (116406.25)
1759.8 – 1760.8	318755.20 (106251.73)	30000 (10000)	348755.20 (116251.73)
1760.8 – 1761.8	354790.02 (118263.34)	30000 (10000)	384790.02 (128263.34)
1761.8 – 1762.7	352342.28 (117447.42)	33597.25 (11199.08)	385939.53 (128646.51)
1762 – 1763			
1763 - 1764			
1764.7- 1765.6	356929.95 (118976.65)	34411.95 (11470.65)	391341.89 (130447.30)
1765.6- 1766.6	357173.29 (119057.76)	30000 (10000)	387173.29 (129057.76)
1766.6- 1767.6	357249.61 (119083.20)	34651.19 (11550.40)	391900.80 (130633.60)
1767.6- 1768.5	343231.92 (114410.64)	33087.28 (11029.09)	376319.196 (125439.73)
1768.5- 1769.5	294581.32 (98193.77)	30000 (10000)	324581.32 (108193.77)
1769.5- 1770.5	350891.71 (116963.90)	34152.03 (11384.01)	385043.75 (128347.92)

1770.5- 1771.4	364512.07 (121504.02)	35531.67 (11843.89)	400043.74 (133347.91)
1774.10 – 1772.10	364519.69 (121506.56)	30000 (10000)	394519.69 (131506.56)
1772.4 – 1773.3	373023.97 (124341.32)	36276.26 (12092.09)	409300.23 (136433.41)
1773.3 – 1774.3	368805.27 (122935.09)	35851.85 (11950.62)	404657.12 (134885.71)
1774.3 – 1775.3	366415.94 (122138.65)	35726 (11908.67)	402141.94 (134047.31)
1775.3 – 1776.2	354297.64 (118099.21)	34576.48 (11525.49)	388874.11 (129624.70)
1776.2 – 1777.2			
177672 – 1778.2	368877.55 (122959.18)	36103.38 (12034.46)	404980.93 (134993.64)
1778.2 – 1779.1	374407.40 (124802.47)	30000 (10000)	404407.40 (134802.47)
1779.1 – 1780.1	396938.60 (132312.87)	38923.54 (12974.51)	435862.14 (145287.38)
1780.1 – 1781.1	396978.86 (132326.29)		
1781.1 – 1781.12	397284.03 (132428.01)	38943 (12981)	436227.03 (145409.01)
1781.12 – 1782.12	365888.31 (121962.77)	35882.51 (11960.84)	401770.82 (133923.61)
1782.12 – 1783.12	349706.33 (116568.78)	30000 (10000)	379706.33 (126568.78)
1783.12 – 1784.11	356723 (118907.67)	30000 (10000)	386723.00 (128907.67)
1784.11 – 1785.11	365910.51 (121970.17)	30000 (10000)	395910.51 (131970.17)
1785.11 – 1786.10	366045.46 (122015.15)	30000 (10000)	396045.46 (132015.15)
1786 – 1787			
1787 – 1788			
1788.10 – 1789.9	320967.59 (106989.20)	31754.41 (10584.80)	352722.00 (117574.00)
1789 – 1790			
1790.9 – 1791.9	330332.94 (110110.98)	32600.76 (10866.92)	362933.70 (120977.90)
1791.9 – 1792.8	298018.50 (99339.50)	29415.80 (9805.27)	327434.30 (109144.77)
1792.8 – 1793.8	329746.59 (109915.53)	32591.74 (10863.91)	362338.32 (120779.44)
1793.8 – 1794.8	327742.71 (109247.57)	32377.00 (10792.33)	360119.71 (120039.90)
1794.8 – 1795.7	248723.00 (82907.67)	24540.00 (8180.00)	273263.00 (91087.67)

- The unit in the original record is the *tael*. The figures in the brackets represent conversion of the units to *sterling pounds*
- The figures with asterisks were calculated based on other figures in the table
- The additional duties are missing for dates in some years. To enable further calculation, the duties figures for these missing years were assumed to be 30,000 taels

Sourced from: Historical archive regarding the annual reports from Fujian customs house (See primary sources in the bibliography)

Table 2-3. Customs revenue in Zhejiang customs house

Year	Standard formal duty	Surplus of formal duty	Total number of formal duties
1734.5 – 1735.5	35969.7 (11989.9)	59499.57 (19833.19)	95469 (31823)
1735.5 – 1736.5	35780.63 (11926.88)	59499.58 (19833.19)	*95280.21 (31760.07)
1736.5 – 1737.5	35780.63 (11926.88)	54350.36 (18116.79)	*90130.99 (30043.66)
1737.5 – 1738.10	35780.63 (11926.88)	54382.73 (18127.57)	*90163.36 (30054.45)
1738.4 – 1739.4	35780.63 (11926.88)	54999.44 (18333.15)	*90780.07 (30260.02)
1739.4 – 1740.4	35780.63 (11926.88)	55679.51 (18559.84)	*91478.14 (30492.71)
1740 – 1741			
1741 – 1742			
1742.3 – 1743.3	35780.63 (11926.88)	58070.92 (19356.97)	*93851.55 (31283.85)
1743.3 – 1744.2	35780.63 (11926.88)	58075.02 (19358.34)	*92855.65 (31285.22)
1744.2 – 1745.2	35780.63 (11926.88)	58035.93 (19345.31)	*93816.56 (31272.19)
1745.2 – 1746.2	35780.63 (11926.88)	52420.45 (17473.48)	*88201.08 (29400.36)
1746.2 – 1747.1	35780.63 (11926.88)	57455.74 (19151.91)	*93236.37 (31078.79)
1747.1 – 1748.1	35908.23 (11996.64)	54939.64 (18313.21)	*90301.87 (30100.62)
1748.1 - 1748.12	35780.63 (11926.88)	54830.20 (18267.73)	*90610.83 (30203.61)
1748.12 – 1749.12	35908.23 (11996.64)	54820.78 (18273.59)	*90729.01 (30243.00)
1749.12 – 1750.12	35780.63 (11926.88)	54833.12 (18277.71)	*90613.75 (30204.58)
1750.12 – 1751.12	35908.23 (11996.64)	41177.29 (13725.76)	*77085.52 (25695.17)
1751 - 1752			
1752.11 – 1753.11	35780.63 (11926.88)	51746.24 (17248.75)	*87526.87 (29175.62)
1753.11 – 1754.11	35780.63 (11926.88)	51759.40 (17253.13)	*87540.03 (29180.01)
1754.10 – 1755.10	35780.63 (11926.88)	52922.52 (17640.84)	*88703.15 (29567.72)
1755.10 – 1756.9	35780.63 (11926.88)	53780.91 (17926.97)	*89561.54 (29853.85)
1756.9 – 1757.9	35780.63 (11926.88)	53829.77 (17943.26)	*89610.4 (29870.13)
1757.9 – 1758.9	32236.17 (10745.39)	53660.77 (17886.92)	85896.94 (28632.31)
1758.9 – 1759.9	35908.23 (11969.41)	53564 (17854.67)	89472.23 (29824.08)
1759.8 – 1760.8	35908.23 (11969.41)	53450.09 (17816.69)	89358.32 (29786.11)
1760.8 – 1761.8	35908.23 (11969.41)	53469.46 (17823.15)	89377.69 (29792.56)
1761.8 – 1762.7	35908.23 (11969.41)	53451.89 (17817.30)	89360.12 (29786.71)

1762.7 – 1763.7	35908.23 (11969.41)	53524.35 (17841.45)	89432.58 (29810.86)
1763.7 – 1764.7	35908.23 (11969.41)	53611.41 (17870.47)	89519.64 (29839.88)
1764.7 – 1765.6	35908.23 (11969.41)	53646.91 (17882.30)	89555.14 (29851.71)
1765.6 – 1766.5	35908.23 (11969.41)	53665.33 (17888.45)	89573.57 (29857.86)
1766.5 – 1767.6	35908.23 (11969.41)	53695.96 (17898.65)	89604.19 (29868.06)
1767.6 – 1768.5	35908.23 (11969.41)	53695.03 (17898.34)	89603.26 (29867.75)
1768.5 – 1769.5	35908.23 (11969.41)	53722.76 (17907.59)	89630.99 (29877.00)
1769.5 – 1770.5	35908.23 (11969.41)	53727.59 (17909.20)	89635.82 (29878.61)
1770.5 – 1771.4	35908.23 (11969.41)	53751.79 (17917.26)	89660.02 (29886.67)
1771.4 – 1772.4	35908.23 (11969.41)	53764.83 (17921.61)	89673.06 (29891.02)
1772.4 – 1773.2	35908.23 (11969.41)	53776.79 (17925.60)	89685.02 (29895.00)
1773.3 – 1774.3	35908.23 (11969.41)	53792.12 (17930.71)	89700.35 (29900.12)
1774.3 – 1775.3	35908.23 (11969.41)	53809.21 (17936.40)	89717.44 (29905.81)
1775.3 – 1776.2	35908.23 (11969.41)	53780.41 (17926.80)	89688.64 (29896.21)
1776.2 – 1777.2	35908.23 (11969.41)	53806.67 (17935.56)	89714.90 (29904.97)
1777.2 – 1778.2	35908.23 (11969.41)	53844.08 (17948.03)	89752.31 (29917.44)
1778.2 – 1779.1	35908.23 (11969.41)	53256.22 (17752.07)	89164.45 (29721.48)
1779.1 – 1780.1	35908.23 (11969.41)	54270.47 (18090.16)	90178.70 (30059.57)
1780.1 – 1781.1	35908.23 (11969.41)	54277.54 (18092.51)	90185.77 (30061.92)
1781.1 – 1782.1	35908.23 (11969.41)	54288.40 (18096.13)	90196.63 (30065.54)
1781.12 – 1782.12	35908.23 (11969.41)	54290.95 (18096.98)	90199.18 (30066.39)
1782.12 – 1783.12	35908.23 (11969.41)	54298.07 (18099.36)	90206.30 (30068.77)
1783.12 – 1784.11	35908.23 (11969.41)	54303.16 (18101.05)	90211.39 (30070.46)
1784.11 – 1785.11	35908.23 (11969.41)	54310.12 (18103.37)	90218.35 (30072.78)
1785.11 – 1786.11	35908.23 (11969.41)	54314.93 (18104.98)	90223.16 (30074.39)
1786.11 – 1787.10	35908.23 (11969.41)	54229.15 (18076.38)	90137.38 (30045.79)
1787 – 1788			
1788 – 1789	35908.23 (11969.41)	54330 (18110)	90238.23 (30079.41)
1789.9 – 1790.9	35908.23 (11969.41)	54335.05 (18111.68)	90243.28 (30081.09)
1790.9 – 1791.9	35908.23 (11969.41)	54346.16 (18115.39)	90254.39 (30084.80)

1791.9 – 1792.8	35908.23 (11969.41)	54389.10 (18129.70)	90297.33 (30099.11)
1792.8 – 1793.8	35908.23 (11969.41)	54412.93 (18137.64)	90321.16 (30107.05)
1793.8 – 1794.8	35908.23 (11969.41)	54436.13 (18145.38)	90344.36 (30114.79)
1794.8 – 1795.7	35908.23 (11969.41)	54449.66 (18149.89)	90357.89 (30119.30)

a. The unit in the original record is the *tael*; the figures in the brackets represent conversion of the units to *sterling pounds*

b. The figures with asterisks were calculated based on other figures in the table

Sourced from: Historical archive regarding the annual reports from Zhejiang customs house (See primary sources in the bibliography)

Table 2-4. Customs revenue in Jiangsu customs house

Year	Standard formal duty	Surplus of formal duty	Total number of formal duties
1724.6 – 1725.7	23016 (7672)	16553 (5517.67)	44599 (14866.33)
1736.1 – 1737.1	23980.33 (7993.44)	42153.00 (14051)	66133.33 (22044.44)
1737 – 1738			
1738..1 – 1738.11	23980.33 (7993.44)	41140.00 (13713.33)	65420.33 (21806.77)
1739.1 – 1739.12	23980.33 (7993.44)	45302.09 (15100.70)	69282.42 (23094.14)
1740.1 – 1740.11	23980.33 (7993.44)	54934 (18311.33)	78914.33 (260304.77)
1740.12 – 1741.12	23980.33 (7993.44)	55814.35 (18604.78)	79794.35 (26598.12)
1741.12 – 1742.11	23980.33 (7993.44)	35418.18 (11806.06)	59398.51 (19799.50)
1742.12 – 1743.10	23980.33 (7993.44)	24845.02 (8281.67)	48825.33 (16275.11)
1743.11 – 1744.10	23980.33 (7993.44)	23955.35 (7985.11)	47935.68 (15978.33)
1744.10 – 1745.10	23980.33 (7993.44)	23558.42 (7852.81)	47538.75 (15846.25)
1745.10 – 1746.11	23980.33 (7993.44)	31652.53 (10550.84)	55632.86 (18544.29)
1746.12 – 1747.9	23980.33 (7993.44)	28629.68 (9543.22)	52610.01 (17536.67)
1747.10- 1748.8	23980.33 (7993.44)	28117.19 (9372.40)	52097.52 (17365.84)
1748.9 – 1749.8	23980.33 (7993.44)	31442.13 (10382.71)	55422.46 (18474.15)
1749.9 – 1750.8	23980.33 (7993.44)	53409.11 (17803.04)	77389.44 (25796.48)
1750.9 – 1751.7	23980.33 (7993.44)	54573.16 (18191.05)	78553.49 (26184.50)
1751.8 – 1752.7	23980.33 (7993.44)	53206.38 (17735.46)	77186.71 (25728.9)
1752.8 – 1753.7	23980.33 (7993.44)	53529.48 (17843.16)	77509.81 (25836.60)
1753.8 – 1754.6	23980.33 (7993.44)	51778.99 (17259.66)	75759.32 (25253.11)

1754.7 – 1755.6	23980.33 (7993.44)	52795.18 (17586.39)	76775.51 (25591.84)
1755.7 – 1756.6	23980.33 (7993.44)	22129.33 (7376.44)	46109.66 (15369.89)
1756.7 – 1757.5	23980.33 (7993.44)	46232.67 (15410.89)	70213 (23404.33)
1757.6 – 1758.6	23980.33 (7993.44)	48234.17 (16078.06)	72214.50 (24071.50)
1758.6 – 1759.5	23980.33 (7993.44)	49157.24 (16385.74667)	73137.57 (24379.19)
1759.6 – 1760.4	23980.33 (7993.44)	49165.40 (16388.47)	73145.73 (24381.91)
1760.5 – 1761.4	23980.33 (7993.44)	49169.90 (16389.97)	73150.23 (24383.41)
1761.5 – 1762.4	23980.33 (7993.44)	52988.10 (17662.70)	76968.43 (25656.14)
1762.5 – 1763.3	23980.33 (7993.44)	45033.35 (15011.12)	69013.68 (23004.56)
1763.4 – 1764.3	23980.33 (7993.44)	45261.71 (15087.24)	69242.04 (23080.68)
1764.4 – 1765.2	23980.33 (7993.44)	47347.99 (15782.67)	71328.32 (23776.11)
1765.3 – 1766.2	23980.33 (7993.44)	47361.20 (15787.07)	71341.53 (23780.51)
1766.3 – 1767.2	23980.33 (7993.44)	47496.15 (15832.05)	71476.48 (23825.49)
1767.3 – 1768.1	23980.33 (7993.44)	47802.76 (15934.25)	71783.09 (23927.70)
1768.2 – 1769.1	23980.33 (7993.44)	47915.30 (15971.77)	71895.63 (23965.21)
1769.2 – 1770.1	23980.33 (7993.44)	47966.72 (15988.91)	71947.05 (23982.35)
1770.2 – 1770.12	23980.33 (7993.44)	48011.10 (16003.70)	71991.43 (23997.14)
1771.2 – 1771.12	23980.33 (7993.44)	48016.36 (16005.45)	71996.69 (23998.90)
1772.2 – 1772.12	23980.33 (7993.44)	48050.82 (16016.94)	72031.15 (24010.38)
1773.1 – 1773.12	23980.33 (7993.44)	48162.08 (16054.03)	72142.41 (24047.47)
1773.12 – 1774.11	23980.33 (7993.44)	48298.07 (16099.36)	72278.40 (24092.80)
1774.11 – 1775.10	23980.33 (7993.44)	48388.26 (16129.42)	72368.59 (24122.86)
1775.11 – 1776.10	23980.33 (7993.44)	48399.90 (16133.30)	72380.23 (24126.74)
1776.11 – 1777.10	23980.33 (7993.44)	48410.04 (16136.68)	72390.37 (24130.12)
1777.11 – 1778.9	23980.33 (7993.44)	48447.81 (16149.27)	72428.14 (24142.71)
1778.10 – 1779.9	23980.33 (7993.44)	48487.20 (16162.40)	72467.53 (24155.84)
1779.10 – 1780.9	23980.33 (7993.44)	48517.82 (16172.60)	72498.151 (24166.05)
1780.10 – 1781.8	23980.33 (7993.44)	48541.15 (16180.38)	72521.48 (24173.83)
1781.9 – 1782.8	23980.33 (7993.44)	48664.68 (16221.56)	72645.01 (24215.00)
1782s – 1783s	23980.33	48691	72671.33

	(7993.44)	(16230.33)	(24223.78)
1783.9 – 1784.7	23980.33 (7993.44)	48732 (16244)	72712.33 (24237.44)
1784.8 – 1785.7	23980.33 (7993.44)	48735 (16245)	72715.33 (24238.44)
1785.8 – 1786.7	23980.33 (7993.44)	48747 (16249)	72727.33 (24242.44)
1786.7 – 1787.6	23980.33 (7993.44)	48758.88 (16252.96)	72739.212 (24246.40)
1787.7 – 1788.6	23980.33 (7993.44)	48760.76 (16253.59)	72741.093 (24247.03)
1788.7 – 1789.5	23980.33 (7993.44)	48772.15 (16257.38)	72752.48 (24250.83)
1789.6 – 1790.5	23980.33 (7993.44)	48781 (16260.33)	72761.33 (24253.78)
1790.5 – 1791.5	23980.33 (7993.44)	48889.55 (16296.52)	72869.88 (24289.96)
1791.6 – 1792.4	23980.33 (7993.44)	48898 (16299.33)	72878.33 (24292.78)
1792.5 – 1793.4	23980.33 (7993.44)	48911.82 (16303.94)	72892.15 (24297.38)
1793.5 – 1794.4	23980.33 (7993.44)	48925.68 (16308.56)	72906.01 (24302.00)
1794.5 – 1795.3	23980.33 (7993.44)	48940 (16313.33)	72920.33 (24306.78)

a. The unit in the original record is the *tael*; the figures in the brackets represent conversion of the units to *sterling pounds*.

b. The figures with asterisks were calculated based on other figures in the table

Sourced from: Historical archive regarding the annual reports from Jiangsu customs house (See primary sources in the bibliography)

Table 2-5. The amount of customs revenue in China, in the period of 1684 – 1800

	Guangdong	%	Fujian	%	Zhejiang	%	Jiangsu	%	Total
1735s - 1736s	271953.53	0.39	268642.95	0.38	95280.21	0.14	66133.33	0.09	702010.02 (234003.34)
1736s - 1737s	231607.34	0.39	208457.06	0.35	90130.99	0.15	66133.33	0.11	596328.72 (198776.24)
1737s - 1738s	182074.31	0.32	221269.79	0.39	90163.36	0.16	67707.88	0.12	561215.34 (187071.78)
1738s - 1739s	213527.47	0.34	251025.47	0.40	90780.07	0.15	69282.42	0.11	624615.43 (208205.14)
1739s - 1740s					91478.14		78914.33		
1740s - 1741s	244980.62	0.36	258502.00	0.38	92664.85	0.14	79794.35	0.12	675941.82 (225313.94)
1741s - 1742s	296924.90	0.41	281100.00	0.39	92664.85	0.13	59398.51	0.08	730088.26 (243362.75)
1742s - 1743s	317168.37	0.44	267696.31	0.37	93851.55	0.13	48825.33	0.07	727541.56 (242513.85)
1743s - 1744s	328776.00	0.45	263577.57	0.36	92855.65	0.13	47935.68	0.07	733144.90 (244381.63)
1744s - 1745s	371597.00	0.49	249948.03	0.33	93816.56	0.12	47538.75	0.06	762900.34 (254300.11)
1745s - 1746s	339617.00	0.44	291593.58	0.38	88201.08	0.11	55632.86	0.07	775044.52 (258348.17)
1746s - 1747s	420000.00	0.48	303918.80	0.35	93236.37	0.11	52610.01	0.06	869765.18 (289921.73)
1747s - 1748s	435030.40	0.49	309994.22	0.35	90301.87	0.10	52097.52	0.06	887424.01 (295808.00)
1748s - 1749s	447420.18	0.49	316069.64	0.35	90729.01	0.10	55422.46	0.06	909641.29 (303213.76)
1749s - 1750s	467562.61	0.49	325989.36	0.34	90613.75	0.09	77389.44	0.08	961555.16 (320518.39)

1750s - 1751s	459804.28	0.48	345100.40	0.36	77085.52	0.08	78553.49	0.08	960543.69 (320181.23)
1751s - 1752s	503489.88	0.49	364211.44	0.35	82306.20	0.08	77186.71	0.08	1027194.23 (342398.08)
1752s - 1753s	515188.40	0.50	344631.39	0.34	87526.87	0.09	77509.81	0.08	1024856.47 (341618.82)
1753s - 1754s	515792.12	0.50	352098.22	0.34	87540.03	0.08	75759.32	0.07	1031189.69 (343729.90)
1754s - 1755s	486285.61	0.48	359565.04	0.36	88703.15	0.09	76775.51	0.08	1011329.31 (337109.77)
1755s - 1756s	404957.04	0.45	357864.32	0.40	89561.54	0.10	46109.66	0.05	898492.56 (299497.52)
1756s - 1757s	320110.67	0.38	358252.86	0.43	89610.40	0.11	70213.00	0.08	838186.93 (279395.64)
1757s - 1758s	370037.30	0.42	358641.39	0.40	85896.94	0.10	72214.50	0.08	886790.13 (295596.71)
1758s - 1759s	354668.03	0.41	349218.75	0.40	89472.23	0.10	73137.57	0.08	866496.58 (288832.19)
1759s - 1760s	356200.97	0.41	348755.20	0.40	89358.32	0.10	73145.73	0.08	867460.22 (289153.41)
1760s - 1761s	382610.05	0.41	384790.02	0.41	89377.69	0.10	73150.23	0.08	929927.99 (309976.00)
1761s - 1762s	382630.62	0.41	385939.53	0.41	89360.12	0.10	76968.43	0.08	934898.70 (311632.90)
1762s - 1763s	422623.07	0.44	388640.71	0.40	89432.58	0.09	69013.68	0.07	969710.04 (323236.68)
1763s - 1764s	474336.67	0.46	388640.71	0.38	89519.64	0.09	69242.04	0.07	1021739.06 (340579.69)
1764s - 1765s	505031.69	0.48	391341.89	0.37	89555.14	0.08	71328.32	0.07	1057257.03 (352419.01)
1765s - 1766s	599964.96	0.52	387173.29	0.34	89573.57	0.08	71341.53	0.06	1148053.35 (382684.45)
1766s - 1767s	546736.14	0.50	391900.80	0.36	89604.19	0.08	71476.48	0.06	1099717.61 (366572.54)
1767s - 1768s	547102.69	0.50	376319.20	0.35	89603.26	0.08	71783.09	0.07	1084808.24 (361602.75)
1768s - 1769s	548306.16	0.53	324581.32	0.31	89630.99	0.09	71895.63	0.07	1034414.09 (344804.70)
1769s - 1770s	591067.35	0.52	385043.75	0.34	89635.82	0.08	71947.05	0.06	1137693.97 (379231.32)
1770s - 1771s	579935.97	0.51	400043.74	0.35	89660.02	0.08	71996.69	0.06	1141636.42 (380545.47)
1771s - 1772s	593869.71	0.52	394519.69	0.34	89673.06	0.08	72031.15	0.06	1150093.61 (383364.54)
1772s - 1773s	554903.08	0.49	409300.23	0.36	89685.02	0.08	72142.41	0.06	1126030.74 (375343.58)
1773s - 1774s	541553.19	0.49	404657.12	0.37	89700.35	0.08	72278.40	0.07	1108189.06 (369396.35)
1774s - 1775s	541863.70	0.49	402141.94	0.36	89717.44	0.08	72368.59	0.07	1106091.67 (368697.22)
1775s - 1776s	533178.41	0.49	388874.11	0.36	89688.64	0.08	72380.23	0.07	1084121.39 (361373.80)
1776s - 1777s	588407.97	0.51	396927.52	0.35	89714.90	0.08	72390.37	0.06	1147440.76 (382480.25)
1777s - 1778s	588453.30	0.51	404980.93	0.35	89752.31	0.08	72428.14	0.06	1155614.68 (385204.89)
1778s - 1779s	556185.10	0.50	404407.40	0.36	89164.45	0.08	72467.53	0.06	1122224.48 (374074.83)
1779s - 1780s	556233.94	0.48	435862.14	0.38	90178.70	0.08	72498.15	0.06	1154772.92 (384924.31)
1780s - 1781s	581802.19	0.50	418816.48	0.36	90185.77	0.08	72521.48	0.06	1163325.93 (387775.31)
1781s - 1782s	521140.55	0.48	401770.82	0.37	90196.63	0.08	72645.01	0.07	1085753.01 (361917.67)
1782s - 1783s	797861.57	0.60	379706.33	0.28	90206.30	0.07	72671.33	0.05	1340445.53 (446815.18)
1783s - 1784s	748125.72	0.58	386723.00	0.30	90211.39	0.07	72712.33	0.06	1297772.44 (432590.81)
1784s - 1785s	872150.98	0.61	395910.51	0.28	90218.35	0.06	72715.33	0.05	1430995.17 (476998.39)
1785s - 1786s	953960.66	0.63	396045.46	0.26	90223.16	0.06	72727.33	0.05	1512956.61 (504318.87)
1786s - 1787s	981686.31	0.65	374383.73	0.24	90137.38	0.06	72739.21	0.05	1518946.63 (506315.54)
1787s -	1036999.32						72741.09		

1788s									
1788s - 1789s	1101361.96	0.68	352722.00	0.22	90238.23	0.06	72752.48	0.04	1617074.67 (539024.89)
1789s - 1790s	1127562.88	0.68	357827.85	0.22	90243.28	0.05	72761.33	0.04	1648395.35 (549465.12)
1790s - 1791s	995882.52	0.65	362933.70	0.24	90254.39	0.06	72869.88	0.05	1521940.50 (507313.50)
1791s - 1792s	1011426.28	0.67	327434.30	0.22	90297.33	0.06	72878.33	0.05	1502036.24 (500678.75)
1792s - 1793s	885612.80	0.63	362338.32	0.26	90321.16	0.06	72892.15	0.05	1411164.43 (470388.14)
1793s - 1794s	972948.50	0.65	360119.71	0.24	90344.36	0.06	72906.01	0.05	1496318.58 (498772.86)
1794s - 1795s	1171911.26	0.73	273263.00	0.17	90357.89	0.06	72920.33	0.05	1608452.48 (536150.83)

- a. The unit in the original record is the *tael*; the figures in the brackets represent conversion of the unit to *sterling pounds*.
- b. The asterisks indicate that original data was missing and was replaced by the average amount to enable further calculations and estimations.

Sourced from: Calculated based on the data from tables 2-1 to 2-4

Estimation of the total value of China's maritime trade

The significance of China's maritime trade in this period was reflected in the total value of the trade. Nonetheless, studies regarding the estimation of total trade value during this period reached an impasse since existing records and archives are rather unsystematic and sporadic. In this regard, only a few studies made tentative and rough estimations and analyses on total maritime trade value based on the customs record (Peng, 1984; Huang, 1986; Zhang, 1999). Nonetheless, the tentative estimation made by these studies is problematic. For instance, in Peng's proposition, the overall tax rate in the customs houses was only 2%, which might be substantially underestimated (Chen, 1993. p.96). Thus, it is essential to fill this academic gap by reconsidering and recalculating the total value of China's trade at this stage.

The most viable method to estimate this figure is based on customs records. As compared with other types of records, customs records are more credible and consecutive for certain periods. However, several caveats need to be noted, as these uncertainties might obfuscate the result of estimation, which also explains why previous studies on this issue are problematic. First, it is important to point out that not all the customs duties originated from the foreign trade, since some domestic trade, via water route, also had to pay taxes to the customs house. Due to lack of evidence, it is impossible to identify the proportions of duty generated by foreign trade. However, a specific type of report might provide clues to make an estimation. If the customs revenue had substantially declined in a certain year, then the Qing court would ask the Ministry of Revenue to investigate the cause. Almost all the investigations reported that 'the majority of customs revenue' or 'all the customs revenue' were derived from the foreign trade (Xin, 1735).

Thereby, it is reasonable to assume that 80% of total customs stemmed from foreign trade.

Secondly, the duty rate is essential to estimate the total value of trade. However, due to the complexity and ambiguity of tax norms under Qing China's customs system, the debate on customs tax rates has never ceased in current literature. For example, Peng (1984, p.133) claims the tax rate was 2%, a figure derived from a historical archive in 1841, in which two Guangdong officials investigated the average tax rate throughout the early and mid-Qing period and found that it was approximately 1%-2%. This historical record is credible, whereas Peng might have misperceived this figure, as it contradicts what was recorded as the official normal rate. The 2% in the report should refer to the product duty rate or formal duty rate rather than the total duty rate. As analysed in chapter one, the average tax rate on product duty was approximately 2%, and the average overall duty rate on the customs system was approximately 6%.

Thirdly, it is important to recognise that trade values estimated based on the customs records are unable to reveal the overall magnitude of maritime trade, as the piracy and smuggling never ceased throughout the Ming and Qing periods (Lin, 1987, 317-331; An, 2002; pp.34-41, Wang, 2007, p.149). From 1750 to 1860, the scale of piracy in Southeast Asia was at a peak (Anthony, 2013, p.23). During that period, many merchant groups undertook the roles of maritime traders and pirates at the same time (Lin, 1987, p.317), which determined that a large number of trade activities were conducted through smuggling or other illegal forms. Compared to the private legal trade, the scale of the illegal trade was much larger (Kang, 2010, p.119-121), whereas very few studies have covered this aspect. According to Zhang's research (1988, p.27), only 20% - 30% of the real trade value was recorded in the customs house during the 16th-17th century period. In this regard, the illegal trade had a significant impact on the magnitude of China's maritime trade. Overlooking this facet might hugely understate the increment and total value of China's maritime trade in this stage. Through justifying the three preconditions above, the thesis proposes the following:

Total value of trade (Max) = Total Customs Duty * 80% / 6% / 20%

(Min) = Total Customs Duty * 80% / 6% / 30%

The estimation is displayed in table 2-6. The total nominal value of Chinese maritime trade in 1735s was approximately 13 million sterling pounds on average, whereas this figure surged to

29.79 million at the end of that century. As the consecutive records started in 1735, records for the previous years are extremely rare and sporadic. Thus, this research selects specific years to demonstrate the expanding tendency of maritime trade. As the above tables demonstrated, there were customs records for duties in the period of 1724-1725 in Guangdong, Fujian and Jiangsu, which were 97294.5, 120665, and 44599 taels, respectively. The record on the Zhejiang house is missing, whereas it can be estimated from table 2-5. As we can see, the sum total of customs duties taken at Guangdong and Fujian houses accounted for at least 70% of the total customs duties. We can assume this ratio is applicable in the period of 1724-1725. Thus, the total duties in this year would be approximately 217959.5 tael (72653.17 pounds), and the total value of trade in this year would range from 9.69-14.53 million taels (3.23-4.84 million pounds) accordingly. Historical data on customs in the period before this stage has rarely been found. Nonetheless, Lin studied in detail China's private trade between the late Ming period and early Qing period, and he estimated the overall value of maritime trade in the early 17th century was approximately 16.47 million taels (5.49 million pounds) (Lin, 1987, pp.266-267). Therefore, an overall changing tendency of China's maritime trade can be seen in table 2-7. The curve reveals a rapid growth tendency in the 18th century, which was in accordance with the assumption that under this free trade system China's maritime trade developed and expanded significantly.

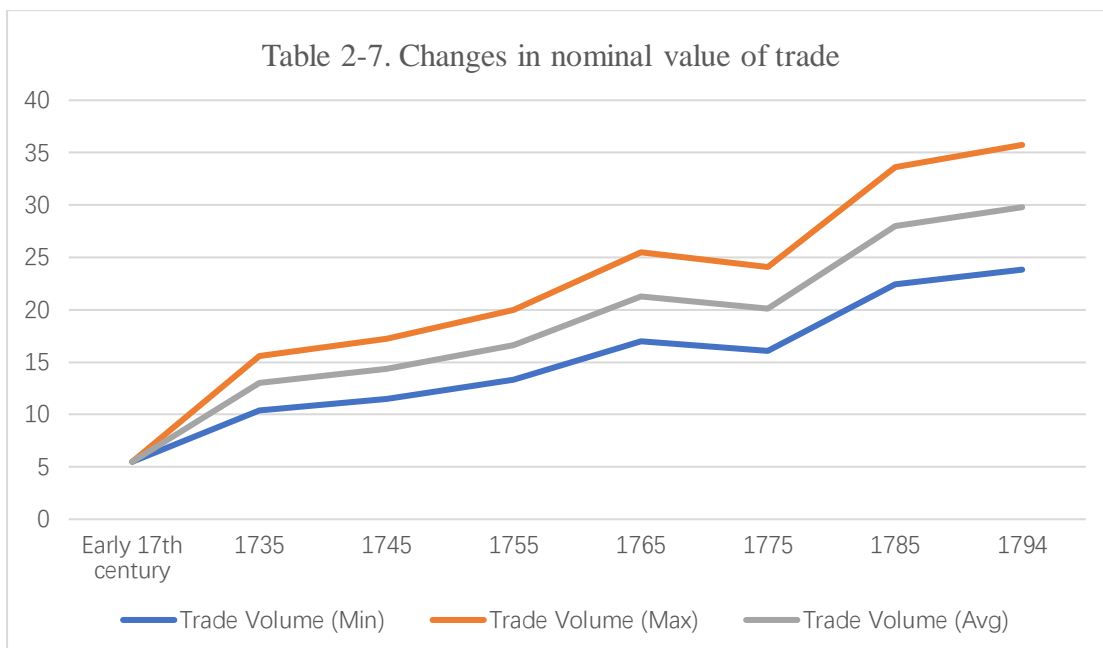
Table 2-6. Estimation of the value of maritime trade

	Total Value (Min) By million tael	By million £	Total Value (Max) By million tael	By million £	Total Value (Avg) By million tael	By million £
1735s - 1736s	31.20	10.40	46.80	15.60	39.00	13.00
1736s - 1737s	26.50	8.83	39.76	13.25	33.13	11.04
1737s - 1738s	24.94	8.31	37.41	12.47	31.18	10.39
1738s - 1739s	27.76	9.25	41.64	13.88	34.70	11.57
1739s - 1740s						
1740s - 1741s	30.04	10.01	45.06	15.02	37.55	12.52
1741s - 1742s	32.45	10.82	48.67	16.22	40.56	13.52
1742s - 1743s	32.34	10.78	48.50	16.17	40.42	13.47
1743s - 1744s	32.58	10.86	48.88	16.29	40.73	13.58
1744s - 1745s	33.91	11.30	50.86	16.95	42.38	14.13
1745s - 1746s	34.45	11.48	51.67	17.22	43.06	14.35

1746s - 1747s	38.66	12.89	57.98	19.33	48.32	16.11
1747s - 1748s	39.44	13.15	59.16	19.72	49.30	16.43
1748s - 1749s	40.43	13.48	60.64	20.21	50.54	16.85
1749s - 1750s	42.74	14.25	64.10	21.37	53.42	17.81
1750s - 1751s	42.69	14.23	64.04	21.35	53.36	17.79
1751s - 1752s	45.65	15.22	68.48	22.83	57.07	19.02
1752s - 1753s	45.55	15.18	68.32	22.77	56.94	18.98
1753s - 1754s	45.83	15.28	68.75	22.92	57.29	19.10
1754s - 1755s	44.95	14.98	67.42	22.47	56.18	18.73
1755s - 1756s	39.93	13.31	59.90	19.97	49.92	16.64
1756s - 1757s	37.25	12.42	55.88	18.63	46.57	15.52
1757s - 1758s	39.41	13.14	59.12	19.71	49.27	16.42
1758s - 1759s	38.51	12.84	57.77	19.26	48.14	16.05
1759s - 1760s	38.55	12.85	57.83	19.28	48.19	16.06
1760s - 1761s	41.33	13.78	62.00	20.67	51.66	17.22
1761s - 1762s	41.55	13.85	62.33	20.78	51.94	17.31
1762s - 1763s	43.10	14.37	64.65	21.55	53.87	17.96
1763s - 1764s	45.41	15.14	68.12	22.71	56.76	18.92
1764s - 1765s	46.99	15.66	70.48	23.49	58.74	19.58
1765s - 1766s	51.02	17.01	76.54	25.51	63.78	21.26
1766s - 1767s	48.88	16.29	73.31	24.44	61.10	20.37
1767s - 1768s	48.21	16.07	72.32	24.11	60.27	20.09
1768s - 1769s	45.97	15.32	68.96	22.99	57.47	19.16
1769s - 1770s	50.56	16.85	75.85	25.28	63.21	21.07
1770s - 1771s	50.74	16.91	76.11	25.37	63.42	21.14
1771s - 1772s	51.12	17.04	76.67	25.56	63.89	21.30
1772s - 1773s	50.05	16.68	75.07	25.02	62.56	20.85
1773s - 1774s	49.25	16.42	73.88	24.63	61.57	20.52
1774s - 1775s	49.16	16.39	73.74	24.58	61.45	20.48
1775s - 1776s	48.18	16.06	72.27	24.09	60.23	20.08
1776s - 1777s	51.00	17.00	76.50	25.50	63.75	21.25

1777s - 1778s	51.36	17.12	77.04	25.68	64.20	21.40
1778s - 1779s	49.88	16.63	74.81	24.94	62.35	20.78
1779s - 1780s	51.32	17.11	76.98	25.66	64.15	21.38
1780s - 1781s	51.70	17.23	77.56	25.85	64.63	21.54
1781s - 1782s	48.26	16.09	72.38	24.13	60.32	20.11
1782s - 1783s	59.58	19.86	89.36	29.79	74.47	24.82
1783s - 1784s	57.68	19.23	86.52	28.84	72.10	24.03
1784s - 1785s	63.60	21.20	95.40	31.80	79.50	26.50
1785s - 1786s	67.24	22.41	100.86	33.62	84.05	28.02
1786s - 1787s	67.51	22.50	101.26	33.75	84.39	28.13
1787s - 1788s						
1788s - 1789s	71.87	23.96	107.80	35.93	89.84	29.95
1789s - 1790s	73.26	24.42	109.89	36.63	91.58	30.53
1790s - 1791s	67.64	22.55	101.46	33.82	84.55	28.18
1791s - 1792s	66.76	22.25	100.14	33.38	83.45	27.82
1792s - 1793s	62.72	20.91	94.08	31.36	78.40	26.13
1793s - 1794s	66.50	22.17	99.75	33.25	83.13	27.71
1794s - 1795s	71.49	23.83	107.23	35.74	89.36	29.79

Sourced from: calculations based on table 2-5



Unit: Million Pounds

a. Vertical axis refers to the trading value figures; Horizontal axis refers to the year.

However, the increase in nominal trade value did not reflect the real change in maritime trade due to the commodity price possibly having twisted the real trade value. In this case, it is important to revise the trading value by using the price index during this period. Due to the scarcity of historical statistics, it is hard, if possible, to calculate the price index for Qing China. Consequently, a certain group of researchers (Peng, 1958; Wang, 1972, Liu, 2009) argued that the basket of commodities price index should be replaced by grain price. The records on grain price during the 18th century were fairly systematic. In addition, grain was the primary commodity circulating in the market. Hence, a change in grain price could, at large, represent a change in market price. Adam Smith made this analogy by using the wheat price to replace the comprehensive commodities price, in order to reflect the change of price in Europe in the long run (Peng, 1958, p.494). Here, this research would apply the study by Peng (1958, pp.566-576). He calculated and estimated the change in grain price as follows:

Table 2-8. Average price of grain, 1680 – 1800

Period	Price	Period	Price
1681 – 1690	32.22	1741 – 1750	42.69
1691 – 1700	27.50	1751 – 1760	61.06
1701 – 1710	36.01	1761 – 1770	64.22
1711 – 1720	34.53	1771 – 1780	56.75
1721 – 1730	32.84	1781 – 1790	60.01
1731 – 1740	37.37	1791 – 1800	73.28

Source: Peng., X, (1958) *History of China's Currency (中国货币史)*, Shanghai: Shanghai People Publishing House: Press, p. 601

Taking the price in 1701 as the benchmark, China's price index from 1680 to 1800 can be calculated as in table 2-9. Then, we can revise the real value of total maritime trade value as shown in table 2-10. Furthermore, we revised the trade value estimated by Lin (1987, pp.266-267), the real value of which was 21.55 million taels (7.2 million pounds). Thereby, the change in the real value of China's maritime trade value can be seen in table 2-11. The change in China's maritime trade value as represented by the real value is fairly close to that represented by the nominal value. Hence, the conclusion can be drawn that Chinese maritime trade underwent a significant increase during the 18th century.

Table 2-9. China Price Index, 1680 – 1800

Period	Price index (%)	Period	Price index (%)
1681 – 1690	0.89	1741 – 1750	1.19
1691 – 1700	0.76	1751 – 1760	1.70
1701 – 1710	1.00	1761 – 1770	1.78
1711 – 1720	0.96	1771 – 1780	1.58
1721 – 1730	0.91	1781 – 1790	1.67
1731 – 1740	1.04	1791 – 1800	2.03

Sourced from: calculations based on table 2-8

Table 2-10. Real value of China's maritime trade, 1735 – 1795

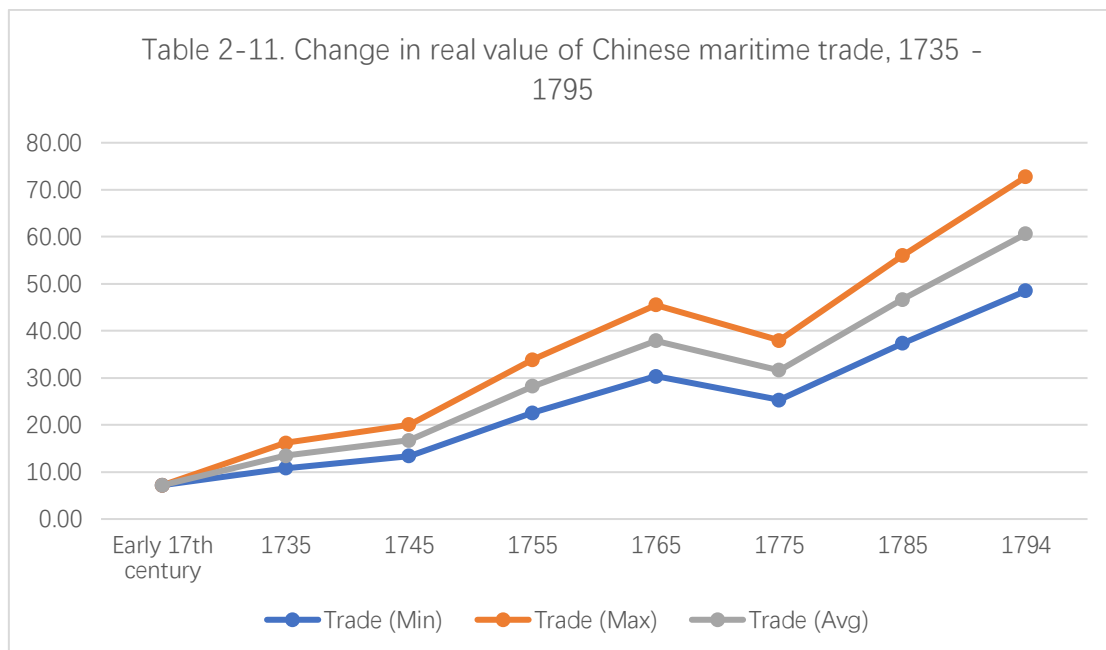
	Total Value (Min) By million tael	By million £	Total Value (Max) By million tael	By million £	Total Value (Avg) By million tael	By million £
1735s - 1736s	32.38	10.79	48.57	16.19	40.5	13.49
1736s - 1737s	27.50	9.17	41.26	13.75	34.4	11.46
1737s - 1738s	25.88	8.63	38.83	12.94	32.4	10.79
1738s - 1739s	28.81	9.60	43.21	14.40	36.0	12.00
1739s - 1740s						
1740s - 1741s	31.18	10.39	46.76	15.59	39.0	12.99
1741s - 1742s	38.47	12.82	57.70	19.23	48.1	16.03
1742s - 1743s	38.33	12.78	57.50	19.17	47.9	15.97
1743s - 1744s	38.63	12.88	57.94	19.31	48.3	16.10
1744s - 1745s	40.20	13.40	60.29	20.10	50.2	16.75
1745s - 1746s	40.84	13.61	61.25	20.42	51.0	17.02
1746s - 1747s	45.83	15.28	68.74	22.91	57.3	19.09
1747s - 1748s	46.76	15.59	70.14	23.38	58.4	19.48
1748s - 1749s	47.93	15.98	71.89	23.96	59.9	19.97
1749s - 1750s	50.66	16.89	76.00	25.33	63.3	21.11
1750s - 1751s	50.61	16.87	75.92	25.31	63.3	21.09
1751s - 1752s	77.41	25.80	116.12	38.71	96.8	32.25
1752s - 1753s	77.24	25.75	115.85	38.62	96.5	32.18

1753s - 1754s	77.71	25.90	116.57	38.86	97.1	32.38
1754s - 1755s	76.22	25.41	114.32	38.11	95.3	31.76
1755s - 1756s	67.71	22.57	101.57	33.86	84.6	28.21
1756s - 1757s	63.17	21.06	94.75	31.58	79.0	26.32
1757s - 1758s	66.83	22.28	100.25	33.42	83.5	27.85
1758s - 1759s	65.30	21.77	97.95	32.65	81.6	27.21
1759s - 1760s	65.37	21.79	98.06	32.69	81.7	27.24
1760s - 1761s	70.08	23.36	105.12	35.04	87.6	29.20
1761s - 1762s	74.10	24.70	111.15	37.05	92.6	30.88
1762s - 1763s	76.86	25.62	115.29	38.43	96.1	32.03
1763s - 1764s	80.99	27.00	121.48	40.49	101.2	33.74
1764s - 1765s	83.80	27.93	125.70	41.90	104.8	34.92
1765s - 1766s	91.00	30.33	136.50	45.50	113.7	37.92
1766s - 1767s	87.17	29.06	130.75	43.58	109.0	36.32
1767s - 1768s	85.98	28.66	128.98	42.99	107.5	35.83
1768s - 1769s	81.99	27.33	122.98	40.99	102.5	34.16
1769s - 1770s	90.18	30.06	135.26	45.09	112.7	37.57
1770s - 1771s	90.49	30.16	135.73	45.24	113.1	37.70
1771s - 1772s	80.56	26.85	120.83	40.28	100.7	33.56
1772s - 1773s	78.87	26.29	118.30	39.43	98.6	32.86
1773s - 1774s	77.62	25.87	116.43	38.81	97.0	32.34
1774s - 1775s	77.47	25.82	116.21	38.74	96.8	32.28
1775s - 1776s	75.93	25.31	113.90	37.97	94.9	31.64
1776s - 1777s	80.37	26.79	120.55	40.18	100.5	33.49
1777s - 1778s	80.94	26.98	121.41	40.47	101.2	33.73
1778s - 1779s	78.60	26.20	117.90	39.30	98.3	32.75
1779s - 1780s	80.88	26.96	121.32	40.44	101.1	33.70
1780s - 1781s	81.48	27.16	122.22	40.74	101.9	33.95
1781s - 1782s	80.42	26.81	120.63	40.21	100.5	33.51
1782s -	99.28	33.09	148.92	49.64	124.1	41.37

1783s						
1783s - 1784s	96.12	32.04	144.18	48.06	120.2	40.05
1784s - 1785s	105.99	35.33	158.98	52.99	132.5	44.16
1785s - 1786s	112.06	37.35	168.09	56.03	140.1	46.69
1786s - 1787s	112.50	37.50	168.75	56.25	140.6	46.88
1787s - 1788s						
1788s - 1789s	119.77	39.92	179.66	59.89	149.7	49.90
1789s - 1790s	122.09	40.70	183.13	61.04	152.6	50.87
1790s - 1791s	112.72	37.57	169.09	56.36	140.9	46.97
1791s - 1792s	135.85	45.28	203.78	67.93	169.8	56.60
1792s - 1793s	127.63	42.54	191.45	63.82	159.5	53.18
1793s - 1794s	135.33	45.11	203.00	67.67	169.2	56.39
1794s - 1795s	145.47	48.49	218.21	72.74	181.8	60.61

a. 1701 = 100%

Sourced from: calculations based on tables 2-6 and 2-9



Unit: Million Pounds

b. Vertical axis refers to the trading value figures; Horizontal axis refers to the year

Source: based on table 2-10

The second perspective used to demonstrate the significance of maritime trade was the ratio of

trading value to growth domestic product (GDP). This was necessary because the nominal increase does not take account of the effect of the price index. Thus, this thesis evaluates the importance of China's maritime trade by observing the changing trend of the ratio of trade value to GDP. It is worth highlighting that current literature regarding GDP in China prior to 1800 is rather rare. International researchers such as Bairoch (1973) and Angus Maddison (2003, 2007) have contributed to this topic. Nevertheless, Bairoch's estimation is rather brief and methodologically problematic (Zhong & Qiu, 2014, p.107). Meanwhile, Maddison's figures on China's GDP in early modern history are largely overestimated. In this regard, Liu's study (2010) on China's GDP during the period of 1600-1800 revises and remedies potential deficiencies in previous works, as shown in table 2-12:

Table 2-12. Estimation of China's GDP, 1600-1840 by Liu

Unit: Million tael (million pounds)

Year	GDP	Year	GDP
1610	908 (302.67)	1730	1255 (418.33)
1620	805 (268.33)	1740	1432 (477.33)
1630	1055 (351.67)	1750	1664 (554.67)
1640	899 (299.67)	1760	2314 (771.33)
1650	1083 (361)	1770	2539 (846.33)
1660	1099 (366.33)	1780	2438 (812.67)
1670	880 (293.33)	1790	2691 (897)
1680	724 (241.33)	1800	3287 (1095.67)
1690	696 (232)	1810	3728 (1242.67)
1700	910 (303.33)	1820	3818 (1272.67)
1710	1186 (395.33)	1830	3603 (1201)
1720	1256 (418.67)	1840	4484 (1494.67)

Sourced from: Liu, T., (2009) An Estimation of China's GDP from 1600 to 1840, (1600 – 1840 年中国国内生产总值的估算), *Economic Research Journal*, 2009(10), pp.144-155

By applying GDP figures, table 2-13 and table 2-14 respectively reflect the estimated ratio of China's trade value to GDP and the variation tendency of this ratio in the long run. As we can see in table 2-13, the ratio of trading value to GDP ranged from 1%-4% in most of the given years. Meanwhile, this ratio in Britain was higher. According to Crafts (1985, p.131), the ratio

of exports to national output in Britain was 8.4% in 1700, 14.6% in 1760, and 9.4% in 1780. Hence, compared with Britain, the maritime trade was less significant to the national economy in Qing China. Nonetheless, the importance of maritime trade to the national economy kept rising, as the upward changing tendency of curves in table 2-10 indicates the expansion of Chinese maritime trade during this stage. If we take the average ratio figure as an example, the ratio had nearly doubled by the end of the 18th century, from approximately 1.79% in the early 17th century to 3.32% in 1794.

Further, the disparity between Britain and China might have originated from the different logic of trade expansion. In Britain, trade expansion was based on the state's mercantilist approach, with the state and merchants sharing common interests in seeking profits and capitals overseas (Morgan, 2000). Hence, the state would protect and underpin the merchant group. In the meantime, the state would rely more on overseas expansion and monopoly, through which the mercantilists could collect more tax from foreign trade. In stark contrast to Britain, maritime trade in Qing China was essentially guided by liberal economic dynamics, as discussed in the last chapter. The Qing state heavily relied on the land tax for revenue, even though the importance of customs duty increased during this period (Chen, 1992, p.35; Ni, 2018, pp.88-89). The purpose of Qing's opening, as argued in the first chapter, was to enrich the society and create robust economic circulation for the whole state, rather than to extract revenue directly from this sector. Hence, the divergent considerations of the two states determined the disparity in this ratio between China and Britain.

Table 2-13. The ratio of China's trading value to GDP

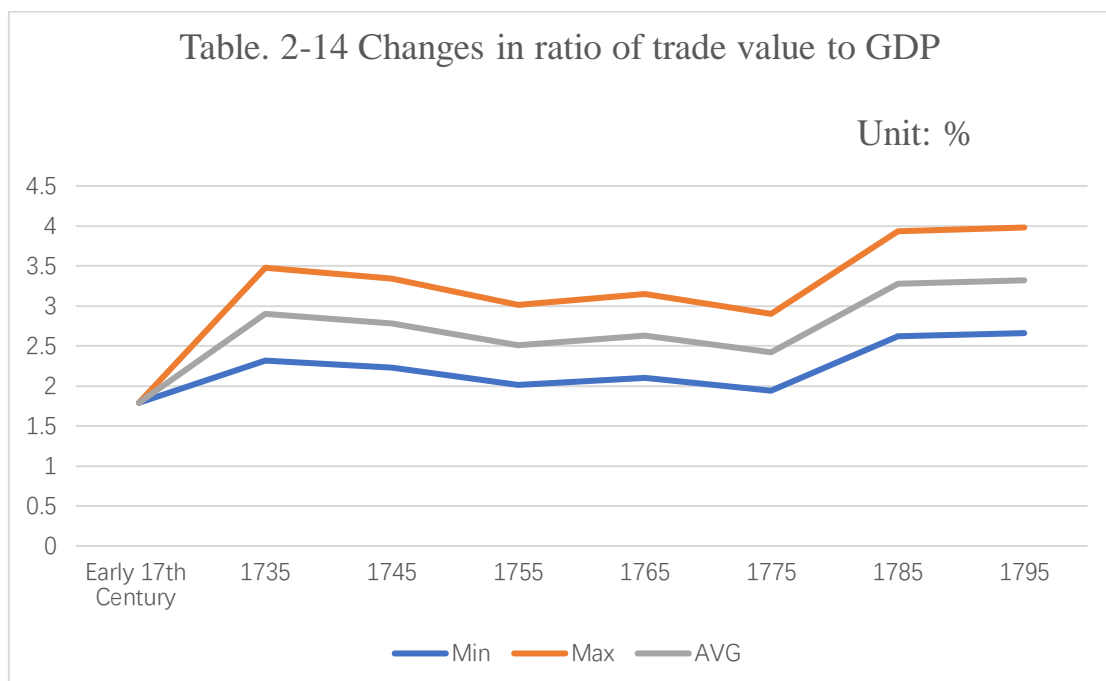
Year	GDP (Million pounds)	Ratio (Min) %	Ratio (Max) %	Ratio (Avg) %
Early 17 th century	307	1.79	1.79	1.79
1735s - 1736s	448	2.32	3.48	2.90
1736s - 1737s	448	1.97	2.96	2.46
1737s - 1738s	448	1.86	2.78	2.32
1738s - 1739s	448	2.07	3.10	2.58
1739s - 1740s				
1740s - 1741s	477	2.10	3.15	2.62
1741s - 1742s	477	2.27	3.40	2.83

1742s - 1743s	477	2.26	3.39	2.82
1743s - 1744s	477	2.28	3.42	2.85
1744s - 1745s	477	2.37	3.55	2.96
1745s - 1746s	516	2.23	3.34	2.78
1746s - 1747s	516	2.50	3.75	3.12
1747s - 1748s	516	2.55	3.82	3.18
1748s - 1749s	516	2.61	3.92	3.26
1749s - 1750s	516	2.76	4.14	3.45
1750s - 1751s	555	2.56	3.85	3.21
1751s - 1752s	555	2.74	4.11	3.43
1752s - 1753s	555	2.74	4.10	3.42
1753s - 1754s	555	2.75	4.13	3.44
1754s - 1755s	555	2.70	4.05	3.37
1755s - 1756s	663	2.01	3.01	2.51
1756s - 1757s	663	1.87	2.81	2.34
1757s - 1758s	663	1.98	2.97	2.48
1758s - 1759s	663	1.94	2.90	2.42
1759s - 1760s	663	1.94	2.91	2.42
1760s - 1761s	771	1.79	2.68	2.23
1761s - 1762s	771	1.80	2.69	2.25
1762s - 1763s	771	1.86	2.79	2.33
1763s - 1764s	771	1.96	2.94	2.45
1764s - 1765s	771	2.03	3.05	2.54
1765s - 1766s	809	2.10	3.15	2.63
1766s - 1767s	809	2.01	3.02	2.52
1767s - 1768s	809	1.99	2.98	2.48
1768s - 1769s	809	1.89	2.84	2.37
1769s - 1770s	809	2.08	3.13	2.60
1770s - 1771s	846	2.00	3.00	2.50
1771s - 1772s	846	2.01	3.02	2.52
1772s - 1773s	846	1.97	2.96	2.46
1773s - 1774s	846	1.94	2.91	2.43
1774s - 1775s	846	1.94	2.91	2.42
1775s - 1776s	830	1.94	2.90	2.42
1776s - 1777s	830	2.05	3.07	2.56
1777s - 1778s	830	2.06	3.09	2.58
1778s - 1779s	830	2.00	3.00	2.50
1779s - 1780s	830	2.06	3.09	2.58
1780s - 1781s	813	2.12	3.18	2.65

1781s - 1782s	813	1.98	2.97	2.47
1782s - 1783s	813	2.44	3.66	3.05
1783s - 1784s	813	2.36	3.55	2.96
1784s - 1785s	813	2.61	3.91	3.26
1785s - 1786s	855	2.62	3.93	3.28
1786s - 1787s	855	2.63	3.95	3.29
1787s - 1788s				
1788s - 1789s	855	2.80	4.20	3.50
1789s - 1790s	855	2.86	4.28	3.57
1790s - 1791s	897	2.51	3.77	3.14
1791s - 1792s	897	2.48	3.72	3.10
1792s - 1793s	897	2.33	3.50	2.91
1793s - 1794s	897	2.47	3.71	3.09
1794s - 1795s	897	2.66	3.98	3.32

- a. As Lin's research does not indicate the specific time range of 'early 17th century', the GDP figures on this table are the average figures of GDP in 1610, 1620 and 1630
- b. Liu does not estimate GDP every year; hence, this research applies his estimation as the given year was in 1735 – 1740, the GDP figure is the average of 1730 and 1740; given year in 1740 – 1745, we use the figure in 1740 for GDP, and so forth

Sourced from: calculations based on tables 2-6 and 2-12



- a. Vertical axis refers to the trading value figures; the horizontal axis refers to the year

Source: based on the figures in table 2-13

The third perspective used to assess the significance of China’s growing intensity of maritime trade is to compare it with the British trade. The significance of British trade and its expansion has been analysed in the current literature extensively (Davis, 1954; Imlah, 1959; Semmel, 1970; Cain & Hopkins, 1980; Mitchell, 1988; Engerman, 1994; Obrien, 1994; Wallerstein, 2011; Erikson, 2014). Since Britain was the leading state in the global trading networks during this period, comparing the Chinese trade with British trade in the 18th century would contribute to the assessment of Chinese maritime trade in this stage. It is worth highlighting there are multiple studies regarding the analysis of the statistics of British trade (Davis, 1954; Imlah, 1959; Mitchell, 1988). Each of them may provide a different estimation due to the disparity in historical resources and methodology. In this regard, the thesis intends to apply Mitchell’s statistics. Meanwhile, Imlah (1959) raises a critical argument that official statistics could be largely underestimated due to the disparity between nominal value and the real value of commodities caused by the commodity price index. Despite his recalculation of British trading data commencing from 1796, his argument is also applicable for the whole period in this research. Thus, it was essential to scrutinise the price index throughout the 18th century, the results of which can be seen in table 2-15. The price index in Britain was moderately stable during the 18th century. We applied the price index to the revision of British foreign trade value during the period 1701-1795, as is demonstrated in table 2-16. In addition, in order to reveal the significance of the magnitude of China’s maritime trade value, we compared it with the contemporaneous British trade value, as shown in tables 2-16 and 2-17.

Table 2-15. Average Prices based on the Price Index in Britain, 1701 – 1795

Year	Price Index	Year	Price Index	Year	Price Index
1701	100	1733	85	1765	106
1702	99	1734	88	1766	107
1703	94	1735	89	1767	109
1704	98	1736	87	1768	108
1705	89	1737	93	1769	99
1706	101	1738	91	1770	100
1707	88	1739	89	1771	107
1708	92	1740	100	1772	117
1709	107	1741	108	1773	119
1710	122	1742	99	1774	116
1711	135	1743	94	1775	113
1712	101	1744	84	1776	114
1713	97	1745	85	1777	108
1714	103	1746	93	1778	117
1715	104	1747	90	1779	111
1716	99	1748	94	1780	110
1717	95	1749	96	1781	115
1718	93	1750	95	1782	116

1719	97	1751	90	1783	129
1720	102	1752	93	1784	126
1721	100	1753	90	1785	120
1722	92	1754	90	1786	119
1723	89	1755	92	1787	117
1724	94	1756	92	1788	121
1725	97	1757	109	1789	117
1726	102	1758	106	1790	124
1727	96	1759	100	1791	121
1728	99	1760	98	1792	122
1729	104	1761	94	1793	129
1730	95	1762	94	1794	136
1731	88	1763	100	1795	147
1732	89	1764	102		
AVG 1701 - 1780	99.15				
AVG 1780 - 1795	123.06				
AVG 1701 - 1795	103.06				
Standard Deviation	13.07				

a. 1701 = 100%

Sourced from: Mitchell., B., R, (2011). *British Historical Statistics*, New York: Cambridge University Press, pp.448-450

Based on applying British trading data and comparing it with Chinese trade value during the period of 1735-1795, as shown in tables 2-16 and 2-17, several remarks can be made. First, Chinese maritime trade, represented in real value, was moderately higher than British trade value on average. China's average percentage in comparison to the British figure was 118.22%. Even if compared using the minimal figure, the resulting 94.57% indicates that maritime trade in China and Britain was approximately of the same magnitude. Britain is widely depicted in many conventional studies as playing a leading role in global integration and the global trading network (Price, 1999; Reid, 2007; Lawson, 2020). Since the magnitude of the Chinese maritime trade was close to and possibly even larger than that of British trade, it is undeniable that China was one of the major protagonists in the global trade system in the 18th century.

Secondly, the changes in the trade values of the two states, shown in table 2-17, suggest that both states experienced a moderate increase in trading intensity. Signs of major divergence first emerged in 1790, in which year the curve of British trade value surpassed China's average trade value figure. A palpable tendency here is that British trade started to surge at the end of the 18th century, whereas China's trade continued to increase smoothly. Grounded on the second feature, the third remark is that the development trajectories of maritime trade in the two states were

rather similar in the 18th century, which coincides with the revisionist argument that the great divergence between China and Europe did not occur until the 19th century (Wong, 1997, 2002; Pomeranz, 2001).

Thirdly, it is worth mentioning here that the comparison was made between the values of British *total foreign trade* and China's *maritime trade*. Due to the limitation of historical statistics, only maritime trade records are available for China. The magnitude of other forms of trade, such as overland trade and tributary trade, is therefore not counted into the comparison with the British case. For example, Feng (2014, p.249) estimates trade value of the two states based on overland trade, with the trade value of these two states amounting to approximately 2975925 taels (931975 pounds) in 1775. This figure takes approximately 5% of the amount of the contemporaneous maritime trade. Hence, this numeric estimation is rather conservative and minimal. Ideally, through adding up the value of other forms of trade, our estimation could increase by at least 5%.

In a nutshell, Frank's (1998) argument that China was the centre of the global trade system during the period of 1500-1800 might be overstated. On the other hand, the conventional statement that China had retreated from the global trading network is a fundamental misperception and underestimates the significance of Chinese maritime trade in the 18th century (Zhang, 2007, Luo,2010). Based on the estimation of Chinese maritime trade value and the comparison with the British trade value, Qing China had actively participated in the global trading network in this stage. A relatively lower ratio of trade value to GDP, compared with the British case, might reflect the divergent logic and dynamics underlying the trade expansion. However, both China and Britain were essential players in fabricating the integration of the global trading network during this period.

Table 2-16. Trade value comparison between Britain and China

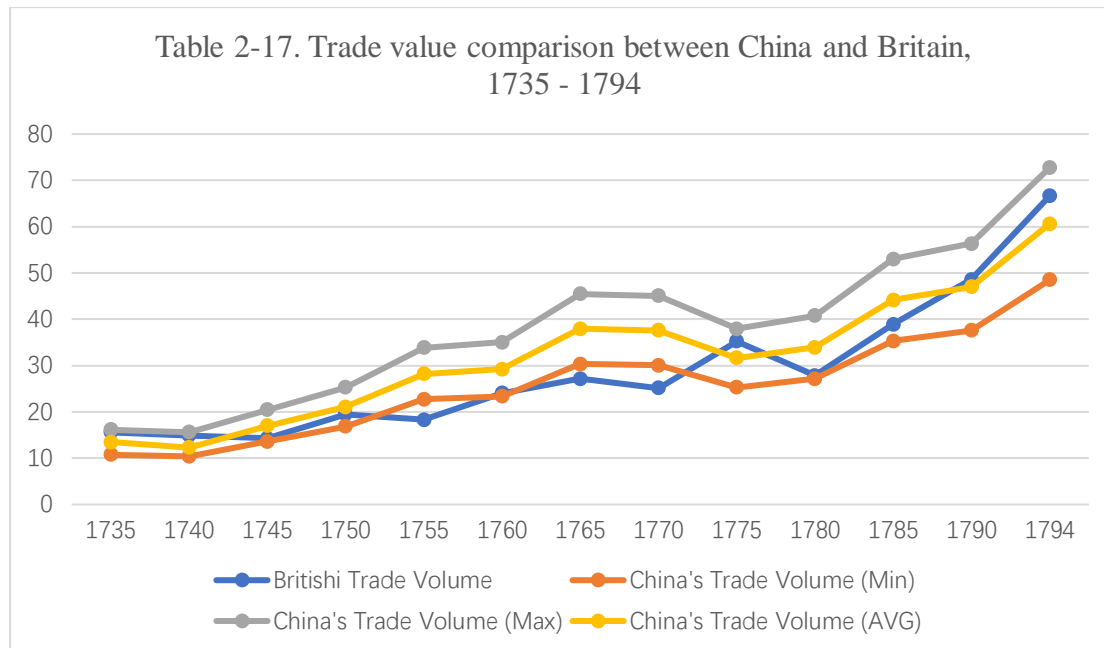
Unit: Million Pounds

	British Trade Value	China's Trade Value (Min)	China's Trade Value (Max)	China's Trade Value (AVG)	Percentage (Min)	Percentage (Max)	Percentage (AVG)
1735s - 1736s	15.58	10.79	16.19	13.49	69.30%	103.94%	86.62%
1736s - 1737s	14.79	9.17	13.75	11.46	61.99%	92.98%	77.49%

1737s 1738s	-	16.00	8.63	12.94	10.79	53.94%	80.91%	67.43%
1738s 1739s	-	16.02	9.60	14.40	12.00	59.96%	89.94%	74.95%
1739s 1740s	-	14.86						
1740s 1741s	-	14.90	10.39	15.59	12.99	69.75%	104.62%	87.18%
1741s 1742s	-	18.90	12.82	19.23	16.03	67.84%	101.77%	84.81%
1742s 1743s	-	16.34	12.78	19.17	15.97	78.22%	117.34%	97.78%
1743s 1744s	-	17.95	12.88	19.31	16.10	71.72%	107.58%	89.65%
1744s 1745s	-	13.10	13.40	20.10	16.75	102.25%	153.37%	127.81%
1745s 1746s	-	14.32	13.61	20.42	17.02	95.04%	142.56%	118.80%
1746s 1747s	-	15.82	15.28	22.91	19.09	96.56%	144.85%	120.70%
1747s 1748s	-	15.12	15.59	23.38	19.48	103.08%	154.62%	128.85%
1748s 1749s	-	18.05	15.98	23.96	19.97	88.52%	132.78%	110.65%
1749s 1750s	-	19.78	16.89	25.33	21.11	85.40%	128.09%	106.74%
1750s 1751s	-	19.48	16.87	25.31	21.09	86.62%	129.94%	108.28%
1751s 1752s	-	18.27	25.80	38.71	32.25	141.24%	211.85%	176.54%
1752s 1753s	-	18.23	25.75	38.62	32.18	141.24%	211.86%	176.55%
1753s 1754s	-	18.72	25.90	38.86	32.38	138.38%	207.56%	172.97%
1754s 1755s	-	17.91	25.41	38.11	31.76	141.85%	212.77%	177.31%
1755s 1756s	-	18.31	22.57	33.86	28.21	123.28%	184.92%	154.10%
1756s 1757s	-	19.04	21.06	31.58	26.32	110.56%	165.85%	138.20%
1757s 1758s	-	23.93	22.28	33.42	27.85	93.11%	139.66%	116.39%
1758s 1759s	-	22.37	21.77	32.65	27.21	97.32%	145.98%	121.65%
1759s 1760s	-	22.90	21.79	32.69	27.24	95.16%	142.74%	118.95%
1760s 1761s	-	24.01	23.36	35.04	29.20	97.29%	145.94%	121.62%
1761s 1762s	-	22.00	24.70	37.05	30.88	112.30%	168.44%	140.37%
1762s 1763s	-	21.34	25.62	38.43	32.03	120.07%	180.10%	150.09%
1763s 1764s	-	25.80	27.00	40.49	33.74	104.63%	156.95%	130.79%
1764s 1765s	-	27.13	27.93	41.90	34.92	102.95%	154.43%	128.69%
1765s 1766s	-	27.14	30.33	45.50	37.92	111.78%	167.67%	139.72%
1766s	-	27.39	29.06	43.58	36.32	106.07%	159.11%	132.59%

1767s							
1767s - 1768s	28.34	28.66	42.99	35.83	101.13%	151.70%	126.42%
1768s - 1769s	29.16	27.33	40.99	34.16	93.72%	140.59%	117.15%
1769s - 1770s	25.15	30.06	45.09	37.57	119.54%	179.30%	149.42%
1770s - 1771s	26.50	30.16	45.24	37.70	113.82%	170.73%	142.28%
1771s - 1772s	31.99	26.85	40.28	33.56	83.93%	125.89%	104.91%
1772s - 1773s	37.67	26.29	39.43	32.86	69.78%	104.67%	87.23%
1773s - 1774s	34.75	25.87	38.81	32.34	74.46%	111.69%	93.07%
1774s - 1775s	36.66	25.82	38.74	32.28	70.45%	105.68%	88.06%
1775s - 1776s	35.26	25.31	37.97	31.64	71.79%	107.69%	89.74%
1776s - 1777s	31.12	26.79	40.18	33.49	86.08%	129.12%	107.60%
1777s - 1778s	28.19	26.98	40.47	33.73	95.72%	143.58%	119.65%
1778s - 1779s	27.14	26.20	39.30	32.75	96.53%	144.79%	120.66%
1779s - 1780s	27.64	26.96	40.44	33.70	97.55%	146.32%	121.93%
1780s - 1781s	27.83	27.16	40.74	33.95	97.59%	146.39%	121.99%
1781s - 1782s	27.60	26.81	40.21	33.51	97.12%	145.68%	121.40%
1782s - 1783s	27.03	33.09	49.64	41.37	122.44%	183.66%	153.05%
1783s - 1784s	36.25	32.04	48.06	40.05	88.39%	132.58%	110.49%
1784s - 1785s	38.30	35.33	52.99	44.16	92.23%	138.35%	115.29%
1785s - 1786s	38.88	37.35	56.03	46.69	96.07%	144.11%	120.09%
1786s - 1787s	38.20	37.50	56.25	46.88	98.17%	147.26%	122.71%
1787s - 1788s	40.62						
1788s - 1789s	42.83	39.92	59.89	49.90	93.20%	139.81%	116.51%
1789s - 1790s	43.52	40.70	61.04	50.87	93.50%	140.26%	116.88%
1790s - 1791s	48.61	37.57	56.36	46.97	77.30%	115.95%	96.63%
1791s - 1792s	51.30	45.28	67.93	56.60	88.26%	132.40%	110.33%
1792s - 1793s	54.41	42.54	63.82	53.18	78.19%	117.28%	97.74%
1793s - 1794s	51.21	45.11	67.67	56.39	88.09%	132.13%	110.11%
1794s - 1795s	66.64	48.49	72.74	60.61	72.77%	109.15%	90.96%
Average	27.47	25.47	38.20	31.84	94.57%	141.86%	118.22%

Sourced from: Mitchell., B., R, (2011) *British historical statistics*, New York: Cambridge University Press, pp. 448-450



a. Vertical axis refers to the trading value; Horizontal axis refers to the year

Source from: Date regarding British trade is from Mitchell., B., R, (2011) *British historical statistics*, New York: Cambridge University Press, pp. 448-450

2.2. The extensivity and range of Chinese maritime trade

China's maritime trade developed significantly after 1684, largely due to the managed liberalising policies and institution building implemented by the state, which provided a 'uniform but flexible framework' for China's traders (Huang, 2004, p. 169). As argued in the thesis, the liberal framework allowed Chinese and foreign merchants to conduct transactions with only limited restriction. Under this circumstance, the extensivity of China maritime trade, primarily carried by Chinese private traders, expanded regionally and globally. In this regard, the extensivity and range were important reflections of the significance of the Chinese maritime trade, which was recorded by the historical archives extensively. For example, based on a Qing official document, an owner of a shipbuilding factory described that 'more than a thousand ships sailed abroad for trade....., they come back with silver.' (Daqing Shengzu Ren Huangdi Shilu, vol. 270). Likewise, the historical record, *Huangchao wenxian tongkao*, depicted the economic interaction between China and regional states as follows:

...merchants from south China's sea are coming for business..., the Chinese merchants are following the winter wind to sail out for trade, from October to

February next year. Then they will come back from June to October.

(Huangchao wenxian tongkao, vol. 297)

These records uncovered the frequency and wide range of China's trade. During this period, Qing China's trading partners suffused the regions of East Asia and Southeast Asia, as is specifically recorded in a local official's report. A report states that China's maritime trading partners included Ryukyu, Japan, Korea, Annam, Luzon, Sulu, Siam, Banjarmasin, Nakhon Si Thammarat, Songkhla, etc.... (Compilations of Historical Archives of Ming and Qing periods, 1993, p. 707). These records reveal that economic interactions between China and states from south and southeast Asia were frequent. Moreover, the archive compilation, 'Compilation of Historical Archive of Business and Trade between China and West', records extensive cases of trade between Chinese and European merchants (First Historical Archives of China, 2010). Accordingly, the extensity of Qing-China's trade, at this stage, was on a global scale. Specifically, the main trading partners can be categorised as the states in East Asia (Dongyang mainly refers to Japan), states in South Asia and Southeast Asia (*Nanyang*), and European states (*Xiyang*). The diversity of each region was also embodied in the maritime trade. Dynamics underlying these regional trades together constituted the prosperous global trade during the 18th century.

China's maritime trade with East Asia (*Dongyang*)

Japan was the major maritime trading partner for imperial China in early modern history. The dynamics in Sino-Japan trade largely symbolised the expansion of the Chinese maritime trade in this region. Initially, the trade between China and Japan had thrived in the Ming dynasty (1368-1644). However, since the late Ming period, the deterioration of diplomatic relations between Ming-China and Japan led to the cessation of tribute trade (Akira, 2002, pp.10-13). Under this circumstance, the soaring demands for trade in both states led to the surge of private trade and illegal trade. In the meantime, Europe's successful participation in intermediate trade between China and Japan sustained the trading network in this region. However, the Qing court's trade policy prior to 1684 dramatically jeopardised the Sin-Japanese trade. As a result, illegal trade such as smuggling surged in this region. Li (1993, p. 56) discovered that the number of Chinese vessels engaged annually in smuggling along the Sino-Japan trading route amounted to 14 during the years of 1662-1772. The sluggish trade lasted until Qing's opening in 1684. When the Qing court phased out the trade ban policy, the number of trading ships on the Sino-Japan trading line immediately surged.

The Japanese archival literature, 'Kai Hentai', records in detail the changes and development of Sino-Japan's trade during the 17th-18th centuries. Even though this literature has not been translated into Chinese or English, thanks to Chinese Japanologists, extensive studies on this literature have emerged in the 20th and 21st centuries. According to this literature, the impact of the Qing court's policy can be detected by the changes in the numbers of Chinese trading ships in Japan. Various studies (Ōba, 1997, p.19; Sun, 2011, p.101) discovered there were approximately 57 Chinese ships berthed in Japan's ports from 1634 to 1644, whereas this figure had dropped by nearly half by the eve of Qing's opening. Table 2-18 and 2-19 respectively demonstrate the number of Chinese ships in Nagasaki and their origins. From 1674-1684, an average of 27 Chinese vessels shipped to Nagasaki for trade, whereas this figure surged immediately the Qing court phased out the trade ban in 1684. For instance, the number of Chinese ships in Nagasaki was 24 in 1683 and 20 in 1684. However, this figure surged to 85 in 1685, 102 in 1686, 115 in 1687 and 193 in 1688. Meanwhile, in 1688, the total number of Chinese crews and merchants reached 9218 (Ōba, 1997, p.9). These statistics reflect the high demand among Chinese merchants for trading in Japan. Then the question is, why was Japan so important to Chinese merchants?

Three reasons explain the occurrence of this phenomenon. First, Qing China's state policy boosted the prosperity of Sino-Japanese trade. As analysed in chapter one, the Qing's opening provided a liberal and legalised framework for Chinese merchants to engage in maritime trade. The Kangxi emperor's liberal notions on maritime trade were incarnated in the case of Sino-Japan trade. In 1685, the second year of opening, the Kangxi emperor sent a trading fleet with Chinese commodities to Japan in order to resume trading relations, despite the fact that Japanese bakufu eventually rejected the Qing court's request (Yi, 2004, pp.97-101). Another case relates to a group of senior officials who asked for trade with Japan to be constrained since they were resentful of Japan's independence from Qing China's tribute system (Jin, 2008, p.72). Nonetheless, the Kangxi emperor refused to suppress the Sino-Japanese trade. These two cases manifested the Kangxi emperor's supportive and liberal attitude towards Sino-Japan trade, which was in accordance with his notion of trade opening as set out in the 1684 framework.

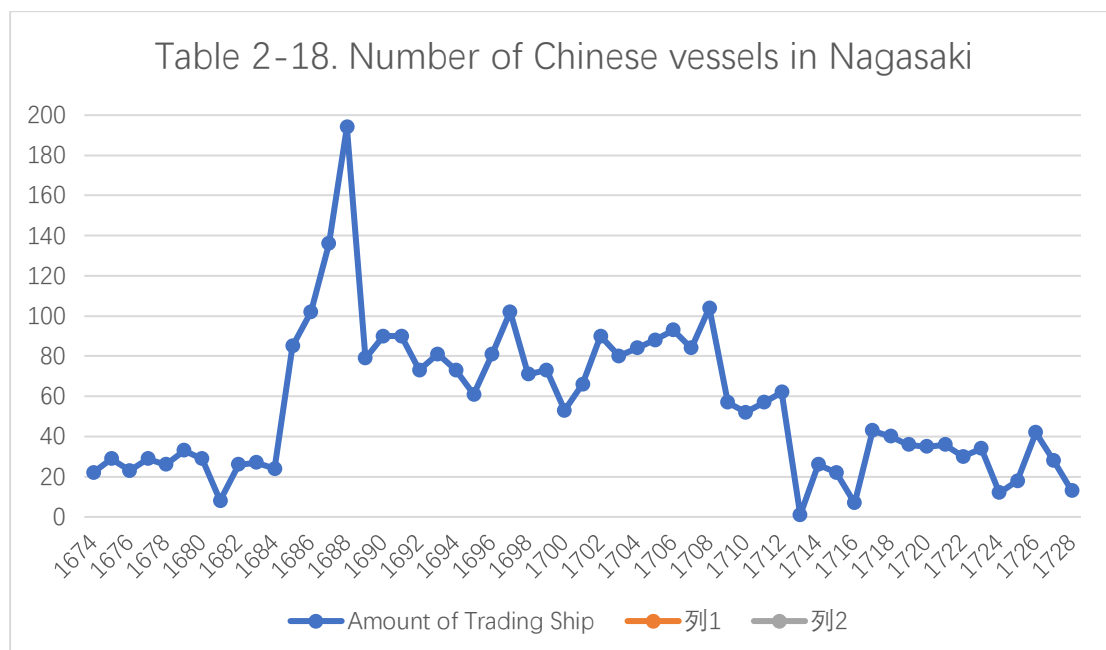
Secondly, the Qing state's incentive policy and the Japanese bakufu's adaptive response enabled the Sino-Japan trade route to thrive. From the Qing perspective, the copper purchasing policy was particularly important in terms of stimulating Chinese merchants to trade with the Japanese (Chen, 1992, pp.58-60). In the early Qing period, copper mining and transactions

were monopolised by the state. However, when the state's demand for copper increased rapidly, private merchants were allowed to engage in this type of business. Due to the huge profits, a specialised copper merchant group (*Yangtong Shang*) emerged. This group of merchants were encouraged to trade Chinese products (raw silk and sugar) for copper in Japan. After they returned, 50%-60% of the copper had to be sold to the state, at the official price. The rest of the copper could be sold freely in the market (Yao & Yao, 2003, p. 42). Hence, these merchants could make massive profits by engaging in this business. When Chinese merchants began actively to sail to Japan for trade, the Japanese bakufu faced a dilemma. On the one hand, Japanese society heavily relied on Chinese commodities such as raw silk products and sugar. On the other hand, the prosperous trade caused the outflow of silver, which was a primary concern for the bakufu. Therefore, the Japanese bakufu announced a 'substitutive payment' policy in 1695, by which Japanese traders could pay with copper, as the bakufu was aware that copper was the primary commodity among Chinese traders. Hence, under both states' new policies related to the copper trade, a massive amount of copper outflowed. According to the study by Kimiya Thai-yan (1980, p.650), the amount of outflow of Japanese copper was approximately 114,498,700 catties, from 1662 to 1708, most of which arrived in China through maritime trade. This huge amount of outflow indicates the prosperity of Sino-Japan trade during this period. To prevent further outflows of metal (silver and copper), Japan continuously strengthened the restrictions on China's traders, which eventually led to the waning of Sino-Japan trade.

Thirdly, the lucrative price disparity between China and Japan incentivised Chinese merchants to trade in Japan. According to a Chinese record, the profits from trade in Japan were huge, since the prices of trading commodities in Japan were five times higher than those in China, and the price of copper in China was double that in Japan (Yao & Yao, 2003, p. 42). Likewise, Viraphol (1977, p.59) analysed the price disparity of staple trading commodities, including sugar, raw silk, wax, zinc and iron ore, between Nagasaki and Guangzhou. He concluded that the price disparity between Japan and China was approximately 200%-300%. This large price disparity was stimulus for Chinese merchants to sail to Japan. Nonetheless, one main impact on Japan of this price disparity was that it caused a large trade deficit for Japan. Since Chinese traders had less interest in Japanese products, the only way that Japan could address this deficit was by paying with silver and copper money. Simkin (1968, p.205) raises an example that imports and exports in Nagasaki were respectively 120,000- and 170,000 pounds in silver. Approximately 50,000 pounds in silver or equivalent such as copper outflowed from Japan in

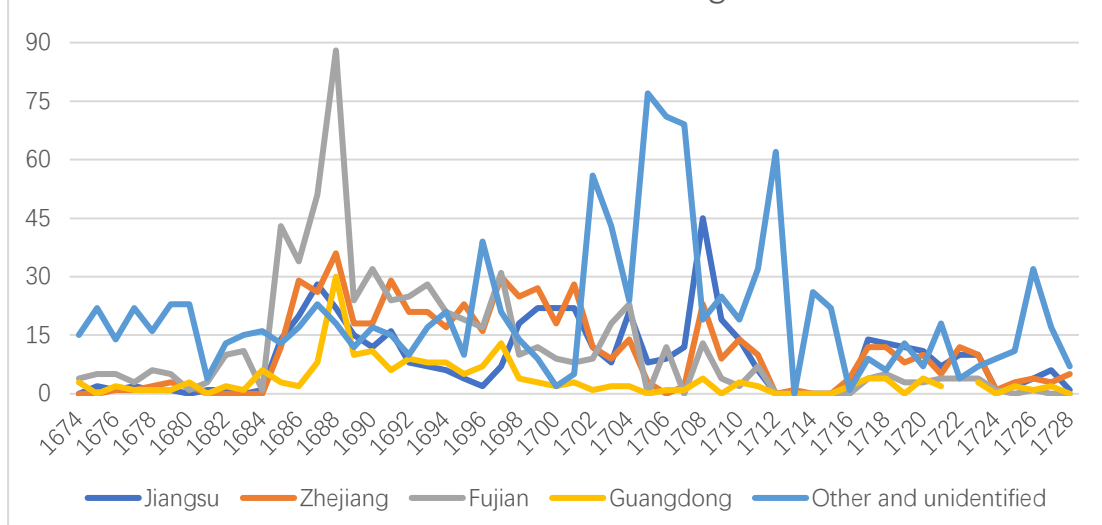
this year. In the long run, the drain on silver and copper reserves could not maintain this Sino-Japan trading relation. Under this circumstance, Japan's bakafu chose to suffocate the trade with China. Through imposing multiple restrictions on the size and scale of China's traders and trading fleets, Japan eventually stepped onto the development path of import substitutions, and Sino-Japan trading relations declined and waned accordingly.

Sino-Japan trade underwent a floundering phase under the Qing court's trade ban policy, but then recovered and expanded rapidly after Qing's opening. The expansion and flourishing of the trading network in this region were primarily due to Chinese private traders (Jin, 2008, p.43). Meanwhile, the state's preferential policy and price disparity of trading commodities between Japan and China incentivised merchants to engage in this lucrative activity. Akira (2002, pp.30-36) argues that while the lucrative trade business was a great attraction for Chinese merchants and sailors, engagement in maritime trade required a certain amount of capital, which made it unaffordable for many of these people. Under this circumstance, the trading partnership and commission business emerged. The dynamics of this capital mobilisation indicated that Chinese merchants were able to engage fairly freely in the market and trade, which endorses that market forces were driving the expansion of trade during this period.



Sourced from: Sun, W., (2011) *Tangchuan Fengshuo: Archive and History – Study and Discovery on 'Kai Hantai'* (唐传风说: 文献与历史 - 《华夷变态》初探), Beijing: The Commercial Press, pp.99-101.

Table 2-19. Number of Chinese Ships in Nagasaki from Each Port of Origin



Sourced from: Sun, W., (2011) *Tangchuan Fengshuo: Archive and History – Study and Discovery on ‘Kai Hantai’* (唐船风说: 文献与历史 - 《华美变态》初探), Beijing: The Commercial Press, p.100.

Chinese maritime trade with Southeast Asia (*Nanyang*)

The dynamics of Qing’s maritime trade with states in Southeast Asia were more complex, compared with the Japanese case. At first glance, private traders drove the expansion of the trading network in both regions under the liberal trading framework set up by the Qing court. However, there were fewer European powers involved in Japan's case, as the restrictive policies imposed by the bakafu meant that only Chinese and Dutch traders had limited access to the Japanese market (Jin, 2008, p.163). Meanwhile, with the trade deficit lasting in the long run, Japan adjusted its policies to import substitutions, which caused the eventual decay of maritime trade in this region. More importantly, the expansion of the trading network in Southeast Asia was driven by Chinese private traders and diasporas in this region, which was a distinctive feature of the building and expansion of trade with Southeast Asia. Although the Chinese diasporas participated in the Sino-Japan trade, the number of China immigrants in Japan was marginal. Their activities were limited only to Chinatown in Nagasaki, and it was hard for them to extend their impact throughout the Japanese islands (Tong, 1993, pp.21-25).

In stark contrast to Japan’s case, Southeast Asia prevailed as an attractive destination for Chinese traders and diasporas. Zhuang (2008, pp.70-71) concludes that during the period of the 16th-19th century, Southeast Asia was experiencing the first wave of Chinese immigration. Specifically, during the Qing period, the process and scale of Chinese emigration to Southeast

Asia never ceased or declined. According to the Qianlong emperor's depiction during the conversation with his ministers, thousands of people built vessels and sailed to Southeast Asia every year, whereas only half of them came back eventually (Daqing shengzu ren huangdi shilu, vol. 270). Moreover, illegal emigration was a serious problem for the Qing court at that time. According to Fujian's governor's report, traders and ship owners hid people in their vessels to help them emigrate to other states (Southeast Asia). Each ship could contain 200-500 illegal emigrants, and each one had to pay from eight to more than ten taels in silver. Through this activity, these maritime traders and ship owners could make lucrative profits (Yu, 2000, pp.46-47). Meanwhile, the local Chinese in these Southeast Asian states would offer a series of services, including receiving, settlement and job introductions. These services were deeply embedded in the business network created by and for the Chinese diasporas during the 17-18th century (Zhuang, 2000, p.238). The total number of the Chinese diasporas in the southeast Asia region had reached approximately 1.5 million by the eve of the first Opium War. These sojourners and immigrants primarily settled in Siam, Indonesia, Malaya, Philippines, and Burman, with approximately 60% of the total number living and working in Siam (Zhuang, 2000, pp. 238-239). In this way, Chinese private traders and diasporas built and expanded the trading network in this region.

Before elaborating on how the Chinese traders and diasporas expanded and developed a trading network in different localities, it is important to briefly mention the role of European colonial power in this region. From the 16th to the 17th century, as European power expanded in this region, a palpable impact that they brought was the decline or demolition of the indigenous trading classes (Hui, 1995, p.57). Even though the early Chinese immigration to Southeast Asia can be traced back to the early 15th century, the impact of Chinese communities was rather limited in the various localities, and Chinese traders were facing intense competition in this region since local trading classes enjoyed certain advantages both politically and economically. This scenario did not change until the European colonial powers arrived. Due to the mercantilist nature of European traders, they tried to monopolise the market by constraining the liberty of local trading groups or simply deporting them from the local market (Curtin, 1984, p.147; Reid, 1990, p.652-654). As a minority group, Chinese communities did not suffer from this impact but benefited instead due to the decline of the local trading group. Then, in the late 17th century and into the 18th century competition was rife among the European powers in Southeast Asia, which objectively gave Chinese groups opportunity for growth in this area. Consequently, coupled with the activities of indigenous Chinese traders, the rise of the Chinese group in

Southeast Asia dominated the expansion of the trading network in this region, and their European counterparts were largely excluded from this process (Blusse, 1991, p.334).

At this stage, several distinguishable features of Chinese private traders, sojourners and diasporas in this region made a contribution to the prosperity of maritime trade and the expansion of the trade network. Firstly, Chinese diasporas were distributed across Southeast Asia and deeply embedded in local society. According to Zhuang (1992, 2000, 2008), approximately 1.5 million Chinese sojourners were living in different regions of Southeast Asia, including Siam, Indonesia, Malaya, Philippines, and Burman, on the eve of the First Opium War. The primary occupations for this group of people were crop planters, traders, businessmen, traders and miners. Similarly, Chen (1991, p.246), who studied the records on Southeast Asia, suggested that most of the Chinese diasporas were working in business and trade. Specifically, the Chinese were deeply embedded in the local society, primarily based on their retail business and intra-regional trade in Southeast Asia. 'Industrious Chinese businessmen' (Huang, 2008, pp.75-80) actively extended their retail businesses into the remote heartlands of the islands. For example, in Parian (a city in Manila), the number of Chinese retail stores was approximately 400 in 1602, 800 in 1628 and 1200 in 1645 (Volker, 1954, p.196). Similarly, in relation to sugar production in Batavia, in 1710 the total number of sugar factories was 131, and most of these were owned by the Chinese. The sugar they produced was shipped mainly to Europe (Glamann, 1958, p. 164). A local record unveils that the large number of Chinese retail business and the popularity of their business practices helped them to monopolise certain commodity markets. Another measure that helped them root in the local society was intra-regional trade in Southeast Asia. Since these Chinese were politically unambitious, both the European colonisers and indigenous authorities trusted them and gave them the freedom to engage in intra-regional businesses (Nie, 2000, p.88). Furthermore, as shipbuilding skills and technologies advanced, these Chinese traders and businessmen were made quite welcome in the localities. Both elite groups and local trading classes relied on them to conduct intra-regional and remote maritime trade. As a result, Chinese sampans and ships were everywhere in this region, and they actively shuttled among islands for trade (Crawford, 1820, p.582). According to Tian's study (1957, pp.24-26), Chinese merchants were involved in building or investing in building nearly all of the ocean-going vessels in Siam.

Second, these Chinese private traders were also embedded in the mainland of China, due primarily to their genetic and relational connections. Since the Ming period, most of the

southeast Asian immigrants had come from Fujian province. When the Qing court phased out the trade ban, the origins of immigrants became more diversified. Fujian's governors reported the situation of immigration to the emperor, which he analysed as '...60% - 70% of these people come from Fujian, and the rest are respectively from Guangdong, Jiangsu and Zhejiang' (Zhuang, 1992, p.70). In the mid and late 18th century, the number of immigrants from Guangdong started to increase. Hence, throughout the 18th century, immigrants from Fujian and Guangdong accounted for the majority of the total number of Chinese immigrants in Southeast Asia. When these people emigrated or sojourned overseas, they usually left their families behind in the original locality. In this case, trade was not merely a method to make a profit but was a channel for reunion of sojourners with their families.

These two features endowed Chinese traders with large advantages in the maritime trade in this region. The domination of intraregional trade and diversified business network in Southeast Asia granted Chinese traders better accesses to those exotic products that prevailed in Qing China, at a lower price. Meanwhile, their genetic and relational bonds with China helped them gain more information on the market. Hence, Chinese traders were fairly competitive in the maritime trade in this region. Both Qing China and Europe were aware of this, and they also took advantage of Chinese traders to gain benefits. A typical case was the rice trade between Qing China and Siam. Due to the population growth, rice became scarce in the coastal region, which was a preoccupation for the Qing court. In 1722, the Kangxi emperor received a message that the price of rice in Siam was rather low. Hence, rice from Siam became the solution to Kangxi's concern. The Qing court issued a series of preferential policies for rice imports, such as tax exemption (First Historical Archives of China, 2010, pp.723-726). Under this circumstance, both indigenous and overseas Chinese traders carried rice and other products to sell in China, through which the Sino-Siam trade was significantly promoted (Tang & Tian, 2004, pp.82-84). A similar case can be seen in the trade with Europe in Luzon. Luzon had been colonised by the Spanish at that time; thus, trade between China and Luzon was *de facto* trade with the Spanish. Due to the fact that the Spanish lacked access to China's market, they took advantage of Chinese private traders in this region to gain Chinese delicacies for reselling in Europe and America. The famous galleon trade on the maritime Manila-Acapulco route was significantly impacted by Chinese private traders in Southeast Asia (Quan, 2011, pp.59-62).

The growing scale of trade with Southeast Asia during the 17th-19th centuries helped shed light on how the trading network engaged in by Chinese traders (both indigenous and overseas

Chinese) expanded in this stage. Here, we examine the development of maritime trade in several regards. First, the growing number of Chinese junks in this region illustrates the expansion of China's trade. Table 2-20 displays the numbers of Chinese junks in Luzon, with this number close to doubling in the decade after 1690. This surge was owing to the Qing's opening policy in 1684, by which Chinese traders could freely sail to Southeast Asia for trade. However, after peaking in the period of 1701-1710, the number of Chinese junks plummeted in the next decade. As I analysed in the first chapter, despite the trade ban in 1717 being merely a brief interlude within the period of Qing's opening, it had a *de facto* impact on the trading scale with Southeast Asia, which could be seen from the number of Chinese junks in Luzon being only 94 during the period of 1711-1720. This figure rose back until the Qing court announced the abolition of this ban in the coming period. A similar pattern could be seen in the trade with Batavia. The number of Chinese junks in Batavia increased until the 1740s. The prosperous trade triggered jealousy and dissatisfaction among the Dutch colonisers. As a result, they carried out the cruel Chinese massacre of 1740. Moreover, in order to suppress Chinese merchants, the Dutch government announced a series of restrictive policies, including banning Chinese merchants from trading in certain commodities, such as spices, imposing heavy additional duties on Chinese merchants, which eventually led to the decline of trade between China and Batavia. Second, the change in Chinese junks' tonnage was another dimension to reflect the development of trade in this region, which was observed by a few studies (Tian, 1957; Chen, 1991). At the beginning of Qing's opening, the size of most of China's junks and vessels was limited, their tonnage usually ranging from 100-200 tons, due to the size stipulation issued by the Qing court. Nonetheless, with the developing maritime trade and failure by local customs houses to apply the size rules, the size and tonnage of the trading vessel were growing. At this stage, the average tonnage of trading vessels in Japan and Southeast Asian regions was approximately 200-400 tons (Chen, 1991, pp. 157-159). Based on the official record, most trading vessels in the Guangdong and Fujian regions were oversized (Daqing gaozong shilu, vol. 282).

Table 2-20. Numbers of Chinese Junks in Luzon, 1661 – 1760

Year	Number of Junks	Year	Number of Junks
1661 – 1670	57	1711 – 1720	94
1671 – 1680	49	1721 – 1730	123
1681 – 1690	89	1731 – 1740	152
1691 – 1700	171	1741 – 1750	116

1701 – 1710	204	1751 – 1760	124
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Sourced from: Quiason., SD, (1966) ‘The Sampan Trade, 1570 – 1770’, *The Chinese in the Philippines, 1966*, cited in Chen., X., (1991) *China Junk and Maritime Trade (中国帆船与海外贸易)*, Fujian: Xiamen University Press, pp.45-46

Table. 2-21 Number of Chinese Junks in Batavia, 1681 – 1790

Year	Chinese	Portuguese	Total
1681 – 1690	9.7	1.8	11.5
1691 – 1700	11.5	1.6	13.1
1701 – 1710	11.0	2.9	13.9
1711 – 1720	13.6	5.9	19.5
1721 – 1730	16.4	9.0	25.4
1731 – 1740	17.7	4.8	22.5
1741 – 1750	10.9	4.1	15.0
1751 – 1760	9.1	1.8	10.9
1761 – 1770	7.4	2.4	9.8
1771 – 1780	5.1	3.0	8.1
1781 – 1790	9.3	3.9	13.2

a. The numbers refer to the average per year

Sourced from: Blusse., L, (1988), *Strange Company, Chinese settlers, mestizo women and the Dutch in Voc Batavia*, E-Book available from <https://quod.lib.umich.edu/cgi/t/text/text-idx?c=acls;cc=acls;view=toc;idno=heb04437.0001.001>, pp. 49-53.

In sum, coupled with the large and extensively distributed Chinese diasporas in this region, China's private trade significantly carried the expansion of the trading network in this region. Certain distinguishable features indicate that these Chinese possessed certain advantages in the maritime trade market, which enabled them to defeat their European and Southeast Asian counterparts in the market. Through local businesses, intraregional trade among islands, and maritime trade with China, these traders had built tight connections between China and Southeast Asia. Moreover, via acting as intermediary merchants among European colonies, China and states in Southeast Asia, East and Southeast Asian trading networks connected with Europe, which contributed to the integration of the global trade system. Thus, the dynamics of the expansion of the trading network in this stage could best be summed up by a quote from the study by Zhuang (2000, p. 239) that ‘Chinese merchants were the network itself, and the places where they arrived were the places the network extended to’.

Chinese maritime trade with Europe (*Xiyang*)

If the expansion of the trading network in East and Southeast Asia was significantly driven by the business activities of Chinese traders, the direct encounters between Chinese and European merchants indicated the regional trading network extended globally. More importantly, it was the interaction between the two logics of trade and wealth accumulations which significantly catalysed the continuous global economic integration and contributed to the formation of what Wills called 'the interactive emergence of European domination' (Wills, 1993, pp.83-105). As analysed in the preceding sections, the economic dynamic behind the enlargement of Chinese maritime trade in the 18th century was the historical managed liberalism, which was in stark contrast to the dynamics of trading expansion practised by Europe. The period of the 17th-18th centuries witnessed the theoretical development and practice of mercantilism in Europe (Xu, 2014, p.82). European governments encouraged overseas colonisation and trade monopoly. Specifically, European trade, at large, had been conducted in the form of the 'trade company', which was fundamentally underpinned by the home state. When European powers expanded eastwardly during the 16th-17th centuries, they established different kinds of 'companies' in Asia, through which they sought to monopolise the Asian market. During this stage, the most remarkable cases were the Dutch East India Company (VOC) and the British East India Company (EIC). In fact, the Portuguese and Spanish arrived in East Asia earlier than the Dutch and British. After arriving, they successfully monopolised the spice and pepper market in East and Southeast Asia. However, this lucrative trade was not maintained too long, as Dutch and British powers came and took over the domination of this region (Chen, 2006, pp.236-240). First was Dutch power. In order to crack down on Spanish and Portuguese powers in Asia, they established the VOC in 1602, through which they successfully colonised Batavia, Taiwan and Pescadores. Based on these colonies, Holland actively participated in the Intra-Asian trade. According to Israel (1995, pp.941-942), there were approximately 107 Dutch trading vessels engaging in Asian trade. Specifically, they would exchange Indian cotton for silver from America and Japan, then resell Indian cotton for Sumatran spices, Chinese and Bengali silk. Eventually, they transported these highly valued Asian commodities to Europe. Throughout the 17th century, the VOC in East and Southeast Asia enabled Holland to make huge profits through Intra Asiatic trade, in what is depicted as 'the most dramatic and even spectacular branch of Dutch commercial expansion in the 17th century' (Wallerstein 2011, p.49). An analogous pattern could be seen in the case of the expansion of British power and EIC in this region. The EIC's business in Asia comprised three main parts, which included the intra-European trade, Britain-East India trade, and intra-Asiatic trade (Chaudhuri, 2006, pp.4-10). The British

purchased a large amount of exotic Asian products such as spices, tea, porcelain and silk. Then, they resold them in Europe for profit. Following a similar pattern, other European states established trading companies, such as the French East India Company and the Swedish East India Company (SOIC) and authorised them to participate in the intra-Asian trade during the 17th-19th centuries.

Despite the fact that the Dutch and British built multiple colonies in the East and the Southeast Asian Sea area, the trade with China was hard to progress in the early 17th century. Dutch merchants requested direct trade with Ming China, but they were rejected by the Ming court and hindered by the Portuguese in Macao at the same time (Jin, 2008, pp.155-157). The Dutch had partial control over Taiwan island from 1624 until 1662. After their expulsion by Zheng's forces, the Dutch turned back to Batavia and traded with private Chinese merchants in Southeast Asia. During the early Qing period, Batavia's governor sent missions to China to request permission to trade in 1653 and 1654, but the Qing court's Shunzhi emperor only agreed to allow tribute trade 'once every eight years' (Daqing shizu zhang huangdi shilu, vol. 102, 103, para.23-25). In 1662, Holland promised the Qing court assistance in attacking Taiwan island. In return, the Dutch expected to get the Qing court's permission to participate in the tribute trade. In the end, the Qing court gave them permission for 'tribute every two years' (Daqing shengzu ren huangdi shilu, vol. 8, para.35). Until the Qing court announced abolition of the trade ban in 1684, Dutch merchants could enter China and trade freely. As a result of the growth in the trading scale, the Dutch built a commercial house (*Huiguan*) in Guangdong in 1729, which enabled direct trade to develop more rapidly. Moreover, as the trade in Batavia was shrinking during the period of 1740-1750, most of the trade was conducted in Guangzhou after the formation of the Canton system in 1757.

Likewise, Britain failed to enter China forcibly through Guangdong in the mid-17th century; hence, they contacted Zheng's forces, through which they acquired the privilege to trade in the Taiwan and Xiamen regions. After Qing's opening up, British trading vessels could enter China freely. For instance, the 170 tons vessel 'Chyna Merchant' arrived at Xiamen in 1685. When it left, the cabin was 'full of Chinese commodities' (Morse, 1929, p.63). In the first half of the 17th century, the British trade in China geographically diversified. Zhejiang, Guangdong and Fujian were all preferred by these British merchants. Until 1698, in order to promote trade, the Kangxi emperor announced tax reductions for British trade in Guangdong. Afterwards, the British merchants focused on Guangdong, and subsequently built the first commercial house

there (Zhang, 1999, pp.213-215). Nevertheless, certain groups of British merchants still shipped to Zhejiang and Fujian since they complained that the endless extortion by the local officials in Guangdong forced them to change their trading location. However, as analysed in the first chapter, due to his annoyance with James Flint and the EIC trading vessels' violations of the court's decree, the Qianlong emperor eventually announced the formation of the Canton system in 1757. Hence, Guangdong became the only port that allowed the British to trade.

Following Qing's opening up, the expanding Chinese trading network could be assessed by the growing numbers of European trading partners. Led by Britain and Holland, the European states which had a trading relationship with China during this period included Spain, Portugal, France, Denmark, Sweden, Prussia, and Russia. Moreover, American states such as the United States commenced direct trade with China in the second half of the 18th century. Meanwhile, the numbers of European trading vessels increased significantly. In the first stage of Qing's opening (1684-1757), the total number of European and American trading ships was approximately 314, with an average of 7.3 ships per year. However, this figure surged after the formation of the Canton system. From 1757 to 1838, 5107 ships from Europe and America arrived in China for trade, with approximately 63 ships per year (Lv, 1981, p.114; Huang, 1986, p.157). In this sense, the growing frequency of trade with Europe reflected the enlargement and increasing impact of Chinese maritime trade under the Qing's managed liberalising trading framework. Based on the analysis on the dynamics of maritime trade with each region, the Chinese maritime trade not only flourished in Asia but extended to global range.

2.3. Composition of trading commodities and circulation of global silver

Alongside the growing intensity and extensity of Chinese maritime trade in this period, examining the composition of trade is equally important to unveil the significance of Chinese trade. During this stage, the global integration was largely driven by the commodity trade (Pomeranz & Topik, 1999, pp.xiii-xvii). Thus, trading in those staple commodities that circulated in this system can be perceived as the means for a given state to impact on the global trading network. In Qing China's case, exports overwhelmed imports in the maritime trade in the long term. In the export sector, silk, porcelain and tea constituted the main export products (Souza, 1985, pp.6; Liu, 2009, pp.53-55). Large quantities of these products were exported to different regions of the world via global trading networks. Other export products which were less significant during this period included cotton cloth, sugar, and rhubarb. On the other hand, the import of general products might be seen as less significant in the Chinese maritime trade.

However, silver imports did record remarkable growth, as will be discussed in detail shortly. The significance of the silver inflows demonstrates that imperial China had actively participated in global trade networking during the period of 1500-1800 (Flynn & Giraldez, 1996, Frank, 1998).

China’s maritime trade exports: silk products, porcelain, and tea

Export of silk and silk products

As iconic Chinese products, silk products, particularly raw silk, were among the most important export products in China’s foreign trade history (Liu, 2009). During the early Qing period in particular, silk exports massively exceeded exports of other types of products until 1720 (Quan, 2011, pp.72-78). According to the estimation by Souza (1984, p.46), around 800 tons of silk were exported during the 17th century. The main destinations of silk exports included Japan, Europe and the Xinjiang region. As the Xinjiang trade was grounded on the overland trade, this section focuses on the silk trade with Japan and Europe, which mostly was based on maritime trade. While pertaining studies have discovered that certain quantities of silk were exported to Southeast Asia, particularly to Manila, most of these exports were subsequently reshipped to Japan, Europe, or America (Quan, 2011, pp.72-78, Wang, 2011, pp. 44-45).

Specifically in the case of Sino-Japanese trade, silk-silver transactions dominated the market for a long period (Cooper, 1972, pp. 424). However, by scrutinising the documents and studies, a tentative conclusion can be drawn that the silk trade with Japan underwent a conspicuous decline after 1680, as can be seen in table 2-23. The amount of input to Japan of raw silk by Chinese junks dropped by 60% compared with the previous period. The stimulative effect brought about by the Qing’s opening was reversed by the Japanese bakufu’s restrictive policy. Although the Qing court issued a trade ban on silk export during the Qianlong reign (1736-1796), it failed to be applied empirically and deregulation soon followed. Hence, the pivotal reason to curb Sino–Japan’s trade originated from Japan’s trade limitation policy (Fan, 2012, pp.10-12).

Table 2-22 Input to Japan of raw silk by Chinese junks

Unit: Catty

Year	Number	Year	Number
1650	108120	1716	342
1655	140137	1719	7691

1660	198780	1724	6128
1665	162236	1728	8549
1680	50000	1732	23500
1688	40520	1736	10599
1689	11618	1737	849
1709	40800	1738	4499
1710	23850	1797	3930
1711	10122	1804	2413

Sourced from: Yoshikawa, Kobunkan & Yamawaki, Teijiro (1995) *Chinese traders in Nagasaki* (长崎の唐人貿易), cited in Fan., J, (2012), ‘Changes of the commodity composition of the Sino - Japanese trade from the 16th to the early 19th centuries: a study based on the trade of raw silk and silk’, *Journal of Historical Research in Anhui*, 2012(01), p.10

Meanwhile, as raw silk was still a popular commodity elsewhere, the European merchants were keen on importing this product from China during this period. From 1680 to 1800, the total amount of export of raw silk increased significantly (table 2-23). The figure surged during the mid-18th century and peaked from 1770 to 1790. As analysed previously, an important reason for the Qing court to launch the Canton system was the booming trade with a western power, the direct trade with western powers increased, and most of the raw silk was imported by them. Analogous patterns of change could be seen in raw silk imports to Britain and Holland (tables 2-24 and 2-25). In the British case, the period of 1765-1784 witnessed a surge in imports, with respect to both the total amount and percentage of total imports. Nevertheless, there was a decline after 1790. Particularly, the percentage decreased to be marginal compared to the total amount of imports. In the Dutch case, the distinguishable feature was that the percentage of raw silk imports in total imports rarely surpassed 10% throughout the 18th century, whereas the figure had reached 20%-30% in the heyday of the British raw silk trade in China. Quan (2011, pp, 204-205) explains that as Chinese raw silk had been impacted by Persian and Bengali silk, Dutch merchants tended to resell in Japan. Nevertheless, the British did not have access to the Japanese market. Thus, the only choice for them was to sell it in the European market. Meanwhile, the two cases both display the same pattern of a palpable decline of the raw silk trade at the end of the 18th century. Therefore, raw silk was no longer the most popular product in the Europeans’ consideration.

Table 2-23. Total Amounts of Raw Silk Exported to Europe 1679-1801

Year	Amount (picols)	Year	Amount (picols)
1679	8	1785	2305

1739	20	1786	3565
1741	279	1787	2772
1750	997	1788	5104
1767	2028	1789	997
1771	2082	1790	3096
1772	2082	1791	2000
1774	1821	1792	3400
1775	3724	1793	1878
1777	3719	1794	2702
1778	2961	1795	1266
1779	4264	1796	1974
1780	3591	1797	2404
1781	2264	1798	1608
1783	1325	1799	1130
1784	1089	1800	1164

a. The figures in 1679, 1699, 1739 and 1767 relate only to exports by the British East India Company. Sourced from: Morse., H., B, (1929) *The Chronicles of the East India Company Trading to China*, Cited in Wang., J., (2011) Raw Silk Trade and the Capitalisation in the Silk Textile Industry(从中国生丝对外贸易的变迁看缫丝业中资本主义的产生和发展), *Researches in Chinese Economic History*, **2011** (02), pp.37-38

Table 2-24. Average Value of Raw Silk Imported from China by the British East India Company

Period	Average export value of raw silk (unit: tael)	Average export value of raw silk (unit: sterling pounds)	Percentage of total British imports from China (%)
1760 – 1764	3,740	1,247	0.4
1765 – 1769	334,542	111,514	20.9
1770 – 1774	358,242,	119,414	25.3
1775 – 1779	455,376	151,792	37.7
1780 – 1784	376,664	125,555	23.7
1785 – 1789	519,587	173,196	11.7
1790 – 1794	274,460	91,487	6.8
1795 – 1799	162,789	54,263	3.8

Sourced from: Yan., Z, (1955) *Selections of China's Economic Statistics in Modern Period* (中国近代史统计资料选辑), China Science Press, Beijing, pp.35-42

Table 2-25. Value of Raw Silk Imported by Holland from Guangdong, 1729 – 1793

Year	Value of Raw Silk Imports (Guilder)	By Tael	By Sterling Pound	Percentage of Total Imports from China (%)
1737	45,332	13146.3	4382.1	7.6
1745	59,005	17111.5	5703.8	5.1
1748	129,034	37419.9	12473.3	9.7
1749	125,384	36361.4	12120.5	16.2

1750	126,205	36599.5	12199.8	9.2
1751	123,812	35905.5	11968.5	9.1
1752	42,884	12436.4	4145.5	2.2
1753	70,826	20539.5	6846.5	2.6
1754	142,496	41323.8	13774.6	4.1
1755	143,358	41573.8	13857.9	5.5
1756	153,915	44635.4	14878.5	7.4
1757	43,478	12608.6	4202.9	7.6
1758	40,342	11699.2	3899.7	3.4
1759	123,088	35695.5	11898.5	6.5
1762	77,679	22526.9	7509.0	3.9
1763	193,182	56022.8	18674.3	10.3
1764	167,288	48513.5	16171.2	6.1
1765	79,140	22950.6	7650.2	2.9
1766	50,986	14785.9	4928.6	2.0
1768	147,559	42792.1	14264.0	5.7
1769	51,153	14834.4	4944.8	2.2
1770	185,329	53745.4	17915.1	7.7
1771	190,360	55204.4	18401.5	7.8
1772	112,248	32551.9	10850.6	5.0
1773	140,145	40642.1	13547.4	6.1
1774	121,702	35293.6	11764.5	5.3
1775	132,171	38329.6	12776.5	5.8
1776	201,334	58386.9	19462.3	8.2
1777	184,940	53632.6	17877.5	6.8
1778	225,791	65479.4	21826.5	8.0
1779	224,284	65042.4	21680.8	8.7
1780	230,171	66749.6	22249.9	9.7
1783	162,918	47246.2	15748.7	10.1
1784	207,623	60210.7	20070.2	6.5
1785	280,940	81472.6	27157.5	10.8
1786	372,268	107957.7	35985.9	8.2
1787	489,081	141833.5	47277.8	10.3
1788	143,763	41691.3	13897.1	3.6
1789	352,433	102205.6	34068.5	8.1
1790	39,622	11490.4	3830.1	5.8
1791	188,518	54670.2	18223.4	12.3
1792	93,013	26973.8	8991.3	4.1
1793	52,833	15321.6	5107.2	1.9

a. 1 guilder = 0.29 tael

Sourced from: C.J.A. Jörg (1982), *Porcelain and the Dutch China Trade*, Lange: Uitgeverij Martinus Nijhoff, pp. 217 – 220

Export of porcelain

The second staple commodity exported from China was porcelain; the term ‘porcelain’ was interchangeable with ‘China’ in Europe. Hence, the porcelain trade lasted and thrived for a very long period in China’s history. In the Ming dynasty, Japan was one of the major importers of Chinese porcelain. For instance, approximately 135,005 porcelain products were exported to Japan in 1635, and this figure surged to 750,000 in 1637 (Chen, 1963, p.63). Led by the Portuguese and Spanish, European merchants were rather active in the porcelain trade during

the 15th-16th centuries. Chen (1963, p. 63) discovered that in the prelude to the Manila galleon trade, two Spanish galleons brought back 22,300 porcelain products in 1573. He further estimated that at least 200 million porcelain products had been exported to Europe by Spanish and Portuguese merchants in the 16th century. In the 17th century, when the Dutch took over the dominant role in Asia, they actively participated in the porcelain trade in this region. Extensive studies contribute to analysis of the Sino-Dutch porcelain trade in the 17th and 18th centuries (Volker, 1954; Glamann, 1958; Blussé, 1987; Qian, 1989; Feng & Feng, 1990; Wan, 2009). According to Volker's estimation, approximately 3 million porcelain products were exported to Europe by Dutch merchants in the first half of the 17th century. Meanwhile, approximately 5 million porcelain products were resold in Southeast Asia and Central Asia from 1602 to 1661 (Volker, 1954, pp.231). Further, approximately 20 million porcelain products were imported by Holland during the 18th century (Liu, 2009, p.29). All these estimations and analyses reflect the growing scale of the porcelain trade between China and Holland.

Prior to the 19th century, Holland was the largest buyer in the porcelain products market, and far greater amounts of this commodity were purchased by Dutch merchants than by other states (Zhang, 1999, p.105). After the VOC vessels arrived in Guangdong in 1729, they started direct trade with China. Table 2-26 reveals the value of porcelain products imported by VOC from Guangdong in the 18th century. As it can be seen, the total value of porcelain products imported by Holland was at least 4,887,852 guilders. A considerable rise occurred during the first half of the 18th century, reaching a peak in 1754, with the value approximately five times that in 1729. From then, the figures started to decrease gradually. The percentage of the value of porcelain in total imports was in double digits before 1738, decreasing to single digits afterwards. However, it is worth mentioning that these figures represent the value of porcelain products which were directly exported to Holland. According to Jörg (1982, p.191), a certain amount of porcelain products was transported to Holland via Batavia. Hence, the total imports of this commodity should have been moderately larger than the total silk imports.

Table 2-26. Value of porcelain products exported to Holland, 1729 – 1793

Year	Value (Guilder)	Value (Tael)	Value (Pounds)	% of total import	Year	Value (Guilder)	Value (Tael)	Value (Pounds)	% of total import
1729	30,561	8862.7	2954.2	10.7	1,763	91,472	26526.9	8842.3	4.9
1730	30,541	8856.9	2952.3	13.0	1,764	94,730	27471.7	9157.2	3.5
1731	54,222	15724.4	5241.5	10.3	1,765	104,889	30417.8	10139.3	3.8

1732	91,191	26445.4	8815.1	16.2	1,766	114,703	33263.9	11088.0	4.4
1733	89,236	25878.4	8626.1	19.9	1,768	92,910	26943.9	8981.3	3.6
1736	37,284	10812.4	3604.1	10.2	1,769	129,540	37566.6	12522.2	5.5
1737	80,024	23207.0	7735.7	14.4	1,770	132,066	38299.1	12766.4	5.5
1738	58,331	16916.0	5638.7	14.8	1,771	129,510	37557.9	12519.3	5.3
1739	37,681	10927.5	3642.5	7.2	1,772	106,305	30828.5	10276.2	4.7
1740	96,599	28013.7	9337.9	9.0	1,773	106,675	30935.8	10311.9	4.6
1742	102,535	29735.2	9911.7	9.8	1,774	124,434	36085.9	12028.6	5.4
1743	77,035	22340.2	7446.7	8.5	1,775	96,567	28004.4	9334.8	4.3
1744	67,637	19614.7	6538.2	6.8	1,776	89,784	26037.4	8679.1	3.7
1745	79,241	22979.9	7660.0	6.8	1,777	85,126	24686.5	8228.8	3.2
1746	70,175	20350.8	6783.6	5.7	1,778	131,415	38110.4	12703.5	4.6
1748	63,864	18520.6	6173.5	4.8	1,779	122,151	35423.8	11807.9	4.7
1749	38,444	11148.8	3716.3	4.9	1,780	93,460	27103.4	9034.5	3.8
1750	70,690	20500.1	6833.4	5.2	1,783	56,775	16464.8	5488.3	3.5
1751	72,745	21096.1	7032.0	5.3	1,784	104,825	30399.3	10133.1	3.3
1752	121,466	35225.1	11741.7	6.1	1,785	85,849	24896.2	8298.7	3.3
1753	94,250	27332.5	9110.8	3.5	1,786	113,526	32922.5	10974.2	2.5
1754	148,311	43010.2	14336.7	4.3	1,787	117,536	34085.4	11361.8	2.5
1755	88,511	25668.2	8556.1	3.4	1,788	127,195	36886.6	12295.5	3.1
1756	96,823	28078.7	9359.6	4.7	1,789	108,917	31585.9	10528.6	2.5
1757	14,864	4310.6	1436.9	2.6	1,790	28,271	8198.6	2732.9	4.1
1758	62,933	18250.6	6083.5	5.3	1,791	48,928	14189.1	4729.7	3.2
1759	49,455	14342.0	4780.7	2.6	1,792	42,242	12250.2	4083.4	1.9
1760	95,326	27644.5	9214.8	5.3	1,793	61,842	17934.2	5978.1	2.3
1761	41,517	12039.9	4013.3	3.4					
1762	84,717	24567.9	8189.3	4.3					
Total	4,887,852 guilders			1,417,477 taels			472,492 pounds		

a. gilder = 0.29 tael

b. data for 1734, 1735, 1741, 1747, 1781 and 1782 are missing from original source.

Sourced from: C.J.A. Jörg (1982), *Porcelain and the Dutch China Trade*, Lange: Uitgeverij Martinus Nijhoff, pp. 217-220

Other European states were minor players in the Chinese porcelain market compared with the Dutch. Yet, they were also keen on the porcelain trade (Zhuang, 1995, p.25-31). Hence, a certain amount of porcelain trading was conducted by these states. For example, in 1721, four British trading vessels imported more than 800,000 porcelain products (Liu, 2009, p. 29). According to Wan (2009, p. 121), the British brought around 25-30 million porcelain items back to Europe. In addition, Zhang (1999, p.109) calculates that the average value of porcelain items imported by British merchants was approximately 25,253 taels from 1760 to 1799. Other sources also unveiled those European merchants actively imported China porcelain. For

example, a French vessel that arrived in China in 1698 carried 181 chests of porcelain products back to Europe. Regardless of the lack of consecutive and systematic data regarding porcelain trade by these states, these messages unearthed the importance of porcelain products in China-Europe trade until the end of the 18th century.

Export of Chinese tea

Although silk and porcelain were important Chinese exports, tea was the dominant product in Chinese exports during the 18th century. The first time that Chinese tea arrived in Europe was during the 15th-16th centuries (Chen, 2006, p.159). A previous study reveals that the first European to purchase and resell Chinese tea was a Dutch merchant in Macao in 1607 (Quan, 2011, p.213). As a matter of fact, Chinese tea was not popular until the 18th century due to the high price. Only European nobilities could afford to consume it. Nevertheless, from the 18th century, drinking Chinese tea gradually became commonplace in Europe (Zhuang, 1995, pp.64-67). Hence, the demand for Chinese tea surged in the 18th century. As with the porcelain market, Holland dominated the Chinese tea market. Initially, Dutch merchants only purchased Chinese tea in Batavia. For example, due to the high profits from tea transactions in Europe, the board of directors of the VOC required the governor of Batavia to purchase 60,000-70,000 pounds of Chinese tea in 1715, and this figure increased to 100,000 pounds in the following year (Lancaster, 1938, No.2). In the meantime, due to the intervention in the locality by the Portuguese from Macao, the VOC determined to carve out direct trade with China. The first Dutch vessel arrived in Guangzhou in 1729, and subsequently Guangzhou became the Dutch merchants' base for their Chinese tea trading.

Based on table 2-27, the total value of tea imported by the VOC in direct trade continuously increased during the 18th century. In 1729, the total value of tea imports was 242,720 guilders, and this figure rose to 1,564,114 guilders in 1752, representing almost seven times increase. Moreover, the total value of tea imports reached a peak of 3,435,415 guilders in 1787. Although this figure considerably declined in the following years, it remained at more than 1,000,000 guilders in most of the given years. Meanwhile, the value of tea as a percentage in the total amount of imports from China was astonishingly high. The lowest figure, 53.7%, was recorded in 1790, which indicates that more than 50% of imports from China consisted of tea, even in the worst scenario. On the other hand, the value of tea imports as a percentage of the total import value reached a peak of 89.6% in 1760. On average, the ratio of tea imports to total imports to Holland was 71.6% during the 18th century. Hence, it is undeniable that tea was the

dominant product in Dutch imports from China.

Table 2-27. Value of Chinese tea imported by Holland, 1729-1794

Year	Value (Guilder)	Value (tael)	Value (pound)	% of import from China	Year	Value (Guilder)	Value (tael)	Value (pound)	% of import from China
1729	242720	65534.4	21844.8	85.1	1762	1615976	436313.5	145437.8	84.1
1730	203630	54980.1	18326.7	86.7	1763	1427968	385551.4	128517.1	76.1
1731	330996	89368.9	29789.6	63.1	1764	2093534	565254.2	188418.1	76.5
1732	397466	107315.8	35771.9	70.7	1765	2199097	593756.2	197918.7	79.9
1733	336881	90957.9	30319.3	75.2	1766	2087036	563499.7	187833.2	80.8
1736	201584	54427.7	18142.6	55.3	1768	1829786	494042.2	164680.7	70.4
1737	410882	110938.1	36979.4	68.8	1769	1864660	503458.2	167819.4	78.9
1738	283452	76532.0	25510.7	72.0	1770	1777256	479859.1	159953.0	73.9
1739	290461	78424.5	26141.5	55.2	1771	1740889	470040.0	156680.0	71.3
1740	590328	159388.6	53129.5	54.9	1772	1632644	440813.9	146938.0	72.4
1742	719462	194254.7	64751.6	69.0	1773	1657285	447467.0	149155.7	72.1
1743	630590	170259.3	56753.1	69.6	1774	1608419	434273.1	144757.7	70.8
1744	694759	187584.9	62528.3	69.8	1775	1625045	438762.2	146254.1	71.8
1745	731356	197466.1	65822.0	62.7	1776	1723870	465444.9	155148.3	70.3
1746	875529	236392.8	78797.6	71.3	1777	2028413	547671.5	182557.2	75.1
1748	897442	242309.3	80769.8	67.6	1778	1970198	531953.5	177317.8	69.5
1749	683317	184495.6	61498.5	62.4	1779	1744791	471093.6	157031.2	67.6
1750	960403	259308.8	86436.3	70.3	1780	1738936	469512.7	156504.2	70.4
1751	823435	222327.5	74109.2	60.1	1783	1076991	290787.6	96929.2	67.1
1752	1564114	422310.8	140770.3	78.6	1784	2255619	609017.1	203005.7	70.9
1753	2110708	569891.2	189963.7	78.1	1785	1768428	477475.6	159158.5	67.9
1754	2722870	735174.9	245058.3	78.3	1786	33442391	9029445.6	3009815.2	73.7
1755	1951440	526888.8	175629.6	74.4	1787	3435415	927562.1	309187.4	72.5
1756	1351450	364891.5	121630.5	65.4	1788	3171942	856424.3	285474.8	78.5
1757	279901	75573.3	25191.1	49.0	1789	3316479	895449.3	298483.1	76.7
1758	777409	209900.4	69966.8	65.1	1790	367316	99175.3	33058.4	53.7
1759	1486611	401385.0	133795.0	78.9	1791	1017519	274730.1	91576.7	66.3
1760	1614841	436007.1	145335.7	89.6	1792	1821461	491794.5	163931.5	80.2
1761	1037991	280257.6	93419.2	85.6	1793	2150190	580551.3	193517.1	79.2
Total	111,391,582 guilders			30,075,727 tael			10,025,242 pounds		
Average %	71.6								

Sourced from: C.J.A. Jörg (1982), Porcelain and the Dutch China Trade, Lange: Uitgeverij Martinus Nijhoff, pp. 217 – 220

During the 18th century, the British tried to compete with the Dutch in the Chinese tea market. The first time that the EIC sold Chinese tea in Europe was in 1669 (Volker, 1954, pp.48-49). The Chinese tea trade in Europe was rather lucrative. For example, in 1710, the buying price of Chinese tea lingered around 1-2 shillings, whereas the selling price could reach 11 shillings and 12 pence, with the profit margin reaching six to ten-fold (Quan, 2011, pp.222). Such

lucrative business attracted many merchants to import Chinese tea. Thereby, Britain surpassed Holland to become the largest tea buyer in China from the 1730s (Zhang, 1999, pp.87-91). Table 2-28 explicitly demonstrates the value of British tea imports from China in the second half of the 18th century. During this period, the total value of tea imports was 63,393,696 taels (21,131,232 pounds), which was more than double the total value of tea imported by Holland in the whole of the 18th century. The average value of imports fluctuated between 1760 and 1780, and then rose dramatically from 1785, tripling the value in the last period (1780-1784). The upsurge of Chinese tea imports largely influenced the British government's tariff policy on the tea trade. From 1773 to 1784, the duty on tea imports in England was from 106% to 119%, which was the main constraint for importing Chinese tea (Pritchard, 1737, pp. 289-290). In order to maintain tea imports, the government issued the Commutation Act in 1784, which dramatically reduced the duty on tea to 12.5% (Pritchard, 1737, p. 290). Consequently, smuggling was significantly reduced, and legal trade rose. With respect to percentage, analogously with the Dutch case, tea was the dominant product in British imports from China overall. In many periods, the ratio of imported tea to total imports reached more than 90% (See table 2-28). From China's perspective, in trade with the Dutch and British, silk, porcelain and tea were the top three Chinese exports, but the value of tea exports greatly surpassed the value of the other two products in the 18th century. Furthermore, the silk and porcelain trades had shrunk after the end of the 18th century, whereas the tea trade continued to expand until the late 19th century. In this regard, the growing importance and scale of Chinese exports, including silk products, porcelain and tea, reflected the substantial impact of the Chinese maritime trade on the global trading network. What did these exports bring to Qing China? In the following section, the chapter analyses how Chinese maritime trade impacted the global trading network through the inflows of global silver.

Table 2-28. Average value of tea imported by the EIC from Guangzhou, 1760-1833

Period	Average import (Tael)	Average import (Pounds)	% of total imports from China
1760 – 1764	806,424	268,808	91.9
1765 – 1769	1,179,854	393,285	73.7
1770 – 1774	963,287	321,096	68.1
1775 – 1779	666,039	222,013	55.1
1780 – 1784	1,130,059	376,686	69.2
1785 – 1789	3,659,226	1,219,742	82.5
1790 – 1794	3,575,409	1,191,803	88.8

1795 – 1799	3,868,126	1,289,375	90.4
Total	63,393,696 taels (21,131,232 pounds)		
Average import value	1,625,479 taels (541,826 pounds)		
Average %	77.46		

Sourced from: Yan., Z, (1955) *Selections of China's Economic Statistics in Modern Period* (中国近代史统计资料选辑), Beijing: China Science Press, p.14

The import and inflows of global silver

The Chinese maritime trade played an active and important role in the global trading network during the period of 1500-1800, which can be understood through the massive inflows of global silver (Frank, 1998). Since the Chinese had little interest in any other exotic products, silver became the major product to import in the trade with Europe. Thus, the Chinese market created a huge demand for silver in the global trading network. In the meantime, the discovery of America brought massive silver stocks for Europe. With this silver, the European states were able to maintain trading relationships with imperial China and participated in the lucrative intra-Asian trading network. In this regard, the global circulation of silver largely symbolised how the global trading network functioned in the period of 1500-1800. The inflows of global silver indicate how actively imperial China engaged in the global trading network. Thus, examining the amount of silver inflows substantially contributes to the assessment of the trade performance of imperial China. As far as the estimation of the inflow of silver into imperial China is concerned, there is extensive literature contributing such estimations (Liang, 1939; Cheong, 1965; Kobata, 1965; Brading, 1972; Atwell, 1982; Innes, 1987; Zhuang, 1995; Glahn, 1996; Souza, 1997; Frank, 1998; Li, 2004,2005; Hou, 2005; Li, 2009; Flynn & Giráldez, 2010). However, the estimations made by these studies vary dramatically, which might obscure the further assessment of the Chinese maritime trade. Thus, it is essential to examine the estimations in these studies and recalculate the inflows of silver from 1500 to 1800.

First, the thesis makes a comparison with Frank's estimation. He argues that approximately 50% of total global silver flowed into China during this period (Frank, 1998, pp.147-148). His finding is widely conceived as an overestimation, but few studies point out why his figure is overestimated. However, the silver calculation made by this thesis is based on the conventional method, in which the final figure is the sum of estimations of silver inflows in each individual trading route. Between 1550 and 1800, the origins of Chinese silver included Japan and America and the flow channels primarily comprised three routes: Japan-China, America-

Manila-China, America-Europe-China (Liu, 2009, p.4). First, in terms of estimating the silver inflows from Japan, two Japanese scholars, Yamamuri and Kamiki (1983) analysed Japanese archives and estimated that the amount of Chinese silver inflow from Japan during the period of 1550-1645 was 224 million taels (8400 tons). However, this figure is perceived as overestimated. Hence, Zhuang (1995) and Li (2004) recalculated the silver inflows from Japan. According to their studies, approximately 175-180 million taels (6730-6923 metric tons) of silver flowed from Japan to imperial China during the period of 1540 to 1644. In addition, Lin (2006) and Li (2009) respectively calculated the value of Japanese silver that flowed to China in the early stage of the Qing period (1648-1760 metric tons), of which approximately 37,880,000 taels (1454 metric tons) eventually arrived in Qing China. Thus, from 1540 to 1800, approximately 8184-8377 metric tons of Japanese silver flowed to imperial China. This figure is close to Frank's estimation (9000 metric tons). In this regard, 8000-9000 tons was an acceptable range.

The second route was America-Manila-China, where most trade was in the form of silk-silver (Quan, 1980, pp.1-3; Flynn & Giráldez, 1995, p. 205; Barker, 2006, p.4-10). The estimations of silver flow in this route were less contentious in the pertaining studies. Many studies mention that, based on the historical records in Manila, the total amount of silver sent from America to Manila during this period was approximately 400,000,000 pesos, which was approximately equal to 11,278 metric tons (Quan, 1973, p. 445; Liu, 2009, p. 7). The only disparity in these studies relates to what percentage of the silver eventually flowed into China. Quan (1973, p.446) made a conservative estimation of 50%. Likewise, Liu (2009, p. 7) states that at least half of the silver flowed into China during that period. Meanwhile, Frank calculated that 88.67% of the total amount was shipped to China. In this chapter, the thesis assumes that 75% of the silver eventually arrived in China, which was approximately 8458 tons.

The divergence between the estimation made by this thesis and Frank's estimations originates from the figures on silver flow from Europe. Estimations in many studies are based on the consideration that Manila was the major source of European silver sent to China in the Ming period. They overlook the fact that European silver might have arrived in China via entrepot trade and indirect trade. Thus, the estimation of American silver from Europe was significantly low, especially during the Ming period. On the other hand, Frank's calculation is widely considered as an exaggeration, as his estimation is predominantly according to the studies by Barrett (1990, pp. 224-254) and Atman (1981, p.71). Frank conflates their estimations and

argues that during the 17th-18th centuries, 81,000 tons of American silver were shipped to Europe, of which 39,000 tons were transferred to Asia. Then he claims that almost all of those 39,000 tons of silver eventually flowed to China. This might have been significantly exaggerated. It is more reasonable to assume that 60%-70% of this silver was transported to China. Thus, the amount of European silver flow was approximately 23,400-27,300 tons. Moreover, Frank's estimation that 2000 tons of China silver came in from other areas is also problematic, due to the potential overlap. For example, silver that flowed into China through trade with India or central Asia might have come from Europe as well. Accordingly, on the basis of previous analysis, the calculations made by Frank and this thesis are displayed respectively in tables 2-29 and 2-30. The final figure on China's silver inflow in the period of 1550-1800 was approximately 40358 tons, and the average annual inflow was 161.43 tons. This estimation of total silver inflow accounted for approximately 30% of total world production during this period (According to Frank, world production was 120,000 tons in 1600-1800, and 137,000 tons in 1545-1800).

Table 2-29. Frank's estimation on China's silver inflows, 1550 - 1800

Unit: Metric tons

Silver Source	Estimation
Japanese silver	9000
American silver through Manila	10000
American silver through Europe	39000
Other	2000
Total	60000

Sourced from: Frank., A., G, (1998) *ReOrient: Global economy in the Asian Age*, Berkeley, Calif.: University of California Press, pp. 147-148.

Table 2-30. Estimation on the Chinese silver inflows, 1550-1800

Unit: Metric tons

Source	Estimation
Japanese silver	8000-9000
American silver through Manila	8,458
American silver through Europe	23,400
Total	40358(Given 8500 in Japan's silver)

Sourced from: Yamamura., K., & Kamiki., T., (1983), *Silver mines and Sung coins: a monetary history of medieval and modern Japan in international perspective*, in: R, John (ed). *Precious metals in the later medieval and early modern worlds*. Durham NC: Carolina Acad. Press, pp.234-239.

Quan., H., (1973) *Macao's Foreign Trade in the Mid and Late Ming Period (明中叶后澳门的海外贸易)*, in:

Quan.,H., (ed), *Researches on China's Economic History*, (中国经济史论丛), Beijing: Zhonghua Book Company Press, pp. 445-446.

Liu, J., (2009) On the Silver Inflow in the Ming and Qing Dynasties, *Journal of Southeast University Philosophy and Social Science*. 5(02), p.7.

Attman., A., (1983) *Bullion Flow--Between Europe and the East, 1000-1750*, Goteborg: Kungl. Vetenskaps-och Vitterhets-Samhallet, p.71.

Barrett., W., (1990) World bullion flows, 1450–1800, in J, Tracy, ed. *The Rise of Merchant Empires: Long-distance Trade in the Early Modern World, 1350–1750*, Cambridge: Cambridge University Press, pp. 224–254.

From the perspective of imperial China, the importance of silver inflows can be understood in the following two aspects. Firstly, as a form of trading product, China's approximate 30% share of total global silver inflows indicated that China actively engaged in the global trade network during the period of 1500-1800. If imperial China, as suggested by many conventional studies, had retreated from the global economy since the 15th century due to the long-term trade ban policy, then it is impossible to explain why 30% of global silver had flowed into imperial China in the following 300-400 hundred years.

As a matter of fact, the policy changes in imperial China, including the demise of paper money and the coinage of silver during the Ming period, created huge demand for global silver, which enabled the European states to maintain a trading balance through the silver discovered in America. In this regard, imperial China had been an important link in the global trading network throughout the 15th and 18th centuries. In the meantime, as a means of payment, the inflow of over 30% of total global silver indicates that imperial China had enjoyed a long-term trading surplus. This echoes with the fact that China has been the largest holder of U.S. currency in the 21st century. In the current global trading system, the U.S. dollar is the major global currency. China has accumulated large reserves of U.S. dollars through export, which is widely conceived as evidence that China has been the major player in global trade in the 20th and 21st centuries. If this is so, the corollary is that by holding such a large amount of global currency (silver) in 1800, imperial China should be considered as an important link in the global trading network at that time.

Secondly, this large amount of silver inflows validates the theory that a global arbitrage system existed during the period of 1500-1800 (Qian, 1988; Flynn and Giraldez, 1995, 2003; von Glahn, 1996; Frank, 1998;). This arbitrage system was formed primarily based on the disparity in silver and gold prices between imperial China and Europe. From 1500 to 1800, both

European merchants and Chinese merchants were zealous in engaging in this arbitrage due to the huge profits. According to a document (Nian, 1730), the local governor, Nian Xiyao, reported this arbitrage game to the Yongzheng emperor. In his report, he stated that the price of gold in Suzhou city kept increasing since a growing number of foreign merchants purchased the gold with silver, so he asked for the silver-gold trade to be banned. This report revealed the fact that the arbitrage trade was rather widespread; otherwise, the local governor would not have reported it and asked for a ban on this trade. The motivation for European merchants to engage in this arbitrage trade was the huge profits. According to Von Glahn (1996, p.435), the profits of arbitrage could reach 75%-80%. Meanwhile, the continuous arbitrage in imperial China and Europe significantly impacted on the price of gold and silver in these two regions. In this regard, the study by Qian (1988) makes a large contribution. Based on his study, the disparity between gold and silver prices can be seen in table 2-31. In 1534, the gold to silver ratio in imperial China was approximately half of what it was in Britain and Spain, which provided a space for arbitrage. Through the purchase of silver with gold, the price of gold in imperial China increased 2.5 folds, with the gold to silver ratio rising from 1:6.363 in 1543 to 1:15.4 in 1800. Eventually, the gold prices in imperial China and Britain converged in 1800, which indicated the end of the 300 years of this global arbitrage trade. Thus, from the merchandise trade to the arbitrage trade, the massive silver inflows reveal that imperial China was deeply enmeshed with the global economy during this stage.

Table 2-31. The disparity between silver and gold prices in imperial China and Europe
(gold:silver)

Year	Imperial China	Britain	Spain
1534	1:6.363	1:11.5	1:12
1580	1:5.50	1:11.7	1:12.12
1604	1:6.60-7.00	1:11.9	1:12.12
1660	1:10 (at least)	1:14.50	
1700	1:10 (at least)	1:14.67	
1750	1:11.77-12.50	1:14.93	
1800	1:15.40	1:15.42	

Sourced from: Qian, J., (1988). Study of the international silver flows and the Chinese inflow between the 16th and 18th centuries(十六—十八世纪国际间白银流动及其输入中国之考察), *Journal of Southeast Asian Affairs*. 1998(02), pp. 81-91.

Concluding Remarks

This chapter evaluated and assessed the performance of maritime trade under the managed liberalising economy created by the Qing court. By discussing and analysing the maritime trade in three dimensions, namely, the value of total trade (intensity and velocity), the dynamics of trade in each region (extensity) and the composition of trading commodities (impact), the chapter revealed that Chinese maritime trade actively participated in the global trading network and significantly impacted on the integration of this network. Specifically, the estimation of the total value of maritime trade in the 18th century indicates that the magnitudes of Chinese trade and British trade were fairly similar during this stage, despite the fact that the ratio of trade value to GDP was much smaller in China's case than Britain's case. This only reflected that trade played different roles in the overall national economies of China and Britain. However, both nations were main contributors to the global trading system as a whole. In terms of the extensity of trade, the Chinese maritime trade had a rather wide geographic range, including East Asia, Southeast Asia and Europe. Further, the Chinese maritime trade largely influenced the trade with these regions through the prevalence of Chinese export products, such as silk products, porcelain and tea, and the massive inflows of global silver. Based on the estimation made by this thesis and crossed-checking with estimations made by Frank (1998, pp,147-148), approximately 30% of total global silver eventually flowed into imperial China through trade from 1550 to 1800. Accordingly, instead of being in retreat from the global trading network during this period, under the new economic dynamics of managed liberalism, Qing China played an active and important role in the global trading network, and the expansion of Chinese maritime trade exerted a significant impact on the development of global trade during this period.

Chapter 3. Development of the textile industry in the Qing China

In the last two chapters, this research explained how China's maritime trade expanded and prospered under the Qing court's managed liberal framework. In so doing, it critiqued the Eurocentric proposition that China was isolated from the global trading system by revealing that China was one of the main contributors to the early global integration. The Qing court's managed liberalising framework not only applied to maritime trade but also to various domestic sector industries. This chapter focuses on the textile industry, the most advanced economic sector in the early modern period in human history (Beckert, 2015, p.25), during the early Qing period (1644-1800), arguing that the silk and cotton textile industries were each undergoing significant development, in both a qualitative and quantitative sense, under the liberalising economic environments created by the Qing's economic policy. More specifically, this chapter reveals that the industrial development during this period was driven by the 'Smithian dynamics' of specialisation and division of labour, which is discussed in a book, *The Wealth of Nations*, by Adam Smith (1776/1776, pp.17-29). In the meantime, the development of the silk and cotton textile industries exhibited the sprouting of modern capitalism (*Ziben zhuyi mengya*). In this sense, the trajectory of textile industrial advancement was largely similar to the British case by the eve of the 'great divergence' (Wong, 1999), even though industrial self-evolution had reached the final stage in the British case. To explain this bizarre phenomenon, the chapter further explains why and how the Qing's managed liberalising framework enabled the textile industry to reach a high level of development, but it failed in self-evolution.

Previous studies regarding the development of the Chinese silk and cotton industries up to 1800 recognised the general performance of these two industries as being advanced in terms of the total production output (So, 1986; Xu, 1980; Xu, 1991; Fan & Jin, 1993; Li, 2000; Pomeranz, 2000; Dale, 2009; Mori, 2009; Li & Zhang, 2011; Zurndorfer, 2011). However, the reason for this high production output is still contentious in these studies. Mainly two specific debates drive us to reconsider this topic. The first debate is between a group of researchers led by Phillip Huang and the California School, concerning which factors led to the high levels of output in agriculture and the handicraft industries, such as the cotton cloth industry. Huang (2002) attributed this phenomenon to what he calls 'involution', by which he meant that the high level of output was due to the increase of labour in these sectors, rather than increasing productivity. To the contrary, Pomeranz (2002, 2003) argues that development in many economic areas during the Ming and Qing periods was based on the division and specialisation of labour. He further argues that, just as in Europe, 'Smithian dynamics' was the economic driver for an

extended period before 1800.

The second debate concerns whether capitalism began to sprout during this period in China. A group of researchers (Xu, 1991; Zhang, 1999; Li, 2000, Xu & Wu, 2003; Tang, 2005; Zhou, 2005; Fan, 2015) argues that there was a sprouting of capitalism in various economic sectors such as silk, tea, and sugar production. Their studies examined the organisations and relations of production in these economic sectors and found that waged labour widely existed in these sectors. With further development, factories and workshops extensively emerged in various areas of these industries, particularly in the 18th century. All these factors suggest that the sprouting of capitalism dates back to the Ming and early Qing period. Nonetheless, other scholars, such as Yang (2005), express scepticism towards this argument. They claim that despite the high level of development of a commodity economy and emergence of employment relations, these developments did not change the nature of the feudalist autarkic economy. Thereby, these developments did not represent the sprouting of capitalism but instead a high-level form of commodity economy (Yang, 2005, pp.152-153).

Guided by these two debates, this chapter consists of three sections. First, this chapter examines the development and performance of the silk production industry during the early Qing period. Specifically, it will explain how the division and specialisation of labour drove the expansion of this industry. And with further development, a new form of production relations, waged labour and organisation (handicraft mills) emerged gradually. The second section focuses on the development of cotton textile production. In this section, the chapter will show that the division of labour was less developed in the cotton textile industry than it was in the silk textile industry. Nevertheless, the existence of regional specialisation and the putting-out system indicates the existence of the sprouts of capitalism. In the third section, this research compares the development trajectories of textile industries in Britain and China, where I highlight the divergence of state-economy relations in these two regions. The disparity in state-economy relations that led to the differential orientations of industrial policy significantly affected the transformation of this economic sector. That is to say, the development paths of the textile industries in China and Britain were somewhat similar before the 19th century but diverged thereafter. Nonetheless, the role of the state might have been the linchpin to explain why Qing China and Europe shared similar dynamics of economic expansion, on the one hand, and why the divergence in the nineteenth century occurred, on the other.

3.1. The development and transformation of the silk textile industry

Silk and silk products were the major commodities in China's premodern history. In the Hemudu Site (in Zhejiang province), archaeologists discovered textile tools that stemmed back about 7000 years. Likewise, in the Jiangnan region, archaeological discoveries have proved that silkworm breeding and silk weaving can be traced back to around 5000 years ago (Fan & Jin, 1992, p.2). All these discoveries suggest that China had a very long history of silk production. Due to the advanced skill in production, Chinese silk had been widely exported to and was prevalent in other regions, including Asia and Europe. The conventional trading channel, the 'silk road', ran throughout the Eurasia continent. Merchants carried massive amounts of raw silk and silk products that eventually arrived in Europe. Throughout the period of pre-1800, silk was the major staple commodity in the Chinese foreign trade (See chapter two). In the Qing period, the silk textile industry was mature, as was reflected in the improvement of weaving techniques and weaving tools, production, organisation, etc. (Xu, 1991; Fan, 2015). These improvements suggest the silk textile industry in the Qing period might have reached a high level of development. Therefore, the following section attempts to systematically assess the performance of the silk textile industry in the 18th century.

The output of silk and silk products

Silk was also highly important within the domestic market. Before the Ming period, most of the clothes consumed domestically were made of silk and flax. When cotton was used extensively for clothing production, silk consumption slightly decreased nationwide. Nonetheless, in the Jiangnan region, which was the most economically advanced area in China, silk production developed especially during the Qing period. According to the estimation by Wu (1985, p.32), the amount of Jiangnan silk cloth circulated nationwide was approximately 300,000 bolts or 11.7 million yards, with a value of 300,000 taels (100,000 pounds). Li (2000, p.40) revised Wu's estimation of Jiangnan silk production in the 19th century and argues that in the total circulation of silk products, the amount made in Jiangnan region was approximately 3.33 million pieces, with a value of 14.55 million taels (4.85 million pounds). That is to say, from the late-Ming to mid-Qing period, the total output of Jiangnan silk increased ten times (counted by value). Based on their estimations, the total production of silk products in the Jiangnan region would have been even more significant in the Qing compared with the Ming period. During this period, the population in Jiangnan continued to grow. Fan and Jin (1992, pp.82–85) examined the changes in the mulberry planting areas and silk-tax revenues, concluding that these two indexes kept increasing in the Jiangnan region from Ming to Qing

period. From a quantitative perspective, therefore, the silk textile industry had been significantly developing in terms of the growth of total output. Furthermore, as illustrated in chapter two, raw silk and silk products had been essential commodities which were massively exported overseas, including to Asia and Europe. According to the estimation by Wu and Xu (2003, p.287), the amount of raw silk had accounted for approximately 14% of total export production in 1840. Adding in the amount of silk products, this figure would have been more prominent. There is little contention concerning the quantitative development in the silk textile industry from the Ming to the Qing period in the previous literature; however, whether this growth was due to the improvement of productivity that primarily originated from the change of mode and organisation of production is still in dispute. Hence, the next section will examine the organisation and mode of production in the silk textile industry, respectively, from the state-owned and private perspectives, which constituted the entire body of the textile industry in Qing-China. In so doing, the next section attempts to assess the development level of silk textile production by examining the organisation and mode of production in the two sectors.

Changes and development in the state-owned silk textile industry

In the long history of the premodern period, the silk production industry was developed based on two levels: the state level and private level. The state-owned silk production can be traced back at least to the Song and Yuan dynasties (Peng, 1963, p.91), and it was symbolised by the weaving bureaus (*Zhizao Ju*) during the Ming and Qing periods. During the Ming period, these bureaus were established at the central and local levels. The historical document, *Daming huidian* (Li, 1587, vol.210), records that ‘Two weaving bureaus were respectively built in Nanjing and Beijing. One is for the use of the royal family, and the other is for official purposes...’. At the local level, weaving bureaus had been built in 22 cities, such as Hangzhou and Suzhou. Each bureau was equipped with producing tools and staff, including manufacturing workers. For example, *Daming huidian* records that the ‘weaving bureau in Nanjing was equipped with more than 300 looms, and the state appointed more than 3000 staff to this bureau.’ (Li, 1587, vol.208). That is to say, the weaving bureau could be largely perceived as a state-owned manufacturing mill, as it was built by the court, and the chief superintendent was perceived as a state official. In the meantime, it provided a place and tools for silk production, despite the fact that this production was primarily for self-consumption (Xia, 2020, pp.131-132)

However, the workers in the bureau could not be considered as waged labour during the Ming

period (1368-1644), as the Ming court practised the corvée labour system (Peng 1963 pp. 48–49; Duan 1985: p.1; Wu & Xu 2003, pp.148–149). Most of these labourers were craftsmen who were forced to serve at the bureau for a fixed time annually. During the work at the bureau, these workers were given food, but it was hardly considered a wage since they did not have liberty. With the growing demand for silk products by the Ming court, weaving bureaus were unable to complete their production targets in time. In this case, the weaving bureau would dispense part of the production task to private handicraftsmen. They allocated raw materials and funds to these artisans and collected finished goods from them. Similar to working at bureaus, these handicraftsmen were only given food. Therefore, under the corvée labour system, these craftsmen in the Ming period were constrained by the centralised political power. Due to the bureaucratic corruption and lack of efficiency, the weaving bureau system soon languished. Production in the bureaus was gradually replaced by dispensing to private producers or directly purchasing in the market. The Ming's weaving bureau system ceased in around 1628, and was not resurrected until the Qing established its reign over China (Wei, 1992, p.42)

Weaving bureaus in the early Qing period

Under the Qing's ruling, the weaving bureau system was officially revived between 1645 and 1646, as the Qing court established a central bureau in the capital city, Beijing, and three weaving bureaus in other localities, namely Nanjing, Hangzhou and Suzhou. These bureaus were identified with those in the Ming dynasty, but the size of this system was much smaller. Compared with the 22 weaving bureaus in total during the Ming period, there were only four houses during the Qing period. With respect to the organisation of production, in the beginning of this period, the Qing court adopted a similar pattern to that in the Ming period in that the bureau appointed a contractor, and this contractor recruited production workers. However, this pattern bred corruption and jeopardised production efficiency. According to a specialised historical document, Suzhou zhizao juzhi (Su, 1696, pp.502-506), the contractors usually came from wealthy families. Thus, the bureau officials could embezzle material funds from them. According to records, in some cases, half of the substantial funds were taken by bureau officials, and this deficiency needed to be made up by the contractors.

Moreover, due to most of these contractors coming from affluent families, they would recruit their domestic servants to work at the bureaus, which caused inefficiency of production, since these workers were not paid by their 'masters', and they may not have been skilled in silk production. The flaw of this form of organisation was soon realised by the state. Therefore,

state officials asked the court to forbid it, as ‘in Jiangnan and Zhejiang regions, the weaving bureau official extorted local people through this contracting system. To escape from their extortion, many people go broke’. (Daqing shizu zhang huangdi shilu, vol. 54, pp.1-2). This request was ratified by the emperor. He stipulated that ‘weaving bureaus were still given funds for material purchasing and payment. The bureau would purchase raw silk and recruit workers...’ (Qinding daqing Huidian, vol.201, pp.8-10). This new policy was called ‘purchasing silk and recruiting artisans’ (*Maisi zhaojiang*). Meanwhile, Peng (1963, pp.95-97) and Duan (1985, p.4) argue that there was another form of organisation of production called ‘issuing certificates and outsourcing’ (*Liji geitie*). Nonetheless, Fan (1989, pp.79-81) examined the historical archives and found these two forms of organisation refer to the same system but involved two steps. His study states that the complete process of organisation of production was as follows. First, the weaving bureau would purchase the raw silk from the market and issue a certificate to the chief worker (the chief worker was usually the skilled artisan). Then, the chief worker would recruit production workers from society and set them to work in the weaving bureaus. That is to say, this was the primary form of organisation of production in weaving bureaus in the pre-1800 period.

Waged labour and mode of production in the weaving bureaus in the early Qing period

The new form of organisation of production fundamentally changed the nature of the weaving bureau system and the weaving bureaus, as the foundation of the form implemented in the Qing period was grounded on waged labour (Dong, 2018, p.95). The Qing court abolished the corvée system in 1645, despite the fact that there was a relapse in the following years, as will be explained shortly. Thus, compared with the Ming period, the silk producers in the weaving bureaus were *de facto* the waged labour. As I analysed earlier, under the recruiting system during the Ming period, the primary source of bureau workers was the handicraftsmen and servants from the contractors’ families. None of them were paid by the bureau or contractors. In the case of the craftsmen, their work in the weaving bureau came under the corvée system, while in the case of the servants, their status determined they would not be paid by their ‘masters’. Hence, even though they were given daily food when they were working in weaving bureaus, it was hardly considered as a wage payment. Under the Qing court’s system, however, the weaving bureaus directly recruited workers from the market and paid them with daily food and wages. The official archives with respect to the accounting statements reveal the specific wage levels of different types of workers in the weaving bureau.

Table 3-1 Wages of different types of workers in the three weaving bureaus

Type of work	Wage (tael)	Food supply
Weaver	0.06 per day	In Suzhou weaving bureau, the total number of weaving workers was 2330. They were supplied with grain equivalent to 932 <i>dan</i> monthly
Mill worker	0.03 per day	
Loom handler and meal deliverer	0.015 per day	
Weaver (Tongjiao jiang)	0.015 per day	
Chief decorative weaver (Tiaohua gaoshou)	0.15 per person	
Decorative weaver A (Tiaohua jiang)	2 per month	
Decorative weaver B (Daohua jiang)	0.5 per month	
Painter	2 per month	

a. 1 *Dan* = 59 kg

Sourced from: Su, P., (2015/1686) *Suzhou Weaving Bureau (苏州织造局)*, Shanghai: China Ancient Book Publishing House, pp.521-522

Zhang, T., (1736) Verification of annual expense in Hangzhou weaving bureaus in 1735 (题为核销原任杭州织造隆升办解雍正十三年上用内用部派缎匹等银两事). Archive no. 02-01-04-12931-022. Beijing: First Historical Archives of China.

Fu, H., (1748) Verification of expenses and other issues in Hangzhou weaving bureaus (题为遵义杭州织造申祺题销乾隆纸板上用缎纱宫绸等项用过工料钱粮数目事). Archive no. 02-01-04-14273-002. Beijing: First Historical Archives of China.

Shu, H., (1763) Verification of expenses in Hangzhou weaving bureaus in 1762 (题为遵旨察核杭州织造乾隆二十七年起运缎绸用过工料钱粮食). Archive no. 02-01-04-15629-005 Beijing: First Historical Archives of China.

Shen, Q., (1749) Declaration of incomes and expenses in Jiangning weaving bureau in 1749 (题为江宁织造乾隆十四年用过工料各费请准报销事). Archive no. 02-01-04-14495-011 Beijing: First Historical Archives of China.

As it can be seen in table 3-1, the wage levels in the Suzhou weaving bureau varied, as there was a fine division of labour during production (this is only part of the wage statistics, due to the limited availability of data). Based on analysis of the weavers' wage level (as this type of work was the most basic but most important part of the process of production and there were usually many more of this type of worker than the others), the average annual wage of weavers was 21.6 tael (or £7) (360 days) during the Kangxi reign. Converting this to the payment by grain, according to Wang's research (1992, pp.40-42), the average price of grain during the period of 1680-1689 was 1.1 tael per *dan* (75kg). Thus, the weaver's wage would buy approximately 19.6 *dan* (1470 kg) of grain. Meanwhile, on average, the yearly food allowance in the bureau was approximately 4.8 *dan* (360 kg) for each worker. Hence, the total annual payment of the weaver was equivalent to the price of 1830 kg of grain.

Comparing this with the wage level in England, the weekly wage of cotton operatives in Lancashire was 6s in the 1680s (Broadberry & Gupta, 2006, p.22), which amounted to 288s per year, while the contemporaneous price of winter wheat was 4.27s per bushel (27kg) in the period of 1679-1689 (Clark, 2004, appendix.1). That is to say, the yearly wage of cotton operatives would be approximately equivalent to the price of 67.45 bushels (1821.15 kg) of winter wheat. In this regard, the wage levels of textile workers in these two regions were fairly similar. However, the caveat is that the wage level in the weaving bureaus was higher than the average level across the silk textile industry as a whole. Thus, the average wage level in the silk textile industry in Qing China might have been slightly lower than that in England by 1800. Moreover, in Jiang's estimation (1992, p.301), the basic consumption by individual Chinese during the early Qing period was approximately 240-kilograms of grain per year (the consumption includes food intake, house maintenance and clothing expenditure). Thus, the weaver's yearly payment in the weaving bureau could feed at least 7.6 adults, to wit, an entire family. Therefore, from the wages perspective, the weaving bureau provided rather high wages compared to the other handicraft industries in the Qing China (Fan, 2015, pp.232-233)

Scale and mode of production in the weaving bureau

The weaving bureau symbolised the highest level of production in the Qing period (Fan & Jin, 1993, pp.35-40), which was grounded on its large scale and form of production. Hence, the scale and mode of production in the weaving bureau were important facets in terms of the developmental level of the silk textile industry manifested in the Qing China by 1800. The weaving bureau was a branch of official administration, which was directly funded by the

central government (the court). According to Peng (1963, p.100), the fiscal allocations of Suzhou, Hangzhou and Nanjing houses were respectively 155,665; 226,308 and 70,337 taels. In contemporaneous Britain, the capital investment in a cotton textile mill was approximately 15,000 taels. Therefore, the scale of the Chinese weaving bureaus was very substantial. This fiscal allocation allowed the weaving bureaus to mobilise considerable resources for production, which was directly reflected by the scale of the weaving bureau, including the total number of workers and loom configurations.

As analysed above, the total number of weaving bureaus was much lower in the Qing period than in the Ming period. The Qing court only retained three weaving bureaus in the Jiangnan region (one in Beijing was the bureaucratic branch rather than a production house). Nonetheless, the size of each house was rather large, as was revealed by the numbers of staff and looms. Peng Zeyi's research (1963) makes a major contribution to this topic. Based on his study, the sizes of the three weaving bureaus were as follows:

Table. 3-2. Numbers of workers in the three weaving bureaus, 1745

	Jiangning	Suzhou	Hangzhou	Total
Loom operator	1780	1932	1800	5512
Other types of workers (mainly weavers)	770	243	530	1543
Total	2550	2175	2330	7055

Sourced from: Peng Z., (1963) 'Study of the weaving bureau in the Jiangnan region during the early Qing period' (清代前期江南织造的研究), *Historical Research*. **1963**(04), p.100

Table 3-3. Numbers of looms in the three weaving bureaus

	Jiangning	Suzhou	Hangzhou	Average	Total
Initial	538	800	770	703	2108
1725	557	710	750	672	2017
1745	600	663	600	612	1836

Sourced from: Peng Z., (1963) 'Study of the weaving bureaus in the Jiangnan region during the early Qing period' (清代前期江南织造的研究), *Historical Research*, **1963**(04), p.99.

These two tables explicitly show the large size of the three weaving bureaus in the Qing period. The total number of workers was 7055 in 1745, which was equivalent to approximately 2351 on average for each house. It is worth noting that this number only reveals the number of workers and not the total number of staff in the three houses, as officials and administrative staff are not included. Coupled with other types of staff, Xu (1986, p.67) estimates that to each loom in Suzhou weaving bureau five staff (workers and assistants) were appointed, and the total area of Suzhou house was more than ten thousand square meters. All these facts indicate that the weaving bureaus in the Qing period were considerably large in size. Moreover, two particular reasons could help shed light on the fact that most of these workers were highly skilled. Firstly, the overall silk production skill kept growing throughout the early Qing period (Jiang, 1992, p.144; Li, 2000, pp.54-57;), and most of the workers were recruited from the private silk textile industry. Particularly, three weaving bureaus were located in the Jiangnan region, where the silk textile industry was highly developed in Chinese history. Thus, workers from this region usually had advanced skills. Secondly, as analysed previously, a certain number of apprentices were trained in the bureau from being children, and most of them were already skilled workers.

The advanced level of production in the weaving bureau was also grounded on the detailed division of labour, which was the main engine for improvement of production, both in the weaving bureau and private handicrafts during the Qing period. The historical record, Suzhou zhizao juzhi, lists the type of work during the production (table 3-4). This list reveals the detailed division of labour in the process of silk production. Apart from several assistant workers, at least 17 types of work were directly involved in the production. From the raw silk and silk yarn to the silk product, each bolt underwent at least five different procedures during production, according to Peng (1963, p.103). Thus, the production model in the weaving bureau was grounded on the division of labour.

Table 3-4. Types and numbers of workers in Suzhou weaving bureau

Weaving bureau substation A (Zong zhiju)		Weaving bureau substation B (Ran zhiju)	
Type	Number	Type	Number
Official (Suo guan)	3	Official (Suo guan)	3
Chief weaver (Zong	1	Chief weaver (Zong	1

gaoshou)		gaoshou)	
Weaver (Gaoshou)	12	Weaver (Gaoshou)	12
Manager (Guangong)	12	Manager (Guangong)	12
Warp and weft threads weaver (Guan jingwei)	6	Warp and weft threads weaver (Guan jingwei)	6
Round warp threads weaver (Guan yuanjing)	2	Round warp threads weaver (Guan yuanjing)	2
Golden threads weaver (Guan bianjin)	2	Golden threads weaver (Guan bianjin)	2
Other weaving type A (Guan serong)	2	Other weaving type A (Guan serong)	2
Other weaving type B (Guan duanshu)	6	Other weaving type B (Guan duanshu)	6
Other weaving type C (Guan huaben)	1	Other weaving type C (Guan huaben)	1
Other weaving type D (Cuiliao)	6	Other weaving type D (Cuiliao)	8
Other weaving type E (Jianxiu jiang)	8	Other weaving type E (Jianxiu jiang)	6
Other weaving type F (Tiaohua jiang)	14	Other weaving type F (Tiaohua jiang)	6
Other weaving type G (Dao Huajiang)	15	Other weaving type G (Dao Huajiang)	10
Other weaving type H (Zheduan jiang)	5	Other weaving type H (Zheduan jiang)	6
Other weaving type I (Jiezong Jiang)	6	Other weaving type I (Jiezong Jiang)	8
Other weaving type J (Hua jiang)	1	Other weaving type J (Hua jiang)	1
Other weaving type K (Kantang xiaojiang)	22	Other weaving type K (Kantang xiaojiang)	24
Other weaving type L (Kanju xiaoja)	6	Other weaving type L (Kanju xiaoja)	6

Other weaving type M (Fangju xunbin)	10	Other weaving type M (Fangju xunbin)	10
Other weaving type N (Huasu jijiang)	1170	Other weaving type N (Huasu jijiang)	1160

Source: Su, P., (2015/1686), *Suzhou Weaving Bureau (苏州织造局)*, Shanghai: China Ancient Book Publishing House, pp.521-522.

If the weaving bureaus represented a high level of production, as I analysed previously, then the quantity of their production is important to investigate. Based on the historical archive, the chapter selects every five years, since the Qianlong reign (1736), as the periods to explore. Based on the statistics recorded in the archive, the total amounts of production by the three weaving bureaus fluctuated between 11,000 and 15,000 bolts (table 3-5). Noteworthy, the total amounts of production in this table were based on conservative estimation, as only certain types of categories of production were routinely included, to wit, for the royal family (*Shangyong*), for court officials (*Guanyong*) and (*Bupai*). However, in particular years, the court would assign extra production tasks. These tasks were one-off productions, and the quantities were rather large. In the meantime, the weaving bureaus also produced various kinds of extra silk textile products for different purposes. Nonetheless, these extra and scattered silk products were not recorded systematically. Thus, the actual number of productions could have been even higher than this estimation. Furthermore, the high level of production could be corroborated by the value of their production. Fan and Jin (1993, p.156) investigated the statement of accounts of the three weaving bureaus and estimated that they produced silk products with a total value of 164,100 taels annually. Both the quantity and value of silk products made in the weaving bureaus indicate the high level of production of the weaving bureau during the early Qing period.

Table 3-5. Quantity of production in the three weaving bureaus

Unit: bolts

Year	Suzhou	Hangzhou	Jiangning (Shanghai)	Total
1737	9820	3000	7939	20759
1742				
1747			3498	

1752	3306	3241		
1757		3052	5333	
1762	3255	2756	5424	11435
1767	2061	4765	4293	11119
1772	3740	7022	4613	15375
1777	2902		3040	
1782	2628	2470		
1787	3727		3884	
1792	3100	4870	3203	11173

Sourced from: a summary of annual reports (primary sources) from weaving bureaus in Suzhou, Hangzhou and Jiangning (See primary sources in the bibliography)

From the analysis above, two tentative generalisations can be made regarding the weaving bureaus in the early Qing period. First, as a production unit, the weaving bureau was like a state-owned handicraft mill in nature. Even though it primarily produced for the self-consumption of the court instead of for profits, the organisation of the weaving bureau was fundamentally grounded on the waged labour. Meanwhile, the mode of production indicates that the weaving bureaus represented a rather advanced level of silk production. The state-ownership model allowed them to mobilise large quantities of resources, including workers, facilitators and funds, for production. Under these circumstances, through the specialisation and division of labour, the weaving bureau was able to produce a large amount of high-quality silk products.

Secondly, because the weaving bureaus were state-owned institutions, the Qing court was able to intervene in the cotton textile market in different localities. Zhao and Chen (1977, p.6) argue that an important role of these state-run handicraft mills was to address the low production in the Jiangnan region. During the early stage of the Qing period, social productivity was relatively low due to the chaos caused by the war between the Qing conqueror and the Ming court. In this sense, the weaving bureaus were well placed to efficiently promote local silk textile production. For instance, each year, all the raw material for the production in the weaving bureau was obtained from the local market, which largely prospered the local raw silk market. Likewise, as mentioned earlier, since the Qianlong reign, an additional task of weaving bureaus was to produce a certain number of silk products for trade with northwest regions such

as Kazakhstan. However, due to the burdensome production task, many of the silk products for the northwest trade were directly purchased from the local markets (Fan, 2015, p.408-414). Hence, the demand from weaving bureaus for silk products stimulated local production. Therefore, these two cases manifest how weaving bureaus made considerable contributions to the development of the private silk textile industry.

Development of the private sector silk textile industry

Compared to the development of the state-owned silk textile industry, the evolution of the private silk textile industry was even more remarkable. This evolution is reflected in the development of the mode of production and form of organisation during the period of pre-1800. As explained shortly, many changes that took place suggest that the silk textile industry in Qing China entered the early stage of capitalist self-evolution.

During the Qing period, the private sector of the silk textile industry underwent far-reaching development, which could be articulated from the following observations. First, the most visualised development was the improvement of total output. There is extensive literature containing estimations regarding the total amount of silk production in the early Qing period. Regarding output of the Jiangnan region, Wu (1983, p.237) estimates that annual output of silk products from the Jiangnan region was approximately 300,000 bolts (11.7 million yards), which was equivalent to a value of 300,000 taels (£100,000) during the late Ming period. Meanwhile, Li (2000, p.40) estimates that this figure increased to 3.33 million bolts (4.31m lbs or 129 million yards), with a value of 11.64 million taels (£4m), during the period of the early 19th century. Accordingly, the quantity of production increased ten times, and the value increased 37.8 times. Fan (1993, p.253) estimates that the Jiangnan region was producing approximately 380,000 bolts of specific types of silk products (*Chou*) annually at the end of the Ming dynasty, and this output surged to 14 million bolts (546m yards) of silk products during the period of the Qianlong reign (1736-1799), which was equivalent to 18.13 million pounds in value. That is to say, from the early 17th century to the mid and late 18th century, the annual production in the Jiangnan region increased approximately 35.8 times. With respect to the production nationwide, the estimation was rougher and more tentative due to a lack of systematic data. In this regard, the nationwide raw silk production was approximately 77,000 *dan* in total in 1840, according to Xu and Wu (2003, p.334), which was equivalent to 10.24 million pounds. However, this figure might be underestimated. Pomeranz (2000, p.404) argues that the nationwide production of silk was 71 million pounds annually in 1750 (he estimates

production in the Jiangnan region was 60 million pounds annually). Even though these results of estimation vary, they all reveal that the output performance of the silk textile industry grew continuously up to the 19th century.

The continuous development of silk textile production raises the following question: what factors led to the development or transformation of the silk textile industry during this period? In this regard, two main factors should be studied. First, the growing number of free workers and silk textile production mills during this period had laid the foundation for the development of the silk textile industry. Second, the division and specialisation of labour in the silk textile industry was the main engine for improvement of the production in the silk textile industry (Xu, 1991, p.39-44; Li, 2000, pp.57-65; Dong, 2018, pp.90-91). These two elements not only help explain why the Qing-China had a rather high silk production output but also reflect that silk textile industry, as a typical Chinese manufacturing industry, stepped onto the trajectory of capitalism.

Before elaborating on the new dynamics in the form of organisation and mode of productions in the private sector of the silk textile industry, some figures will be provided to demonstrate the visualised expansion and development of this industry. During the late Ming period, the number of producing looms in the Jiangnan region approximately ranged from 14,000 to 15,000. This figure surged to 80,000 on the eve of the opium war (Shen, 1986, pp.60-64). With respect to the number of weavers in the silk textile industry, Li (2000, p. 43) estimated the number was approximately 30,000-40,000 in the Jiangnan region during the late Ming period and 170,000 in the mid of Qing period. Noteworthily, 170,000 workers were directly engaged in the production of silk cloth. Since the degree of specialisation and division of labour was rather high in the silk textile industry during the Qing period, a huge number of workers were required as assistants in silk production or jobs in related industries. Thus, taking all these people into account, the total number of workers in the silk and related industries was more than 500,000 in the Jiangnan region (Li, 2000, p. 45).

Differentiation and division of labour; the change of mode of production in the private sector of the silk textile industry

The growth in the numbers of free waged-labour and silk production mills was an important change during the early Qing period. Specifically, this change started in the late Ming period. The silk textile industry during the Ming period had undergone rapid development. Thus, new

dynamics emerged in this industry. First, silk production started to separate from agriculture (Fan, 2015, p.34). For a very long period, silk production existed as a side-line occupation attached to agricultural production. Therefore, the separation from agriculture was important, as it provided the possibility of further capital accumulation in this sector (Xu & Wu, 2000, p.393). Until the Qing period, silk textile production was a completely independent industry in the market, and more specific divisions of production had emerged within this industry, as explained shortly. In the meantime, the separated silk production industry transferred to urban areas. This process started in the late Ming period and was completed in the early Qing period (Li, 2000, p.60). This separation and transference of silk production led to the rise of the urban silk handicraft industry, which was quintessential during the Qing period. Various cities in the Jiangnan region, such as Suzhou and Hangzhou, were centres for silk production. For instance, in the late Ming period, a local gazetteer depicts that ‘...Most people in Suzhou city were making a living by silk weaving...’ (Zhu, 1368-1644, vol. 44). The number of looms in the urban silk textile industry during this period was around several thousand (Duan, 1985, p.5). However, under Qianlong’s reign, the number of specialised silk producers in Suzhou had exceeded ten thousand, and the number of looms used in the urban silk textile industry reached 12,000 (Duan, 1985, pp.3-5). These statistics reflect the rapid expansion of the silk textile industry in Suzhou city, which was an emblematic city for silk textile production during the Ming and Qing periods. Compared with the Ming period, specialised silk production was rarely seen in rural areas in the Qing period. Some households in rural areas would do work related to the silk textile industry, but their work would mainly be in a production subcategory that ultimately served the urban silk textile industry (Li, 2000, p.60).

The separation and shift of the silk textile industry led to the movement of the population from rural to urban areas, which brought a large labour force to these cities. Under these circumstances, the waged labour expanded in this industry. Due to the distinctiveness of the silk textile industry, workers were required to have specialised skills. Hence, unlike other handicraft industries in which a large proportion of the workforce was drawn from peasants, most labourers in the urban silk textile industry were original silk producers, called ‘loom owners’ (Jihu). Initially, these silk producers were petty producers. They produced silk textile products and traded them in the local markets. The growing number of silk producers gathering in the cities intensified the market competition, which resulted in differentiation. Those who won in the market could exploit their profits to enlarge the size of production through adding looms and hiring workers. Therefore, this original group of producers upgraded to become

owners of mills. On the other hand, another group of original producers who failed in the market would be hired by mill owners. Several passages from the historical document and local gazetteers precisely record the existence of differentiation and employment in the silk textile industry as follows:

The normal household would weave more than ten bolts, or at least five bolts of silk products, then trade them in the market. A large household can produce abundantly. Hence, they do not go to market for trade. Instead, brokers will come to them to collect their products. Shifu comes from a small family which does not have much money. Once they have three or four bolts of silk products, they have to immediately trade them in the market.

(Feng, 1627, vol.18)

In the silk textile industry.....Wealthy producers would hire workers to weave, and impoverished producers have to weave by themselves.

(Zhenze Chorography, 1736-1795, vol. 25)

In Wu County, large household producers make a living by setting up looms (and hiring weavers). Improvised producers are making a living by recruitment of large household producers. In the morning, hundreds of improvised producers will be gathering at the gate of the temple, waiting for recruitment from the wealthy producers. Daily wages are the money for their subsistence.

(Jiang, 1567, vol.4)

These three paragraphs explicitly reveal the process of differentiation in the late Ming period. Xu and Wu (2000, p.159) highlight that the phrases ‘large producers’ (*Dahu*) and ‘small producers’ (*Xiaohu*) were referring to differentiation of silk producers through market competition. Following their thread, therefore, the first and second paragraphs reveal the employment relationship between ‘winners’ and ‘losers’ as differentiated by the market. Meanwhile, the third paragraph demonstrates two further pieces of important information. First, a large number of small household producers were transformed into waged labour, as they no

longer could make a living by weaving silk products by themselves but would wait for recruitment by wealthy producers. Secondly, their employment relationship with employers was not fixed, as they needed to wait for a job every day, and their payments were also daily based. Nonfixed employment or casual labours was a particular feature during the development of employment relationships, and this changed soon when the silk textile industry developed during the Qing period.

Waged labour in the silk textile production during the early Qing period was more common, as analysed previously. The Qing court phased out the corvée system and reformed the tax system, through which political constraints and the economic burden of craftsmen and labours were largely relieved. On this account, the number of waged labours kept growing, particularly in the urban silk textile industry. The following two historical passages have been widely cited by previous literature:

In the eastern region of the city (Suzhou), the majority of people learn the skill of loom operation...., There are varieties of craftsmen in the silk textile industry, and these craftsmen usually have fixed employers. Their payment is daily based, and this is the agreement between them without dispute...

(Feng, 1644-1911, vol.20)

Most of loom owners in Suzhou recruit workers to produce for them. Owners provide funds for running (workshop), and workers receive their payments by the piece they produce..... Workers also receive extra money for wine.... Total wine money is 0.1 tael, which will be given to the worker several times. In terms of payments, it is based on the number they produced, and also based on the quality of products.

(Nanjing Museum, 1959, p.18)

These two passages record the situations of silk production in Suzhou city. Compared with the Ming period, certain palpable changes can be distinguished. Firstly, the waged labour started to be stable and fixed, as the historical record reflected that more craftsmen had fixed employers.

This indicates that their work tended to be continuous. Secondly, the form of payment varied. Daily based payment and one-off based payment existed in the labour force market. Yet, these two forms of payment were fundamentally identical, as they were both grounded on the agreement between the employer and employee, which confirmed that waged labour had widely existed in the silk textile industry. More importantly, since the employment relationship was fixed, the form of payment would not destabilise this relationship, as it did in the late Ming period. Thirdly, the second passage explicitly records that the loom owner only provided funds for running the workshop. Although employer/employee relationships between loom owners and workers also existed in the Ming period, loom owners still engaged in silk production with other workers in many cases. However, the owners rarely engaged in the daily production during the Qing period (Fan & Jin, 1993, pp.209-213). In this case, they were only the capital holders and investors. This coincides with Karl Marx's analysis about the division of social classes during the process of emergence of capitalism in Europe (Marx, 2004/1867). Therefore, in the case of China's silk textile industry, it manifested that the employment and social division progressed to a stable level, which was rather similar to the European experience.

Due to the differentiation, some of the original producers moved up to become owners of mills. Then how did silk handicraft factories practise their work in the Qing China? It is an important puzzle to explore, as it would help assess the developmental level of the silk textile industry in China. However, this puzzle creates rather contentious issues in conventional Chinese studies. Various studies are rather sceptical about the existence of handicraft mills before 1800. For example, Xu (1983, pp.62-67) argues that there is no solid evidence in current findable historical material to prove the existence of silk factory production before the opium war. Duan (2003, p.65) further contends that so-called handicraft mills during the Ming and Qing periods were not like the capitalist production factories that emerged in Europe. Xu and Wu (2003, p.382) argue it is difficult to pinpoint the nature of the workshop in the sense of whether these were handicraft factories. Their scepticism stems from the ambiguity of the definition of the factory. This chapter applies the definition of the factory from Maxine Berg (1994, p.162), namely that the primary criteria of factories in the pre-industrial era were discipline and the division of labour. Hence, the division of labour was the core factor in assessing handicraft factories in the silk textile industry as a discipline in this context was embodied in the employment relationship.

Division of labour in the silk textile industry

Division of labour in the silk textile industry had emerged in the late Ming period. For example, ‘in Suzhou city, there was an owner of a silk handicraft mill named Zheng Hao. He hired different types of silk workers, and the number of each type of worker was more than ten people’ (Lu, 1368-1644, vol.4. para.11). This material shows, in particular cases, the division of labour had been the mode of production in the silk handicraft factories. Moreover, the division of labour in silk production was more detailed and widespread during the Qing period, as can be revealed from the following historical records.

Those workers who have to find employers are waiting at the bridges. Satin workers are waiting in the *Hua* bridge; gauze workers are waiting at the *Guanghua* Temple bridge; loom weavers are waiting at *Lianxi* lane..... If the amount of work in the mills decreased, then these people would need to worry about their daily subsistence..... These people at each bridge were dispatched by their guilds.

(Changzhou Chorography, 1736-1795, vol.20)

This passage describes how various types of silk worker would wait for recruitment by employers. In the meantime, they were all working at the silk-producing mills. Thus, it is reasonable to assume, each silk-producing mill needed a variety of specialised workers to conduct different procedures in silk production. In the previous section, I analysed the division of labour in the state weaving bureaus. It also reflected the division and specialisation level in the private sector of the silk textile industry, as the majority of specialised workers in the weaving bureaus were recruited from the pertaining market. Furthermore, Xu and Wu (2003, p.373) summarise the entire process of silk production in the Qing period, which included more than ten types of work. For example, in the process of weaving alone there were at least two types of decorative weavers, each of which was highly specialised. In Jiangsu Museum, one tablet inscription explicitly records that ‘(silk production) cannot be completed by one man or one loom. There are various specialised skills in this process, and each skill could help workers to make a living’ (Xu and Wu, 2003, p.373). More importantly, as is revealed in the passage above, these different types of silk workers all belonged to respective guilds. This was a distinctive feature of the division of labour during the Qing period. The fairly high degree of division meant that some of the working procedures in the silk production were separated from others and became independent industries, such as the dyeing industry. For instance, in Suzhou

city, the number of dyeing workshops reached 58 during the Qianlong reign (Zheng, 2008, p.289). All these findings suggest that the division and specialisation of labour in the silk textile industry had a twofold scope: on the one hand, the division of labour within production, and on the other, external division. These two types of divisions and specialisation were the primary engines for the development of silk production during the Qing period.

In summary, previous sections explained the analysis of the silk textile industry in Qing China by 1800. Particularly, the development of the silk textile industry was reflected in the growth of total output of silk textile production, and more importantly, the change of organisation and mode of production in this handicraft sector. The handicraft mill and waged labour, as new forms of organisation of production, had existed in production at the state level and private level. Meanwhile, with respect to the mode of production, the specialisation and division of labour widely emerged in silk textile production, which was the main engine to drive the development of the expansion of this sector. Moreover, all these factors suggest that the silk textile industry had started to transform itself. As representing the pre-stage of capitalist production, the handicraft mill and waged labour signified, at least by 1800, that the silk textile industry in the Qing China was rather similar to those in Europe in the sense of the trajectory of transformation. Nonetheless, the textile industry experienced a great divergence from its European counterparts during the nineteenth century as the latter underwent industrialisation. This research will shed new light on this divergence through the dimensions of state-building and state-market relationship in the third part of this chapter.

3.2. The development and transformation of the cotton textile industry

If the case of silk textile production demonstrated various Chinese indigenous characteristics in the sense of the change and evolution of the handicraft industry on the eve of the ‘great divergence’, then the development of the cotton textile industry may provide a more comparable case by which to explicitly examine the similarities and differences between China’s case and Britain’s case. By and large, cotton and cotton products may be the most important commodity throughout the era of 1000-1900 (Beckert, 2014, p.54), as ‘the scale of its production, consumption, and exchange was far greater than that of any other manufactured commodity’ (Riello & Parthasarathi, 2009, p.2). Moreover, this sector is commonly perceived as the most important handicraft industry in the early modern period, as the industrial revolution emerged in this industry. Hence, comparing and contrasting it with the European experience would shed new light on why industrialisation did not occur in China but did so in

Europe. In so doing, this section also provides a different understanding of the ‘great divergence’ debate.

Reassessment of industrial performance: output, productivity and wage level

Cotton is not indigenous to China. However, the introduction of cotton to China can be traced back to the period of the 2nd century BCE (Xu, 1992, p.8). Before the opium war, there were two main species of cotton widely planted in China, namely, the Asian species and African species. Both of these were introduced from India via two major routes. One ran from north to south, departing from the Kashmir region and arriving in the southwestern provinces of China. The other route originated in Assam in India, passing through Burma, arriving in Yunnan province, gradually being reproduced in the southern region of China (Zhao & Chen, 1977, p. 3).

Despite cotton species being introduced into China in this early historical period, cotton did not prevail until around the 14th century, during the Yuan and Ming periods. For a very long period, silk and hemp were the primary raw materials for clothing production. In particular, hemp fibre was extensively used by commoners until replaced by cotton fibre in the 14th century (Yu, 2010, p. 3), which largely was due to the encouragement of state policies by the Yuan and Ming courts. Under their preferential policies, cotton planting areas increased significantly nationwide. For instance, Jiangnan was the leading region for cotton planting and cotton cloth production from the Ming period. In particular counties, such as Taicang, ‘20%-30% of the land cultivated rice, and 70%-80% of the land planted cotton’ (Li & Xu, 2004, pp.23-25).

In the meantime, with the growing commercialisation of cotton and cotton products, raw cotton had gradually become an important cash crop in northern areas of China, such as the Shandong and Henan provinces (Ma, 2000; Li, 2004). Regardless of the lack of accurate statistics regarding cotton planting during the Ming period, extensive literature demonstrates a growing trend of cotton planting nationwide. The expansion of cotton planting and cotton cloth production went even further in the Qing period of pre-1800. Xu and Wu (2003, pp.210-211) argue that the nationwide areas of cotton land were no larger than 5% of total cultivated land, which was approximately 50 million *mu* in 1840. In addition, Pomeranz (2003, pp.410-413) argues that total cotton cultivation in 1750 was rather close to the figure in 1850. Hence, the 1840 figure regarding cotton cultivation could have been applied in 1750. Furthermore, the average production of cotton was approximately 30 *ji/mu* (33 lbs/mu) in the Hubei province in

the early period of Qianlong reign, which could have represented the average level of production of cotton nationwide (as this figure would have been larger in the Jiangnan region). Therefore, the total production of cotton during the years around 1750 was approximately 1650 million lbs annually. If we use this figure times total population in 1750 (200 million), the average cotton consumption in China was 8.25 lbs per person. In contemporaneous Britain, the average consumption of mixed textile products (cotton, woollen, silk and flax) was approximately 8.7 lbs (Pomeranz, 2003, p.413). Hence, in a quantitative sense, the consumption levels in Qing China and Britain were fairly comparable during the mid and late 18th century.

With a growing amount of cotton being cultivated by 1800, the cotton textile industry developed significantly, although the primary mode of production was still household-based. Liu (1990, pp.54-61) estimates that at least 60% of cotton cultivation regions were directly involved in cotton cloth production. In Songjiang (Shanghai) region, local gazetteers extensively reveal that most of the local inhabitants were making a living from cotton cloth production (Xu, 1992, pp.28-31). Compared with annual production of 50 million bolts in the Ming period, Li (2000, p.40) argues this figure had doubled by around 1800. With respect to the national output of cotton cloth, Xu and Wu (2003, pp.322-324) estimate that 45% of all peasant households specialised in cotton cloth production by 1840. This figure equated to approximately 34.26 million households. Meanwhile, each household had a workforce of 1.5 (only women, children, and elders were involved according to previous literature). In the most advanced region, Jiangnan, elders and children counted as 0.5 labour force. Thus, the total amount of labour force involved in cotton production would be 51.3 million. However, as Xu Xinwu (1992, pp. 215-216) argues that the average working time was 140 days per year, then it can be reasoned that approximately 20-25 million workers were involved year-round in cotton production.

However, the figure of 597.3 million bolts (2168.2 million yards) in cotton cloth production was an underestimation since the amount of annual cotton cultivation was 1069 million lbs in their calculation. Assuming the amount of cotton cultivation in 1750 was 1600 million lbs, as we analysed previously, theoretically, it could convert to approximately 934.43 million bolts (3392 million yards) of cotton cloth, according to Xu and Wu's formula. Unlike silk products, the majority of this massive amount of cotton cloth was circulated in the domestic market, which reflected the high level of commercialisation of cotton products. By 1800, cotton cloth

had become the 2nd most valuable commodity in the market in China. Under the advanced commercialised market, the income the cotton households made by selling cotton products is important to explore, as it would help assess the development level. In this regard, several passages in a historical document have revealed the productivity and income from cotton production. For instance, during the early Qing period, by 1800, women in the Jiangnan region were the main workforce for spinning and weaving cotton cloth. Children were required to learn weaving and spinning skills from a very young age. Further, the income from daily work by these children exceeded their daily expenses (Xu & Wu, 2003, p.395). Moreover, ‘if the weaving and spinning were conducted by an adult female, the daily income could afford two- or three-people’s expenses...’ (Xu & Wu, 2003, p.395). All these findings suggest that household-based cotton production could generate a considerable amount of profit for each family. Extensive studies focus on the productivity of household cotton cloth production (Xu & Wu, 2003, pp. 392-395; Xu, 2003, pp.51-53; Li, 2003, pp.41-42; Fang, 2005, pp.7-8;). Based on these studies, cotton cloth was produced on a nationwide basis, but the productivity varied regionally. In this case, this research focuses on the productivity in the Jiangnan region, which was the most advanced region economically. In this region, each cotton cloth took approximately 6-7 days for a single worker to produce or one day for five workers. In terms of a whole household’s cotton production income, in the Shanghai County, Fang (1987, p.81) argues that the average household cotton output in Shanghai County ranged from 80-100 bolts (290.4-393 yards) annually, and annual household self-consumption was approximately eight bolts. In addition, the market price was 0.2 tael/bolt in the 1680s (Ye, 1981, pp.157-158). Hence, given each household could produce 100 bolts of cloth annually, 8 of these would be self-consumed. In this case, one household could earn approximately 18.4 taels (£6.1) by producing and selling cotton cloth. As analysed earlier, the baseline living standard for a household was approximately ten taels (£3.33) in silver, in this case. Therefore, the income from cotton clothing producing and selling could provide subsistence for all family members in the early Qing period.

Comparing the wage levels in the Jiangnan region and England in the 18th century. Li (2003, p.42) systematically analysed the annual productivity of female weavers. Based on his estimation, each female weaver would spend 200 days per year on weaving, during which she could produce 29-33 bolts of cloth in the years of Kangxi reign (1661-1772). Meanwhile, according to the historical document ‘*Yue Shibian*’ (Ye, 1981, pp.157-158), the price of standard cotton cloth (biaobu) was around 0.2 tael/bolt in the 1680s. That is to say, on average, the value

of cotton cloth produced by a female weaver was approximately 12 taels (given annual production was 60 bolts) in a full year (365 days), which was equivalent to 0.033 taels per day. Converting this to grain rice, daily income could purchase 0.03 *dan* (2.25kg) of grain rice per day. This income level was moderate but not high when compared with the wage level of cotton workers in Britain. The average weekly wage of cotton workers was 6s in Lancashire in 1680 (Broadberry & Gupta, 2006, p.22), while the average price of winter wheat was approximately 4.27s per bushel from 1679 to 1689 (Clark, 2003, appendix.1). That is to say, the daily income of England cotton worker could buy approximately 0.2-bushels (5.4kg) of winter wheat per day. The income from household cotton cloth production may have been lower than in England. However, the caveat here is that if we examine the wage level in the cotton textile industry from a different perspective, such as the calendaring industry, it might display a different image. With cotton textile production involving a series of processes, calendaring was an important process that was independent of household production. In this industry, the average daily wage ranged from 0.09944-0.1144 tael from 1730 to 1772, based on a previous study (Allen et.al, 2011, p.11). Considering the average rice price during this period was 1.63 per *dan*, the daily wage of the calendaring worker was equivalent to 0.061-0.070 *dan* (4.575-5.25kg) per day.

In England, the weekly wage of cotton operatives during this period was lower than 9s (available data was 6s in 1680 and 9s in 1770. Hence this research assumes 7.5s as the average wage during this period), and the average price of winter wheat was approximately 4.01s/bu. Hence, the daily wage of a cotton worker in England when converted to grain was 0.27 bushels per day (7.29kg/day). It is important to note that many uncertainties in the calculation might cause the underestimation of wage levels in China. For example, the data regarding the food allowance was missing. As part of the wage, food allowances widely existed in many industries, such as in the weaving houses of the silk textile industry. Therefore, the actual wage level in the calendaring industry in Jiangnan might have been only slightly lower than it was in Lancashire. Hence, the assertion by Broadberry and Gupta (2006, p.2) that the wage level in Jiangnan was more in line with the most backward regions of Europe might largely be based on misunderstanding of this issue.

From a quantitative perspective, the cotton textile industry developed rapidly during the Ming period, but even more so during the Qing period. Temporally, the total output of cotton and cotton cloth increased multiple times from the Ming to Qing period. In the early Qing period, the highly commercial cotton product market enabled cotton households to live on cotton cloth

production. The income from cloth weaving could have been higher than the average living standard. Thus, it provided the potential for further differentiation and division of the cotton textile industry, which will be discussed in the next section. Spatially, the average cotton consumption per head in China was on a par with that in England and higher than in other regions in Europe. Although the income from household-based production was lower than in England the disparity in wage level between calendaring workers in Qing China and cotton operatives in England was fairly small. Therefore, by 1800, the cotton textile industry in China was at an advanced level of development in a quantitative sense.

Quality changes in the cotton textile industry: mode of production and division of labour

As analysed in the previous section, the cotton textile industry had undergone rapid development by 1800, particularly in terms of total output and productivity. The following question is what factors drove the development of the cotton textile industry. In conventional studies, many assume that the growing number of labourers in this sector was the main engine for the increase in total output, and that productivity in this industry did not apparently increase (Xu, 1988; Huang, 2004). If this is the case, then a corollary is that the cotton textile industry was in stagnation. However, this assertion needs to be re-examined. As will be discussed shortly, there was indeed an increase in productivity in this industry, which explains why the cotton textile industry developed instead of stagnating.

First and foremost, it is important to highlight that not only was division occurring in handicraft mill production but also production was emerging in different forms. In the context of cotton textile production in China, handicraft mills had not emerged in the cotton textile industry by 1800 (Zhao, 1995). However, division of labour might have also occurred within the household production. Secondly, due to linkage within the cotton textile industry, calendaring and dyeing mills existed extensively in Qing China during the 18th century (Qiu, 2002; Zhang, 2010). Calendaring and dyeing were two important processes in the completed sequence of cotton production. To neglect these two industries would obscure the peculiarity of the development of the cotton textile industry in China's context. Thirdly, if the cotton textile industry was not in stagnation, then rethinking is required in the sense of why industrialisation and capitalist transformation did not occur in China by 1800. In this case, it is important to re-examine the dynamics in the system of production in China's cotton textile industry.

In the process of development of China's cotton textile industry by 1800, differentiation and

division occurred in this handicraft sector. Differentiation here primarily refers to cotton production, which had gradually become independent of agriculture (Zheng, 1989, p.105). For a very long period, cotton production was only treated as a side-line of agriculture production. Peasant families would only engage in cotton cloth production in the slack farming seasons. The fundamental reason for this production structure was the dominant role of hemp fabric in Chinese consumption and the underdeveloped commercialisation of cotton production. Under the state's stimulative policy in the Ming period, cotton cloth production changed from self-consumptive to a marketized side-line. That is to say, after self-consumption and tax payment, there was a surplus of cotton cloth that could be traded in the market as part of household income. With the popularisation of cotton products and expansion of the market, cotton cloth production gradually became the main source of household income in the late Ming and particularly the early Qing period (Fang, 1987, p.79). Local gazetteers' records state that 'man works on weaving and woman focuses on spinning....., the household income is largely depending on this' (Zaoqiang Chronology, cited in Fang, 1987, p.7). Likewise, the pertinent historical record explicitly states that 'people were making a living by engaging in the business of the cotton cloth production' (He, 1837, p.11). Furthermore, as I analysed in the previous section, the average household income from producing (spinning and weaving) cotton cloth in Shanghai County was moderately higher than the baseline living standard (1.44:1). Li and Zhang (2011, p.42) argue similarly that women ceased all types of farm work, as the earnings it produced were far lower than those from cotton cloth production. Hence, both empirically and theoretically, the differentiation of cotton textile industry from agriculture had occurred by 1800.

The differentiation of cotton textile production had not resulted in mass production in such as mills or workshops by 1800. However, this does not mean that division of labour did not emerge in this industry. On the contrary, it formed and expanded within and beyond the household-based cotton production system in the late Ming period and especially in the early Qing period. From a side-line to the main source of household income, the transition of cotton cloth production was the catalyst for the occurrence of division and specialisation of labour in this sector. Under these circumstances, the division of labour firstly emerged within the course of household production. The first type of division was the separation of spinning and weaving. Conventional studies regarding this topic are rather contentious, as they either argue that it was an illusion that the separation of spinning and weaving of the cotton production was driven by market profits (Xu & Wu, 2003, pp.404-405), or that this separation was rather limited as it

only amounted to providing additional occupation to farming (Xu, 1980, pp.66-71). According to Xu's work, the differentiation of cotton textile production did not occur. However, as I analyse, cotton textile production was the main source of household income in many regions in Qing China. If this is the case, then Xu's proposition would be invalid, and reconsidering the significance of the separation of the spinning and weaving in terms of the specialisation and division of labour is required.

Meanwhile, Xu and Wu assert that the reason for the separation of spinning and weaving was that some spinning workers were unable to weave. This type of separation was not common nationwide as the aim was not to improve productivity (Xu & Wu, 2003, p.405). Their analysis is problematic from two aspects. First, they misperceive the improvement of productivity as the reason for the occurrence of the division of labour. In Adam Smith's demonstration, the division of labour indeed would bring about an increase in productivity. However, it only indicated that the increase of productivity was the result instead of the reason for the division, and the reason for the emergence of division varied in different historical contexts. For instance, the following historical material was used by Xu and Wu as evidence against the separation of spinning and weaving occurring in China:

During the late Ming period, the impoverished inhabitants did not have enough money to weave cloth. Hence, they had to spin the cotton yarn for living..... an idiom describes that countless cotton cloth is from Songjiang, and innumerable cotton yarn is from Weitang.

(Ji, 1736, vol.102, para.86)

Wu and Xu claim that the lack of funds was the primary reason for these workers to choose to spin, based on this record. Nonetheless, unlike their conclusion, this passage *de facto* manifests the separation that had occurred during this period, even though it was not the result of improvement of productivity. Taking on spinning could help these workers afford their daily expenses. Hence, it would become stable rather than temporary work for them. As time went by, these people would become specialised and skilled spinning workers.

Furthermore, the foundation for these scholars to argue that the separation of spinning and weaving was unlikely to exist extensively in China was not a rational one. Specifically, due to the uneven productivity and output between spinning and weaving by 1800, with both

productivity and income being lower in spinning than in weaving, conventional studies contend it determined that cotton yarn spinning was hardly dependent on the weaving. In this regard, Li (2000, pp.65-77) insightfully critiques this proposition by pointing out that if the spinning and weaving were not separated and if the productivity of spinning were lower than that of weaving, how then to explain the increase in output of cotton cloth? There must be an alternative source of cotton yarn for the needs of cloth weaving. In this regard, Li investigated the structure of household production, and he argues that in the underdeveloped regions of China, the elderly and children were working on spinning, and adult females were focusing on weaving. In most cases, adult females had to assist with spinning work as well. Hence, the division and specialisation of spinning and weaving were vague. In contrast, in the Jiangnan region, during the early Qing period, both spinning and weaving were conducted by different groups of adult female workers, with every individual group only engaged in spinning or weaving. The elderly and children only provided assistance. Based on Li's analysis, it is rather explicit that the separation of spinning and weaving, as a kind of division of labour, had occurred in the cotton textile industry during the Qing period. This explains the many local gazetteers' records on the rise of cities that were known for their cotton yarn, such as Chongming, Tongzhou and Changde (Zhang, 1989, p.93). It may be too arbitrary to conclude there was a specialised and unified national market for cotton yarn and cloth. Nevertheless, it cannot be denied that, as a sign of development, the separation of spinning from weaving had occurred in many regions in China by 1800. This type of division of labour was the main engine for the increase in output of cotton cloth, as I mentioned earlier.

Another reflection of the specialisation and division of labour that emerged in the cotton textile industry could be seen in the pertinent industries such as calendaring and dyeing. According to the record, *Mumian pu* (Zhu, 1736-1795, pp.5-12), the standard procedures of cotton cloth production included 16 steps. Some of these steps remained in household production, such as spinning and weaving, and some of them were separated from household production and become independent sectors. Particularly, calendaring and dyeing were two prominent sectors that expanded rapidly with the development of the cotton textile industry during the Qing period by 1800. In the initial phase, calendaring and dyeing were parts of a combined sector that was run by many mill owners. With the improvement of relevant skills and further extending of the division of labour, calendaring and dyeing were separated. Most of these divided and specialised sectors developed in the form of waged labour-based private mills. These mills were extensively located in advanced commercial cities. An important aspect to

reveal the advancement of these two sectors is its total scale. According to the reports by local officials, Li Wei and Hu Fenghui, the number of calendaring mills in Suzhou city was approximately 450, and the total number of calendaring and dyeing workers was more than 20,000 (Zhang, 2010, p.78). Although there is a dispute regarding who were the actual employers of these labourers, Xu and Wu argue that Buhao founders were the employers, as most of the calendaring and dyeing mills were branches of Buhao, while Zhang claims that the mill owners were the employers, and the relationship between mills and Buhao was based on contract, the consensus among them is that all workers in these two sectors were waged labour, and they received payment on the basis of the amount of pieces of cotton cloth they reprocessed (Du, 1962, p.3).

Furthermore, the specialisation of the division of labour occurred in the process of production. During the early Qing period, the level of cotton cloth production had been rather advanced, which, in turn, required each specific processing sector to have a corresponding development level to coordinate the production. Hence, it would have been impossible to achieve this goal only via increasing the labour force but without specialisation and division of labour. In the dyeing workshops, for instance, Qing's scholar, Zhuhua, had recorded and analysed the cotton cultivation and cloth production in Shanghai in the book *Mumian pu* (Zhu, 1736-1795), in which he illustrates the highly advanced skills in the dyeing workshops. Not only could they colour the cloth, but also figure on it with specialised skills (Zhu, 1736-1795, pp.15). Xu and Wu provide additional analysis of Zhu's record that the working procedure of cloth dyeing had several steps, which required specialised skilled workers to lead and assistants to coordinate. Compared with textile dyeing, working procedures in the calendaring industry were less remarkable in terms of division but more remarkable in specialisation, as it entailed the use of extremely heavy stone tools (500kg in most cases), which needed skilled and strong labourers to operate them (Xu & Wu, 2003, p.413). Therefore, specialisation and division of labour explicitly occurred in these sectors due to the demands of production and market. In turn, they promoted the productivity and quality of dyeing and calendaring work, which explains the extensive existence of these workshops and flourishing market in the prefectures in Jiangnan.

As analysed above, the specialisation and division of labour were corollaries of the development of the cotton textile industry in this stage during the early Qing period, with various forms in the different scenarios. As a whole, the cotton textile industry had been differentiated from land farming and replaced it as the main work of household production in

many regions in China, which provided the potential for the occurrence of specialisation and division of labour (Zheng, 1989, pp.112-115; Zeng, 1993, pp.43-45). In spinning and weaving production, the primary mode was still household-based production. However, due to the market demands and unevenness of productivity between these two, separation between spinning and weaving became possible. As a result, it occurred and extended rapidly throughout household production nationwide.

In the meantime, with the highly commercialised cotton cloth market and high-speed development of the cotton textile industry, some sectors became differentiated from household production, becoming independent industries. Dyeing and calendaring industries were such cases by 1800. Production in these independent sectors was no longer household-based but had moved on to the pre-factory system, in which production was completed by the waged labour. Under this system, specialisation and division of labour spontaneously occurred, as illustrated by Adam Smith. Therefore, it can be summed up that unlike some arguments made by conventional studies, the high-speed development of the cotton textile industry by 1800 was primarily driven by the increase of productivity brought about by the specialisation and division of labour among various sectors of cotton cloth production. However, if this is the case, why did it fail to self-evolve in the sense of capital accumulation? To answer this question, it is necessary to investigate whether capital accumulation existed in the cotton textile industry and whether the organisation of production had changed by 1800.

Changes of organisation of production – the ‘brand-name’ (*Zihao*) system and sprouts of capitalism

In European experience, there were two primary means of transit to capitalism. The first of these involved petty producers being transformed into capital controllers or capitalists through market competition. They recruited waged labourers to produce for further capital accumulation. In this sense, the spinning and weaving in China were primarily maintained in the household production in which recruitment of waged labour only occurred in extreme cases. However, mass production, as symbolised by the workshops or mills, had not emerged by 1800 (Xu, 1983; Zhao, 1995). Another pathway of evolution was through the involvement of merchant capital in the field of production. By prepaying funds or raw materials to these petty producers, the merchants created a network that could connect all petty producers. This ‘putting-out’ system transformed all petty producers into waged labour for capitalist merchants. By doing so, capital accumulation would be achieved under this system. Whether this putting-

out system had occurred in China's cotton textile industry by 1800 is hence worthy of exploring. In the previous literature, the 'brand-name' (*Zihao*) symbolised the commerce capital which had become enmeshed in cotton cloth production and business. However, whether it paralleled the putting-out system is rather contentious. Under this circumstance, re-examining this organisation of production is crucial, as it would help to assess whether this industry had stepped onto the evolutionary path and also help to review why the cotton textile industry eventually failed to self-evolve.

Based on the analysis in the preceding sections, cotton and cotton cloth markets were highly commercialised and advanced nationwide. Xu and Wu (2003, pp.331) estimate that approximately 53% of the total production of cotton cloth was being circulated in the domestic market as a commodity in 1840. Although this ratio could be an underestimation, it still indicates approximately 495.24 million bolts of cotton cloth as the amount of annual transaction (as I estimate the total annual production was 934.43 million bolts). The flourishing of markets occurred not only within regions but also in interregional trade. Centred on the Jiangnan market, provinces in northern and southern regions were keen on the different particular types of cotton products. A Qing scholar, Ye Mengzhu, recorded the market change in his book, *Yueshi bian*, in which he stated that 'cloth like *biaobu*, was circulated to north regions such as Shanxi, Shaanxi and Beijing. *Zhongji* cloth prevailed in southern regions such as Hunan, Hubei, Guangxi and Guangdong provinces. *Xiaobu* was prevalent in Jiangxi provinces.' (Ye, 1981, pp.157-158). Furthermore, as I analysed in chapter two, one particular cotton cloth, 'Nankeen', was rather welcomed by the European merchants in the Qing period. Therefore, the cotton cloth market was extended overseas. Although it might be arbitrary to conclude there was a unitary national market of cotton products, it is undeniable that the cotton cloth market was rather prosperous by 1800.

Under these circumstances, different types of commercial capital would spontaneously become involved in this market to seek profits. In total, there were six types of commercial capital engaged in the cotton cloth business (Xu 1989, pp.54). Three of these had a particularly significant impact on the market as well as the cotton textile industry, to wit, the broker (*Yaren*), long-distance trader (*Keshang*), and name-brand (*Zihao*). The dynamics among their activities in the market reflected how the cotton textile tried to evolve itself. The first of these, the broker and brokerage system, had existed in the pertaining market for a very long time. Local gazetteer *Anting chronology* depicts regarding the brokers and brokerage that 'All kinds of trades in the

market had to be through brokers (and brokerage system). If not, businesses were not allowed to be conducted, and merchants were unable to trade...' (Chen, 2003/1522-1566, vol.3). Brokers received a certificate from the state and undertook the role of intermediaries between clothing producers and merchants in the cotton market, in which they collected cotton cloths from individual producers, mostly in the rural areas. Then, they handed the collections to clothing merchants. Through this process, brokers could earn commissions (Xu, 1980, pp. 72-75; Xie, 2006, pp.26-27).

The second commercial capital holders in the market were the long-distance merchants. The interregional trade of cotton cloth had been flourishing during the early Qing period, and long-distance traders were the main actors that embarked on this interregional trade (Xu, 1980, pp.75-81; Gao, 2007, p.108). These merchants were sojourners from different regions in China. They came to Jiangnan markets periodically to purchase a large number of cotton products and resell in other markets. A prominent characteristic of the long-distance merchants was their abundant capital holdings. The historical document explained that '...wealthy merchants and businessmen carried abundant funds to purchase cotton cloths. The amount of silver they carried ranged from ten thousand to several hundred thousand taels...' (Ye, 1981, pp.157-158). According to the market price, each time long-distance merchants come to Jiangnan market they would purchase cotton cloths amounting to 50,000-2,500,000 bolts (Fan, 1990, p.164). Another characteristic of these merchants was they usually belonged to several specific merchants' groups, such as the *Hui*, *Min*, and *Yue* merchant groups. Among these merchant groups, *Hui* was the most prominent in the Jiangnan cotton market (Akira, 2004; Xie, 2006). Noteworthy, despite the cotton textile industry in Jiangnan being at an advanced development level, with thriving local markets, many local markets in Jiangnan, such as Songjiang, lacked dominant indigenous commercial capital (Xu, 1989, p.54). Hence, these *Hui* merchants provided opportunities for that nonindigenous capital to enter Jiangnan's markets, which enabled further development of the local market and local cotton textile industry. For instance, according to Fan's (2016, pp.120) analyses of local gazetteers and estimates from the Kangxi to Daoguang reigns (1662-1850), close to half of the brand names in Suzhou were established by *Hui* merchants, which reveals the dominant role of these sojourning merchants in the Jiangnan market.

Nevertheless, in the early stage, the impact of these merchant groups with their abundant capital on the evolution of cotton cloth production was rather limited (Tang, 2005, pp.153-155). This

bizarre phenomenon could be explained by two factors. First and foremost, the existence of brokers and the brokerage system in the market had blockaded the possibility of commercial capital engaging in cotton textile production (Gao, 2007, p.110). Theoretically, all cotton cloth businesses needed to be run through brokers. In most cases, long-distance merchants could either order goods from brokers who would later collect these goods from individual producers, or they could directly purchase through the brokerage system (*Yahang*) which would collect goods periodically from individual producers (Xu, 1989, pp.56-58; Fan, 1990, p.165). Either way, the commercial capital was unable to directly come into contact with the field of production. Secondly, cotton cloths from the Jiangnan region were various and delicate due to the advanced cotton textile industry. Regarding the long-distance merchants, there was potential to make huge profits through engaging in the interregional trade of Jiangnan cotton cloth. Under these circumstances, they would gain profits as long as they obtained the cotton cloth from brokers in the Jiangnan market and resold the goods in other regions. Hence, they lacked the motivation to deal personally with individual cloth producers.

Nevertheless, the brokerage system gradually decayed from the late Ming period (Pan, 1996, p.45). Under the original brokerage system, brokers monopolised the market information and access to the supply of goods, which led to widespread extortion and fraudulent behaviours. Moreover, the endorsement by the Qing state of the brokerage system had gradually decreased, as the state was aware of the fact that this system was jeopardising the market (Yan, 2012, pp.72-73). Under this scenario, long-distance merchants tried to directly obtain the goods from local producers. In this process, the significance of the brand-name (*Zihao*), as the third type of commercial capital holder, had emerged during the Qing period. Initially, the brand-name was the facilitator for the reprocessing of cotton cloth. The brand-name purchased cotton cloth from local brokers and reprocessed these products before reselling them. In many cases, the dyeing and calendaring mills were run by the brand-name. However, with the shrinkage of the brokerage system in the Qing period, the function of the brand-name had extended to the field of production in the cotton textile industry (Xu, 1980, p.84), as these facilitators started to collect the cotton cloth directly from individual producers. The record, *Mumian pu*, explicitly reveals that 'merchants from different provinces were establishing brand-names for collecting local cotton cloth' (Zhu, 1736-1795, pp.20-23). The scale of the brand-name system expanded significantly during the early Qing period. Fan (2002, pp.88-89) investigated the inscriptions on historical tablets from which he calculated the total number of brand-names in Suzhou city was 72 in 1715. Until the Qianlong reign, the brand-name had entirely replaced the role of

broker in the cotton cloth market (Xu, 1980, p. 112).

The transition and expansion of the brand-name in the market demonstrated three core features of this market entity. Firstly, as an entity with large-scale commercial capital, it directly connected with the field of production. There were two primary methods for the brand-name to collect clothes in the local area. One was to wait for the individual producers to come to the brand-name, while the other involved the brand-name allocating funds to producers and ordering cotton cloth from them. Both of these two methods reflect that capital had entered the field of production. Secondly, their 'brands' were price indicators and, more importantly, the guarantee of quality (Hamilton, 2006, p.111). Before putting them on the market, brand-names would stamp their name on the products, which meant they were responsible for the quality of their commodities. In the intensive competition of the cotton cloth market, 'only their brands could represent the credits and reputations' (Li, 2003, p.82). Under these circumstances, the brand-name had to secure the quality of products when they collected them from the individual producers. Therefore, the individual procedures through which the brand-name allocated funds to producers could not be flexible.

Thirdly, most of these brand-names were running reprocessing businesses, such as dyeing and calendaring. Hence, this impacted on the transformation of the system of production in the cotton textile industry by waged labour and the division of labour (Gao, 2007, pp.107-108), which has been analysed in the last section. In essence, the brand-name in the Qing period was a system of 'large-scale commercial capital which linked cotton cloth collection, reprocessing and selling' (Zhang, 1998, cited in Fan, 2002, p.93). The changes in and extension of its function in the Qing period manifested that the power of capital (brand-name) broke through the constraints for further capital accumulation. By entering the field of cotton cloth production, the brand-name incorporated those dispersed individual producers into a stable producing system, in which producers worked under the standards (i.e., the type and quality of cloths) set by the brand-names and received payment from them. In this process, the organisation of production changed from the traditional household-based form of production. More specifically, this system could be paralleled with the 'putting-out' system in the various industries in Europe by 1800. As defined by Braudel (1993, pp. 311-316), the putting-out system was a form of organisation in which the merchant, by allocating the raw material and paying the wages in advance, organised and linked the whole process of production. By doing so, the merchant could gain profits through short or long-distance trade. Based on the latter, it is explicit that the

brand-name in the cotton textile industry can be assessed as a kind of putting-out system. That is to say, by 1800, the dynamics of early capitalist production might have emerged in the cotton textile industry in China.

In this section, this research elaborates on how the cotton textile industry in Qing China developed in both a quantitative and a qualitative sense. Particularly, the increase of output of cotton and cotton cloth production was primarily driven by the improvement in productivity brought about by the specialisation and division of labour. Meanwhile, despite the household-based production having lasted a very long time, by 1800, with the entry of commercial capital into the field of production, a new organisation of production emerged. The vintage conceptualisation highlights that the autarkic peasant economy structure in the cotton textile industry was unable to initiate self-evolution (Wu, 1983, pp. 33; Xu, 1988, pp. 31; Zhao, 1995, pp.1-8). Nonetheless, the putting-out system, manifested by the brand-name system, signified that the cotton textile industry had started self-evolution by 1800. This putting-out system is widely perceived as the transitional stage from the traditional household-based production to the factory system (Braudel, 1993, pp.310-320). In China's context, however, the factory system did not emerge subsequently, and the self-evolution did not achieve the final stage. Why did the textile industry (both silk and cotton) in China achieve a high stage of development but fail to transform itself by 1800? This chapter argues that the peculiarity of state-building and the state-market relationship are key to answering this question. Grounded on the state-market relationship, as demonstrated in the introduction chapter, the managed liberalising economic environment created by the Qing court significantly contributed to the development of the Chinese textile industry by 1800. However, behind this trajectory, the state's less interventionist stance largely indicated that the Chinese textile industry might not be able to reach the final stage of self-evolution.

3.3. Deliberate action and the managed liberalising economy: the role of the state in the textile industry in Qing China.

As analysed in the previous sections, the textile industry in the Qing period underwent significant development which was primarily driven by 'Smithian dynamics' and the expansion of market forces. Grounded on the peculiarities of the state-building and state-market relationship, the formation of the managed liberalising economy in the textile industry can be seen as a product of state actions which were mainly reified in the economic policies and the change of identity of the merchant group from the state perspective. Through these two means,

more autonomy was granted to the market, as by doing so, the state could fulfil its obligation of giving good lives to the majority of people.

The state's first action to create a liberalising economic environment was to issue policy reforms, including the abolishment of the corvée system and reform of the tax system. Before the Qing period, the Ming court had issued incentive policies for silk and cotton cultivation in the Jiangnan region, which laid the foundation for the formation of the Jiangnan region as the centre of the textile industry (Chen & Zhao, 1977, pp.44-45; Zurndorfer, 2011, pp.709-710). When the Qing rulers came to power, a more liberal economic circumstance was required, as the developmental stage of the textile industry demanded the state to unleash more market force for further expansion. Under this circumstance, two particular policies had been issued. First, as mentioned previously, the Qing state formally abolished the corvée system adopted by the previous dynasties (Lu, 2017, p.41). The corvée system forced craftsmen and artisans to work for the state. These forced labourers were not getting any payment. Instead, they had to afford their own livings. As a result, labourers started to escape. In 1450, the total number of escapees reached 34,800 (Jiang, 1992, p.113). To prevent this, the Ming court issued a series of administrative orders, but the effect was minimal. During the early 1500s, the court announced a new craftsman tax policy to replace volunteer work (Jiangyi yin), whereby state craftsmen would gain exemption from the corvée system by paying a certain amount of tax. This system was formally abolished in 1645 by the Qing court. According to the historical record, the Qing court issued a new policy that 'All provinces need to abolish the craftsmen registration system, and all state craftsmen should be normal citizens...' (Daqing shizu zhang huangdi shilu, vol.16, para.23). In the meantime, the Qing court explicitly explained this policy as follows:

the foundation of the state's economic policy was to relieve people. State apparatuses and state-owned business cannot exploit the social workforce... Thus, all labour that is used for the state's business needs to be paid daily wages.

(Huangchao wenxian tongkao, vol.21, para.21)

Based on this policy, the Qing court officially phased out the corvée system, which largely liberated numerous handicraft manufacturers. Yet, it should be recognised that many localities did not completely follow the court's order and continued to levy the corvée taxes for the economic gains.

Under this circumstance, the second policy change that started in the Kangxi reign was even more important and was known as ‘apportionment of the poll into the land tax’ (Tanding rumu). In 1716, Guangdong province was the first trial region for this policy under the Kangxi emperor’s order. In 1724, his son, Yongzheng emperor, expanded this policy nationwide. Specifically, the Kangxi emperor announced that the ‘new-born population will no longer be levied’ (Huangchao wenxian tongkao, vol.19, para.7), which pegged the amount of the poll tax to the amount set in the year of 1711, to wit, 3.35 million taels. Then Yongzheng emperor evenly distributed these 3.35 million taels into nationwide land tax. This tax reform abolished China’s thousand-year-old poll tax and changed to a land-based tax system (Chen, 2008, pp.213-219). Specifically, for the manufacturing workers, the corvée tax they used to pay also was apportioned to the land tax. If these workers possessed no land, they would not be required to pay taxes. From this regard, this tax reform *de facto* terminated the corvée system, which not only terminated the political constraint on the handicraftsmen but also lightened their economic burden. Thus, liberated by this reform, the workforce was subsequently able to flow into various economic sectors in society, including silk and cotton textile industries.

The second measure to contribute to the formation of a liberalising economy was the changing of the state’s attitude towards the merchant group. Under the Confucianism ideology, mercantilism had been discredited and perceived as a dishonourable occupation in the sight of the whole society. Nonetheless, this perception started to change in the Qing period, due to the Kangxi emperor’s selective perspective regarding the Confucianist literature (Zhao, 2014, p.80). Regarding the merchant group, he pragmatically thought they were as important as other social groups. In the meantime, many cases show that the state needed this group to deliver either political or economic goals. For instance, when the state was short of copper, these merchants were required to import copper from Japan. Hence, the Kangxi emperor confirmed the importance of the merchant group several times on formal and informal occasions. Likewise, the Yongzheng emperor expressed similar ideas to that of the Kangxi emperor, in which he highlighted the importance of merchants and that they should be equal to gentry, peasants and soldiers (Shen, 2007, p.85). The emperor’s decision was soon delivered to both central and local states. For example, Qiu’s research (2007, p.130) and that of Zurndorfer (2011, p.725) argue that the Qing state institutionalised the legal framework to guarantee merchants’ interests. Another case might be more explicit in the sense of changes in the state’s attitude towards the merchant group. As I mentioned in the last section, for a long period, all the cotton cloth transactions had to go through the brokerage system, which was endorsed by the state.

Nonetheless, this system declined rapidly during the Qianlong reign, as cotton cloth merchants tried to bypass the broker and gain direct contact with the local producers. In this case, with the expansion of capital, the merchants gained acquiescence from the state, while otherwise they would have been totally unable to break through the monopoly of the brokerage system. This acquiescence manifested that merchants' interests had overwhelming state endorsement. This could be perceived as a concession made by the state to the merchant group rather than as recession of the brokerage system.

Through these deliberate state actions, the Qing state created liberal economic conditions for the social economy, including the textile industries. In this scenario, the economic growth and industrial development primarily relied on the Smithian dynamics, as analysed in the preceding section. In the meantime, the liberal economic circumstances granted more freedom to commercial capital to enter various fields to seek accumulation. Hence, both the system and organisation of production in the textile industry started to change. A new form of organisation of production (i.e., handicraft mills in the silk textile industry and brand-name in the cotton textile industry) signified that the sprouts of capitalism had emerged in Qing China by 1800. In this sense, some industries started to self-evolve (Zhang, 1989; Zeng, 1993; Li, 2000, Fan, 2003). At first glance, the development trajectory was rather close to the experience in Europe. Nonetheless, the similar starting point led to different ends. In England, industrialisation and the factory system occurred in the cotton textile industry, whereas the textile industries in China failed in self-evolution. To explain this divergence, the peculiarity of the state-market relationship in imperial China is an important dimension to study, as when it confronted external pressure, such as trading competition, Qing China and Britain responded divergently, according to the different forms of state building. Thereby, this difference largely impacted on the occurrence of the 'great divergence' in general and in the textile industry in particular, as will be discussed and explained in the next section.

Why did the textile industry in the Qing-China not develop into industrial capitalism? An alternative explanation deriving from the state-market relationship

Extensive literature has delivered explanations and understandings from various perspectives of why China failed in self-evolution to capitalist production. Nonetheless, the significance of the state-building and state-market relationship are not comprehensively discussed in these studies. In conventional studies, as mentioned previously, Chinese historians have attempted to find out the extent to which the state was centralised and conservative in terms of

constraining the economy (Wong, 2002, p.450). International studies, however, focus on how the Chinese state and market acted differently from European standards (Hall, 1985; Landes, 2006). In the revisionist literature, state formation and the state-market relationship are analysed, whereas much of the literature avoids recognising the disparity in this field between imperial China and Europe, as the notion of ‘political and institutional difference’ has been marked as a Eurocentric proposition (Li, 2000, pp.13-15). In this regard, how differences in state-building and the state-market relationship influenced the emergence of the ‘great divergence’ is worthy of analysis. Under this perspective, the historical puzzle of why imperial China and Europe shared the same economic dynamics but ended up differently can be understood differently. Meanwhile, external pressure also played an important role in the process of economic transformation in both imperial China and Europe, as the effects of external factors and state-market relationship shaped the state’s actions in the economic sphere. Therefore, in this section, the thesis will respectively elaborate on how state-building and the state-market relationship enabled the British textile industry to reach the final stage of capitalist evolution, but the Chinese industry failed to do so.

External pressure played an important role in the textile industry achieving self-transformation in Europe, but this was not the case in Qing China. Compared with imperial China, a distinctive characteristic of European states was that they had to face a series of external challenges, including political, economic and military dimensions (Arrighi, et.al., 1999, pp.9-10). First, there was interstate competition among European states. In order to get ahead of the competition, European states were more inclined to expand overseas in order to extract more resources. In this process, a significant event was the extension of European power to India, which was the origin of cotton. Europeans soon became engaged in the cotton trade with India. The scale of this trade grew continuously. For instance, the East India Company’s average imports of textile products from India surged from 174,000 annually from 1661 to 1664, to 1,417,000 pieces in the period of 1688-1694 (Inikori, 2002, p.430). Due to the fine craftsmanship of Indian cotton products, they prevailed in the European markets. Meanwhile, the European colonies in Africa and America created even greater demand for Indian cotton cloth. By the end of the 18th century, 60% of British cotton exports were being sent to North America (Riello & Parthasarathi, 2009, p.227).

Further competition came directly from the Indian cotton products to affect European domestic industries. Fine and delicate Indian cotton cloths brought massive profits for the maritime

traders but had a large effect on the domestic textile industries, including woollen, flax and cotton production. While European states had adopted most of the skills of cotton production by the 19th century, they were unable to compete with Indian products on the quality of cotton cloths they produced. Although the state soon responded with protective industrial policies and tariffs in Britain in 1701 and in the period of 1711-1721, the textile merchants still faced pressure of competition from Indian cotton in both the international and domestic market. In general, the wages of cotton cloth workers in India were only 1/6 of those in Britain's Lancastrian mills in 1770 (Broadberry and Gupta, 2003, p.30). Under this circumstance, the only choice for these British textile merchants was to improve productivity. Beckert (2015, cha.3) analyses a series of technological revolutions in the cotton textile industry, from the water frame by Richard Arkwright to the Spinning Jenny by James Hargreaves, within the global cotton context. Beckert (2015, cha.13) insightfully points out that it was competition from the global cotton product market that catalysed these technological innovations in Britain. Therefore, for the European states, the external pressures, including the competition with Europe and the global market, made a significant contribution to the emergence of industrialisation in the cotton textile industry, particularly in Britain.

Compared with Europe, imperial China did not experience much external pressure, either from surrounding states or from global trading partners. As discussed in the introduction chapter, the interstate trade in East Asia was largely practised under the Chinese tributary system, in which imperial China and the vassal states had reached a delicate balance (Hobson, 2020, pp. 364-365). The interactions between imperial China and vassal states were largely based on political tribute and economic tributary trade. Thus, imperial China did not confront critical or frequent challenges from other states under this system. Under this circumstance, as analysed previously, domestic social order was the chief goal for the state ruling. Therefore, unlike European states, the state in imperial China did not have any desire for overseas expansion in this case. From the economic perspective, the huge domestic market was able to consume most of the industrial commodities, which had no advantages in the international market.

The cotton textile industry was the best example. In 1840, total cotton cloth exports only accounted for 0.09 % of the total amount of cotton cloth produced in Qing China in 1840 (Xu and Wu, 2003, p.331). In contemporaneous Britain, this percentage was approximately 67% in the period of 1829-1831 (Robson, 1957, p.2). This disparity between the two regions demonstrates that more than half of the cotton cloth produced by Britain eventually flowed into

the global market and confronted competition with congeneric commodities from other states, particularly from India. In contrast, the amount of cotton cloth exported from Qing-China was marginal and insignificant compared with the amount sold in the domestic market. This characteristic meant that China's cotton products were not exposed to competition from India, whose cotton textile products were the most advantageous in the global market. Compared with cotton products, more raw silk and silk products were exported to the global market, accounting for 14% of the total production of raw silk in 1840 (Xu & Wu, 2003, p.287). It is worth highlighting that this figure was a minimal estimation due to the lack of statistics on the export of silk products. Therefore, silk products were much more exposed to international competition. However, this indigenous product dominated the global market. Although most of the silk products were still consumed domestically, as China's products were so advantageous, the domestic price was 70% of that in the international market (Xu & Wu, 2003, p.435), which reveals the high acceptance and popularity of these products in the global market. Hence, the different nature of the regional political system determined that external pressure was much less in Qing-China than in its European counterparts. Meanwhile, demand from the massive domestic market diminished the external pressure from the international market even further. To put it differently, in China's case, most of the industrial products (silk) which needed to compete globally were advantageous commodities. This explains why the trade balance in China was in surplus in the long run. For other products (cotton cloth), the domestic market achieved self-consumption. Therefore, the external incentives for the transformation of internal industries such as silk and cotton textile production were rather limited.

Another important factor that had an impact on the disparity of industrial self-transformation between Europe and China was the different states' roles in the process of expansion of markets and industries. In the European context, market and industrial expansion always occurred in the shadow of the state. In overseas market expansion, as analysed in chapters one and two, so-called 'free trade' in the European sense was *de facto* a monopolised approach to expansion of trade which heavily relied on state-backed violence. Specifically, regarding the textile industry, state agency companies forcefully changed the original model and organisation of production in India. For instance, in some regions controlled by the European East India Companies, weavers lost their rights to choose their employers. Thus, they had to accept cotton yarn as a part of their payment (Beckert, 2015, p.99). Likewise, weavers in particular regions were prohibited from selling their products freely, in order to reduce the competition. Meanwhile, European merchants had occupied the overseas markets because of the low-cost, fine Indian

cotton. Later, many such overseas markets became the destinations of domestic industrial cotton products of European states. Hence, through the coercive force, the overseas expansion not only brought massive profits for European states but also provided opportunities and markets for their domestic industrial expansion.

Before the industrial transformation, the British domestic textile industry confronted severe challenges from Indian cotton products. Under this circumstance, the state had protected the domestic textile industry through industrial and tax policies. At the end of the 17th century, Asian textile products had accounted for approximately 25% of Britain's total imports (Davis, 1966, pp.311-312), which largely threatened British domestic textile industries, specifically the woollen industry. Hence, the state announced taxation of Indian calico and some silk products with a 10% tariff in 1685, and this tax rate was soon raised to 17.5% in 1690. This was followed by state prohibition in 1701, although plain white calicoes were allowed in, and British printers developed their techniques in order to sell printed calico at home. In the period of 1721-1722, the ban policy was extended further, with all cotton printed cloth prohibited from sale in the British domestic market, while Indian cotton cloth, reprocessed domestically, could only be sold in the overseas colonial markets (Mantoux, 1929, pp.172-173).

This series of protective taxes and industrial policies had far-reaching implications for British domestic textile industries. Through these measures, the impact of the Indian cotton textiles was diminished to a certain extent. More importantly, these protective policies created a vacuum zone for the development of the cotton textile industry in Britain, as, under the protection of these state policies, this infant industry would attract more capital investment. Hence, the original protective industrial policies were eventually transformed into incentive policies for the cotton textile industry in Britain (Beckert, 2015, p.104). These policies, coupled with the Navigation Act of 1651, enabled British capital largely to monopolise overseas trade. Massive amounts of cheap raw materials were imported to Britain to be converted into industrial commodities, and these commodities were eventually exported to the overseas market – to the Atlantic markets in the first instance. In this process, the textile industries, particularly the cotton textile industry in the motherland, obtained a great opportunity to develop, which laid the foundation for the later industrial transformation initiated in this sector.

While European states were actively intervening in overseas expansion and the development of their domestic textile industries, the Qing court was adopting a more liberal attitude towards

the textile industry. At first glance, the state issued a series of new policies (i.e., abolishment of the *corvée* system; reform of the tax structure) in the political and economic fields, which were advantageous for the development of the textile industry in imperial China. Nonetheless, none of these was straightforwardly aimed to stimulate industrial development. Put differently, the purpose of the tax and industrial policies practised in Britain was to protect a specific domestic industry from competition, which then allowed this industry more space to develop. In contrast, the purpose of the state's policies in China's case was to create a liberalising economic scenario in which different industries and the market could compete in a relatively equal arena. These differences between Britain and imperial China show the discrepancy in the development path choices and the state-market relationship behind it. As highlighted in this thesis, the trajectory of development in the textile industry was grounded on managed liberalism, which explains why 'China had gone farther than any European state in the creation of a market economy (Arrighi, Hui and Hung, 1999, p.12). State intervention did exist in China's case as well but was rather limited. For instance, in the silk textile industry, the existence of weaving bureaus in the prefectures of Jiangnan exemplified the presence of state intervention, as the modern historian Gang Zhao (1977, p.66) argues that an important function of weaving bureaus was to compensate for the deficiency of private production in the local areas. In brief, the status of state intervention in the textile industry was marginal by 1800.

These differences in terms of the state's role and path choice are also revealed by the state-merchant (capital) nexus. In the case of Britain, both overseas traders and domestic industrial merchants underpinned the state to form a state-merchant nexus. The fundamental reason for this was that the state and merchant group shared common interests. Capital expansion, domestically and internationally, would benefit both parties, as insightfully demonstrated by Wong (1997, p.146):

Amidst the mercantilist competition among European merchants and their governments for wealth and power, maritime expansion played a role of particular importance. Both European merchants and their governments benefited from their complex relationship, the former gaining fabulous profits, the latter securing much-needed revenues.

Nonetheless, this nexus did not emerge in imperial China, Qing China in particular, as the state

revenue did not rely on the merchants' wealth (Wong 1997, p.146). As analysed in chapter one, the overall customs duty rate in the Qing period was light since the court had no intention to maximise the state's revenue from trade. More specifically, from the perspective of the Qing state, the merchant group had been perceived as having a dual identity. The first identity of these merchants, as expressed several times by the Qing emperors, related to the division of the mass majority of society into four classes (gentry, peasantry, workers, merchants) which should be treated as equal. In this regard, the merchant should be protected as other groups by the state. Hence, the state would allow them to benefit from the market. The second identity of the merchants related to their role as a capital force. Through the liberalisation of the market, these merchants were able to achieve capital accumulation. The state usually took a passive or acquiescent attitude towards capital accumulation, not least when it could invigorate the market and development economy. On the other hand, however, when the capital expansion threatened other social groups, particularly workers and peasants, and as a result shook the social order, the state would intervene to constrain the capital expansion, as I discussed earlier. In the textile industry, for example, during the early Qing period, dyeing and calendaring workers in Suzhou protested at the unfair treatment by their employers. Under the local officials' pressure, the employers eventually promised to change the conditions, including payment and working-day length (Qiu, 2002, pp.130-135; Zurndorfer, 2011, p.725). This event manifested that capital expansion was not supported by the state if such expansion triggered social unrest. It is worth highlighting the point that this case did not imply that the state would spontaneously support the workers, as in some other cases, strikes or demonstrations launched by textile workers ended in state repression. What the state feared was not the entry or accumulation of capital into a particular field but disturbance of the social order caused by capital expansion. However, this does not support the conventional argument that the imperial Chinese state was naturally oppressive towards capitalists, as claimed by various studies. If capital investment could prosper in the market so that most people would gain benefits, the state would not intervene (i.e., the expansion of brand-name and shrinkage of the brokerage system).

In sum, the disparity in external circumstances and regional systems of political economy largely affected the subsequent formation of the state and state-market relationship in imperial China and European states. Particularly, for the imperial Chinese state, in the absence of external competition, maintaining domestic social order was the chief target of the state's ruling. In the meantime, Confucian ideology endowed rulers with moral legitimacy and social responsibility. In this regard, the market constituted an important institution through which the

state could implement social control and fulfil social responsibilities. The market would be granted high autonomy so that the mass majority of people would benefit. However, when the market failed in certain circumstances, or when the expansion of the market jeopardised society at large, the state would intervene. Therefore, the liberal economy was a better choice under this state logic. Under this liberalising economic environment, market forces were unleashed, through which the textile industries underwent a high-speed development stage driven by Smithian dynamics. Under this circumstance, the domination of silk products in the global market and self-consumption of cotton produced by the massive domestic-based textile industry fell into the ‘high-level equilibrium trap’ (Mark, 1972). In this case, the textile industry in imperial China lacked a catalyst for further evolution, due to the different forms of state-building and state-market relationship, compared to Europe. Thus, despite the fact that the sprouts of capitalism had emerged in both the silk and the cotton textile industry in Qing China by 1800, the state-market relationship and the trajectory of managed liberalism in imperial China determined that the state would not actively underpin further expansion of capital. This largely explains why imperial China and Europe shared similar economic dynamics but ultimately divergent ends.

Chapter 4. Return of China I: the development and transformation of China's foreign trade, post-1978

As far as state intervention in the economy is concerned, most readers would assume that comparing the Qing and post-1978 periods bring to light both continuity and discontinuity. The standard Eurocentric portrayal of the Qing state is that it was an Oriental despotism that sought to stifle foreign trade (not least by constraining and confining it within the Chinese tribute system in addition to banning foreign trade as well as levying very high tariff rates) and that it also sought to crush civil society in order to maintain or enhance its despotic power. According to Eurocentrists, the result was a very weak economy that was essentially stagnant, together with a virtually non-existent foreign trade sector (Hall, 1988, p.34). When viewed through this lens, the apparent continuity lies in the alleged presence of an all-encompassing interventionist state today, but the discontinuity would be that the modern period has seen a highly interventionist state enables and promotes both the development of foreign trade through export-oriented industrialisation and strengthening of the domestic economy. In short, this conventional reading views the highly interventionist state as the core continuity, with the discontinuity being that the Qing hurt the economy while the modern state enabled it. This conventional statement will be critiqued in the following chapters. Through applying the framework of the historical managed liberalism, the thesis reveals a strong liberal stance in the course of development and transformation of China's maritime trade and textile industry by 1800.

Echoing the development of maritime trade and the textile industry during the Qing period, foreign trade and the textile industry experienced a comprehensive transformation in the post-1978 period. The trajectories of development of these two important economic sectors can be conceptualised as 'managed liberalism' in the modern version, which essentially shared the same foundation of political economy with the historical incarnation of managed liberalism, but with a more noticeable interventionist stance. As we will see in this chapter, the transformation of the foreign trade regime during the period of post-1978 opening and reform reflects comprehensive liberalisation. The catalyst and impact as well as the aftermath of liberalising reform of trade in modern China largely mirrored the Qing case. The differences displayed in the two cases are equally important. By probing the reform and development of maritime trade in the late seventeenth and eighteenth centuries and that of foreign trade during the post-1978 period, this chapter reveals that state intervention was more active and

comprehensive in modern China. The state's interventions, primarily embodied in state subsidies and exchange rate policy, were more traceable and more important for the success of China's foreign trade in the late 20th and early 21st centuries than was the case in the development of maritime trade by 1800, which was the main difference between historical managed liberalism and the managed liberalism of the modern era.

Nevertheless, the difference in the intensity of state intervention can be understood as the state's response to the distinctive domestic and global contexts of political economy in each historical time period. Hence, the state was more active in intervening in the course of reform in the modern era than it was in the Qing period due to the different historical contexts. Yet, this disparity should not blur the big picture of the managed liberalising economy, as the conceptualisations of the trajectory of China's trade in both cases. In this regard, managed liberalism in modern China essentially shared similar foundations of political economy with its historical incarnation, notwithstanding the former's higher propensity for state intervention. Thus, the main argument of this chapter is that the reform and transformation of China's foreign trade in the period of post-1978 have essentially echoed the development of maritime trade during the Qing period. The continuity and similarities that the two cases share can be detected in the threefold levels, including the legitimacy issues, the trajectory of liberalising reform, and the impact of the rise of China's trade. In the meantime, the differences between the two cases largely can be conceptualised by the different intensity of state intervention in the course of reform, which can be explained as the state's response to the distinctive historical context in each time. The chapter consists of four main sections as follows. From the first to the third section, this chapter will reveal the similarities and continuities of the development of trade in the two historical epochs. Each specifically discusses the continuities and similarities between the two cases, respectively, from the state's concern over the legitimacy crisis, the trajectories of liberalising reform, and the implication for development of China's trade. The last section attempts to analyse the differences between these two cases and explain how the differences can be understood in the distinctive historical contexts of each epoch.

4.1. Concern and predicament of state legitimacy: the catalyst of reform

The first similarity and continuity demonstrated by the two cases of trade reform are associated with the question of why the state attempted to reform the economy and the trade sector specifically. Here legitimacy might be the most important concept in understanding this

question. By and large, in both cases, when the state determined to launch economic reform, it was at a time when the state encountered a (potential) legitimacy crisis. Thus, the state attempted to heal this ‘wound’ by recalibrating its attention to economic development (Zhao & Yang, 2013, pp.18-20). In the Qing case, when the Kangxi emperor decided to reopen the sea in 1684, it was explicit that he and his Qing court envisaged the social unrest that had resulted from the frequent wars during this period and the tactics adopted by the Qing court in war. At this phase, two pivotal wars that the Qing court encountered were the revolt of the three feudatories (1673-1681) and the war for the recapture of Taiwan island (1680-1683). The significance of the two wars was substantially high, as both wars were associated with the unification of Qing China’s territory. Thus, the Qing court adopted especially severe and cruel tactics, not least during the war with the Ming residues in Taiwan island. In order to defend against the Zheng family’s troops, large fields in China’s southeast region were cleared. All buildings were destroyed, and people in this region were forced to move. Even though the Qing court eventually won the war and recaptured Taiwan, it soon encountered rising social unrest in these regions. Most migrants were coming back to their old land, yet the clearing tactic had almost destroyed the foundation of the local economy and social order. In the meantime, alongside the previous anti-rebellion war with the three feudatories, Qing-China had been undergoing almost a ten-year war. Although the range of the two wars was primarily restricted to the south and southeast regions, the entire national economy was substantially damaged. The damaged economy and destroyed social livelihoods resulted in social unrest in this region. In this scenario, although the social discontent had not yet escalated to a legitimacy crisis, it had provoked deep concern on the part of the emperor and the Qing court. They were aware that if the local economy and social order could not be restored, then local unrest and riots would erupt, which would jeopardise the state’s legitimacy (Li, 1992, pp.63-65). From the perspective of the state, it prioritised the post-war task of repairing the economy and rebuilding the social order. Hence, reopening the sea was a pragmatic and practical channel to boost the economy. Maritime trade was the main source of livelihood for the people who lived in the coastal region; thus, reopening the sea could make huge contributions to the local economy and ease social unrest. In this regard, the state’s desire for economic improvement in order to regain state legitimacy eventually motivated the Kangxi emperor to make the decision to reopen the maritime trade.

Resembling what the Qing court had encountered during the period of 1680-1683, the CCP envisaged a legitimacy crisis on the eve of opening and reform, but this time it was yet more

severe and critical. In the period of pre-reform, state legitimacy was built primarily upon the communist ideology and, more importantly, Mao’s personal charisma (Zhao & Yang, 2013, p.9; Zhou, 2017, p.70). Mao was engrossed with the class struggle and political campaigning. However, this soon brought huge catastrophic chaos for the entire country. In 1957, the Party’s caucus announced that ‘the class struggle was the chief task for the state and society’ (Xinhua News, 2016), which guided the main focus of state function in the ensuing decades. Mao himself launched a series of political campaigns and purges nationwide during his reign. The most notorious movements included the ‘anti-rightist movement in 1957-1958; the ‘great leap forward’ movement in 1958-1960; and the ‘cultural revolution’ in 1966-1976. Under these circumstances, most economic activities and industrial production were hugely damaged. At first glance, many economic indexes may demonstrate that China’s economy developed during this period. For instance, the average growth rate of GDP in real terms was 4.43% from 1953 to 1962 and 9.25% in the period of 1963-1972. Thus, the growth rate of GDP was positive (Table. 4-1). Nolan and Ash (1995, p.981) stated that the average growth rate of GNP per capita in the period of 1960-1981 was around 5%, which was impressive compared with other developing countries. Overall, national income and total output increased as well. For instance, from 1949 to 1980, China’s industrial growth rate was around 10% (Shirk, 1993, p.27). Nevertheless, these static data obscure the main problems of China’s economy back in Mao’s period. The imbalance in economic structure and massive waste were the major economic problems which, with the various political campaigns launched by Mao, eventually caused social disorder and a legitimacy crisis.

Table 4-1. Real growth rate of China’s GDP, 1953-1972

Year	Growth rate (%)	Year	Growth rate (%)
1953	15.6	1963	10.3
1954	4.3	1964	18.2
1955	6.9	1965	17.0
1956	15.0	1966	10.7
1957	5.1	1967	-5.7
1958	21.3	1968	-4.1
1959	9.0	1969	16.9
1960	0.0	1970	19.3

1961	-27.3	1971	7.1
1962	-5.6	1972	3.8
Average 1953-1962	4.43	Average 1963-1972	9.25

Sourced from: National Bureau of Statistics of China (2010), *China Compendium of Statistics, 1949-2008*, Beijing: China Statistics Press, table 1-2 and 1-3.

The imbalance in the economic structure was reflected in capital investment, which was biased dramatically towards heavy industry. For example, according to Deng (2012, p.3624), the ratio of capital investment in heavy industry as against light industry was 5:7 from 1953 to 1957; 11:8 from 1963 to 1965; and 8:6 from 1971 to 1975. Moreover, China had only rather limited foreign trade and had no foreign investment. Thus, the growing investment in the state industries was coming from the agricultural sector, whereas agriculture received little investment from the state. Under this circumstance, the average growth rate of agricultural output remained at only 1.49% from 1957 to 1976 (National Bureau of Statistics of China). However, historical statistics in 1980 demonstrate that approximately 71% of total employment originated from agriculture (Nolan & Ash, 1995, p. 982). Since the majority of Chinese were peasants, the living standards for most Chinese did not improve in any meaningful sense. According to a report by the World Bank (1992, pp. ix), around 270 million Chinese were living under the poverty line by the 1970s. This phenomenon was largely rooted in the imbalanced nature of the structure of the economy.

Massive waste was another critical economic issue in the pre-reform period. A quintessential case was the ‘backyard furnace’ during the ‘great leap forward’ (1958-1962). In order to surpass the so-called imperialist United States and the United Kingdom vis-à-vis industrial production, Mao and other party elites set a target for the production of iron and steel of 10.7 million tons for 1958 (Shen & Xia, 2011, pp.864-870). This target was completely unrealistic back at that time, as the actual amount of production was only half of this target the year before. However, to achieve this target, Mao mobilised all peasants in the rural areas to produce iron and steel in their backyards. Consequently, approximately one million household furnaces were built in rural China. Any metal items that people could find were put into furnaces, including iron pots and doors. Foreseeably, iron and steel produced by this unscientific method were highly problematic. As a result, the final figure of production of iron and steel was

approximately 7.2 million tons in 1958, whereas approximately half of this production (nearly 3 million tons) was unqualified (Kung & Lin, 2003, p.54). Similar scenarios can be unfolded in other sectors such as agricultural production. These cases largely explain why some economic statistics can be positive, whereas in fact, the actual level of economic performance was poor.

The ceaseless political movements and a series of latent economic predicaments eventually brought catastrophe to Chinese society. From 1958 to 1960, a great famine caused by the great leap forward and the imbalance of the economic structure resulted in massive mortality in China, with the number of deaths ranging from 16.5-30 million (Kung & Lin, 2003, p.51). Similarly, the cultural revolution (1966-1976), which was later defined as a ‘ten-year havoc’ by the CCP itself, not only dismantled Chinese social and cultural traditions but dramatically traumatised an entire generation of people (Martin, 1982, p.200). These political campaigns left nothing but a void for most Chinese. The source of legitimacy, which was built upon Mao’s personal charisma and communist ideology, was receding. Despite the fact that many people still commemorated Mao (he passed away in 1976), the social disorder and economic non-performance that resulted from these movements provoked a critical legitimacy crisis for the CCP. When Deng regained his grip on power, what was at stake was nothing less than the rebuilding of social order and the national economy in order to regain legitimacy. Under this circumstance, the best choice for the state was to redirect the legitimacy source back to moral and economic performance.

4.2. The parallel trajectory of liberalising reform

If concern over legitimacy was associated with the question of *why* the state attempted to conduct reform, as discussed in the previous paragraphs, then the second similarity and continuity explain *how* the state designed and implemented the reform of the trade regime. In this regard, the development of trade in both historical epochs experienced liberalising reforms that were designed and implemented by the state. By adopting liberalising policies and institutions, the market mechanisms eventually became the main engines for the development and expansion of China’s trade in both cases. Hence, the reform of foreign trade in modern China can largely be perceived as reminiscent of that during the Qing period.

Liberalising reform of maritime trade, 1684-1800

It has been gradually recognised that the Kangxi's opening in 1684 manifested a new era for China's maritime trade. An important reason was that a liberal trade system was established and institutionalised after that, which laid the foundation for the further expansion of China's maritime trade in the ensuing years. As has been analysed in depth in chapter one, in order to strengthen maritime trade, the Kangxi emperor and his Qing court formulated a series of policies and institutions. First and foremost, the Kangxi emperor officially lifted the trade ban in 1684, as he assumed that ending the trade ban would improve considerably both the local and state economy as well as the social order more generally. Despite the fact that lifting the trade ban had also occurred in previous dynasties such as the Ming period, Kangxi's opening was profound, as it attempted to establish a systematic trading network, which largely allowed market forces to drive the expansion of maritime trade. Secondly, the Qing court institutionalised the Kangxi emperor's opening by establishing the customs house system and formulating the rules of customs duties. Within a short period of Kangxi's opening, four customs houses with over a hundred checking, inspection and taxation points were built respectively in Guangdong, Fujian, Jiangsu and Zhejiang (the four southern coastal regions). The basic functions of this system included customs duty collection, issuing trading licences, inspection, patrol and protection of trading vessels, through which maritime trade was largely regulated and promoted under state supervision. In the meantime, the Qing court formulated the rule of customs duty by specifying the dutiable items and fixing the duty rate. This new law of customs duty vastly improved the efficiency and effectiveness of the customs house system. Since the stipulation was very specific and detailed, both local officials and merchants needed only to follow the instructions of this new rule. Thus, it vastly reduced corruption via bribery and extortion by local officials. More importantly, as analysed and estimated in chapter one, the average rate of customs duty ranged from 6%-10%, which only accounted for half or one-third of that in contemporaneous Britain (though this was between a third and a sixth of Britain's average tariff in the 1715-1846 period (Hobson, 2021, p.69)). Hence, both the low-level duty rate and the advantage of the customs house system in reducing corruption by the local officials would benefit the merchant group, which substantially lowered their trading costs and relieved their financial pressures. In this regard, by setting up the customs house system and customs duty, the aim of the state was not to maximise revenue from foreign trade but to regulate and institutionalise maritime trade in order to let it and, as a result, the local and state economy, thrive and benefit.

Thirdly, Kangxi's opening not only legalised and institutionalised a liberal maritime trade regime but also separated it from the long-term tribute trade, which laid the foundation for the ending of the tribute trade system in the following years (Zhao, 2014, p.98). Despite the fact that the private trade of the tribute system did not cease in practice, it was either confined in the limited ports or conducted illegally. A large part of the trade was completed in the form of the tributary trade before Kangxi's opening. However, being attached to the political tribute, the tributary trade was problematic and largely hindered the development of China's foreign trade. There were two large issues created by the tributary trade. One issue was that this type of trade was subjected to too many restrictions. Since the tributary trade was strongly attached to the political tribute, those states which did not build a political tributary relationship with imperial China were largely excluded from the tribute trade system as well. For example, many Western states, such as Portugal, were excluded from the Ming's tributary trade system in the early 16th century (Lv, 2017). Though the Ming court had to make concessions later, trade was only allowed to be conducted in Macao. Another critical issue caused by the tributary trade was that the price of the commodity was not driven by the market price. In the process of tribute, the value of the reward from the imperial court was usually higher than the value of the tributes offered by the vassal envoys. Hence, aligned with the official exchange of the political tribute, the price presented by the tributary trade was usually higher than the market price, which largely disrupted the market and hindered the development of private trade. In this regard, for the non-tributary countries, Kangxi's opening manifested that they were to be included in imperial China's trade system without the tributary relationship. For the tributary countries, the opening significantly relieved the restrictions on trade (i.e., trading locations, amount of trade, etc.). Eventually, the tributary trade was gradually shrunk after Kangxi's opening and his legalisation of private trade, as there were no motives for foreign countries to conduct tributary trade. Hence, from the perspective of Qing's trade, development and market expansion were largely driven by the market instead of state manipulation.

Lastly, the change in the state's attitudes towards the merchant groups substantially consolidated the liberalising reform of maritime trade. Conventionally, the ideology of the state had been significantly influenced by Confucianism, in which the social status of the merchant group was discredited. However, the Qing's emperors adopted a pragmatic understanding of the Confucianist doctrines, and they only selectively followed the statements made by Confucianist literature or Confucianist masters (Zhao, 2012, pp.80-81). Hence, their attitudes towards the merchant group did not resemble what Confucianism argued. As discussed in

chapter one, from the period of Kangxi's reign onwards, the state's perception regarding the merchant group had changed. On various occasions, the Qing emperors underscored the importance of this social group for the state economy. Hence, when local officials pleaded for increases in tax in Guangdong in 1686, the Kangxi emperor rejected this plea because he was concerned that the increase of tax would simply act as a burden on traders and merchants. As a matter of fact, the change of official attitude can be discovered in various trading and industrial policies. Fundamentally, from the perspective of the state, the interests of the merchant group were to be incorporated into the state's consideration since they were included in the concept of the state's people, and this group played an important role in solving the state's problem of economic depression. Therefore, the shift of the state's attitude largely improved the autonomy of the merchant group in the economic field. Based on the discussion in this section, through the official legalisation and institutionalisation of maritime trade, the maritime trade in the early Qing period underwent liberalised reform that was deliberately designed by the Qing court. The trajectory of liberalised reform of maritime trade since the early Qing period eventually invigorated the flourishing of China's maritime trade as well as its integration into the global trading system. More importantly, this managed-liberal type transformation was eventually resurrected in the case of the transformation of foreign trade during the post-1978 period of opening and reform.

Liberalising reform of foreign trade, post-1978

No one would deny that China's entire economy has been undergoing a comprehensive process of liberalised and marketized reform in the last forty years. From the state command economy to the market economy, the market mechanism has been the engine to drive China's economic boom since the 1990s. Based on the liberalised reform and the state's preferential strategies, China's astonishing economic growth has depended mainly on the expansion of foreign trade, particularly exports. Compared with other economic sectors, the trajectory of the transformation of the trade regime was far more radical and complicated. On the one hand, the development of the foreign trade regime in the pre-reform followed the path of import-substitution system and protectionism (Lardy, 1992, pp.16; Li & Zhang & Sang, 2008, p. 8; Li, 2009, pp.58-59; Hao, 2017, pp.33-35). In the meantime, due to the command economy, the pricing system and exchange rate system were not able to effectively reflect market information in both the domestic and international market. In a nutshell, China's foreign trade was insignificant during Mao's period, serving only as an institution of adjustment for the state-planned economy (Hsu, 1989; p.38). Hence, to transform the foreign trade regime entailed

reforms not only in the trade regime *per se* but the associated systematic reforms in the other fields such as the pricing, foreign exchange and enterprise property rights as well as the entire economic system. On the other hand, the immediate attempt of the state to launch the opening and reform was intended to resurrect the economy from the economic depression and social chaos that had ensued during the Maoist era. Under this circumstance, the state aimed to boost foreign trade, particularly export, as the main source of economic growth. Driven by this state strategy, the transformation of the trade regime was at stake in the state's reform design. Thus, it can be observed that the pace of reform of the trade regime was far more advanced than that in other fields, particularly during the early stage of opening and reform (Lardy, 1992, p.38). According to the features of reform in each stage, the transformation of China's foreign trade regime can briefly be divided into two stages, with 2000 being a watershed moment.

Liberalising reform during the period of 1978-2001

In the first stage, the remarkable feature of the reform was that the old planned system was dismantled, and a new incentive mechanism was introduced into the trade regime. During the 1980s and 1990s, multiple policies and institutions were implemented by the central government to shake up the planned system in this field. These policies and institutions, according to the functions, can be conceptualised in three categories, comprising decentralisation, introduction of market incentive, and reform of supporting the regime. These measures of reform largely constituted the main picture of liberalising reform of the trade regime in the 1980s and 1990s.

Decentralisation

There is little contention that decentralisation represented one remarkable characteristic as well as achievement during the reform in the 1980s and 1990s (Shirk, 1994, pp. iv). In the pre-reform system, foreign trade was overly centralised in the state bureaucracy and administration. Under this system, the competitiveness of the foreign trade corporations remained at low levels, as they were fundamentally responsive to political instruction instead of the market mechanism. Financial loss and profit were both entirely due to the state. Hence, many corporations conducted foreign trade with financial losses, and the state therefore decided to decentralise the trade regime in various aspects. First, the decentralisation was conducted at the state bureaucratic level. At the central government level, the administrative ministries and

departments concerned with foreign trade were substantially streamlined. For example, the most notable bureaucratic reform during this stage occurred in 1982, when the state merged the Ministry of Foreign Trade, the Ministry of Economic Relations with Foreign Countries, the State Import and Export Administration Commission and the State Foreign Investment Administration Commission into the single Ministry of Foreign Trade and Economic Cooperation (Ministry of Commerce, 2010, p. History). This structural reform largely improved the efficiency of administration. In the old system, the functions of many departments largely overlapped, which caused many issues, including the redundancy and inefficiency of policymaking or power struggles among these departments. After the reform, the Ministry of Foreign Trade and Economic Co-operation (MOFTEC) played the primary role in the regulation of trading affairs. In the meantime, at the level of local government, they were given more discretionary power in dealing with trade affairs. Particularly, without damaging the central authority in critical issues and path choices, the local governments enjoyed the power to receive foreign investment, distribute foreign exchange, and set subsidies for exports, etc. (Shirk, 1994, p.31). Through power-sharing, local government also obtained the stimulus to implement central government policies and support trading enterprises to expand their business.

Secondly, the decentralising reform is reflected by the granting of more autonomy to trading corporations and enterprises. For instance, in the pre-reform system, the right of trade transaction was centralised in a few corporations, and the number of main open trading ports was limited to single digits, including Guangzhou, Dalian, Shanghai, Qingdao, Tianjin (Fu, 2008, p.89). Under the reform in the 1980s, the right of transaction and number of opened trading ports were significantly expanded. A variety of trading corporations were established. From 1979 to 1987, the number of trading corporations surged to more than 2,200 (Fu, 2008, p.90), despite the fact that these corporations were mostly state-owned in this stage. In the meantime, to enlarge the discretion of trading corporations, the state significantly reduced the scope and magnitude of the trading plan and combined it with the trade guidance system (Guan, 2013, p.36; Hao, 2017, p.46). Under this change, all products in the foreign trade were respectively categorised as coming under the ‘state plan’, ‘state guidance’ and ‘others’. Among these categories, only the state plan was mandatory in relation to trade. The ‘state guidance’ was not a mandatory category, while the government usually adopted economic instruments to adjust the trade of products in this category. The trade of other products was allowed to be conducted freely. From the mid-1980s, the number of products in the first and second

categories started to decline. By 1988, the kinds of state-planned products in exports plummeted from approximately 3,000 to 112 (Sun, 1989, p.53-54). The percentage of planned products and guidance products, respectively, accounted for 30% and 15% in the total value of exports in 1988 (Guan, 2013, p.47). In 1994, all kinds of state-planned products were cancelled, and the state only intervened in the category of 'state guidance' to regulate the number of imports and exports of products.

With the relaxation of administrative control over the products in foreign trade, the state also implemented the trading licence system to protect domestic industries and the market (Sun, 2004, pp.68), as the existence of price disparity between the domestic and international markets could have resulted in excessive exports or imports. This measure was conceived as an effective improvisation in the liberalising transitional stage by Krugman (1978, pp.24-26). In the previous stage, all types of exports and imports were tightly controlled by the state's administrative plan. With the implementation of the licence system, export would be more flexible, as the enterprises could embark on exporting as long as they obtained a licence for the goods. In the meantime, from the state perspective, it effectively avoided the potential disorder caused by the loosening of control over the economy and softened the impact from the international market on the domestic infant industries. The state was able to regulate the scale of exports by increasing or reducing the number of licences issued. Hence, this improvised measure created leeway for both trading business and state regulation. Throughout the 1980s, the number of licensed commodities on both the import and export side increased, from 21 in imports and 74 exports in 1982 to 53 in imports and 173 in exports in 1989 (Lardy, 1992, p.44). The enlargement of licensing scale corresponded with the relaxation of state control over trade in the 1980s. However, as the liberalising reform proceeded, the scale of the licensing system gradually faded away during the 1990s. For instance, with the shrinkage of licensing, only 15% of the total value of exports originated from licensed products in 1993 (World Bank, 1993, p.65). In 2000, licensed export products only accounted for 8% of the total exports (Sun, 2004, p.68), which reflected the end of this transitional institution. The improvisation of this system in the 1980s and its decline in the 1990s corresponded with the pace of liberalising reform and it played an important role in the state's plan for decentralisation.

Introduction of market-based incentives

Alongside the decentralisation, new incentives started to be introduced in this sector which significantly accelerated the pace of liberalising reform at this stage. As discussed in the previous section, a primary predicament of China's foreign trade in the pre-reform period was the lack of incentives. Since the trading corporation only played an executive role in the state plan, any financial profit or loss would be at the state's own risk. From the perspective of the trading corporation, therefore, there were no economic motives for them to increase exports. To improve this morbid trading regime, the state introduced a new incentive by sharing the profits with trading entities, which, it was anticipated, would encourage the trading enterprises to increase their exports in the market. In general, the Chinese government accomplished profit-sharing by allowing the trading enterprises to retain part of the profits in the 1980s. From the beginning of the 1980s, approximately 24% of profits were shared, and the enterprise was allowed to use these in multiple ways, but mainly for boosting welfare packages for their workers (Hsu, 1989, p.45).

In the meantime, for the exporting enterprises, the Chinese government implemented 'the foreign exchange retention system' (*Waihui liucun zhidu*) in 1979. Through this system the local governments and exporting enterprises were allowed to preserve a specific portion of foreign exchange from the export earnings. The retention rate varied on the basis of a series of elements, including region, type of enterprise and trade. According to previous studies (Lardy, 1992, pp.707), the average retention rate rose significantly, from 10% in 1979 to 40% by 1988. Under this retention system, the amount retained in foreign exchange increased dramatically, surging from \$854 million in 1979 to \$18.51 billion in 1988 (Lardy, 1992, p.54). In this regard, as several studies suggest, the retention system provided impetus for exports at this stage (Shan, 1989, p.57; Lardy, 1992, p.707; Fu, 2008, p.92; Li, 2009, p.64; Guan, 2013, p.39). However, it was rarely considered as a profit-sharing reform measure. Despite the fact that the use of retained foreign exchange was under strict scrutiny and approval by the pertinent state department, it was arguably the first time that the transaction of foreign trade was not entirely determined by administrative orders. From the perspective of the trading enterprises, the retention system provided a new incentive to promote exports. Once the profit can be seen to incentivise enterprises' behaviours, it can be suggested that the market factor has been introduced into this field as a stimulus.

Another important measure that the state initiated was the ‘contract system’ (*Chengbao zhi*) in 1987. In this system, the provincial governments and trade corporations contracted with the state with respect to the following three measurements, i.e., the total amount of foreign exchange earnings, the amount of foreign exchange that should be handed over to the state, and the level of trading surplus or loss. The remarkable feature of this system was that most of the exporting earnings above the contracted amount were allowed to be collected by the localities and trading enterprises (Study group of reform, 2007, p.25). Hence, the local government and enterprises spontaneously attempted to augment the exports. In the following years, the central government perfected this system. In 1990, the long-term exporting subsidy was removed. Hence, the trade entities assumed sole responsibilities, profits and losses nominally (Fu, 2008, p.103). Until 1994, the state continued with the reform in exchange rate system, also putting an end to the foreign exchange retention system and contract system.

The significance of the contract system during this period can be understood in two dimensions. Firstly, it can be regarded as an extension of the state’s profit-sharing scheme. It was rather explicit that this system had broken up the uniform fiscal control by the state. Under this system, the enterprises, corporations and the local government gained more economically. More importantly, since the proportion of profit retention was enlarging, the influence of the market grew correspondingly. Compared with the foreign exchange retention, the contract system went further in terms of the introduction of market-based incentives. In the retention system, the deployment of retained foreign exchange entailed severe ramifications for the pertinent central government department. However, under the contract system, the localities and trading enterprises were far freer in their decision-making on trade business, as long as they could fulfil the contract and remit the quota of foreign exchange to the central government. Hence, the relationship between the state and foreign trade entities remained a purely economic one. Secondly, both the retention system and contract system can be conceived as important measures in the introduction of market-based incentives and the preparation for later comprehensive marketisation. In both cases of reform, the state did not implement immediate liberalisation, which enabled the state to retain certain power to protect the trade regime from potential disorder. On the condition that the foreign trade developed smoothly, the state then implemented further liberalising reform.

Change in foreign exchange regime

The third level in understanding the liberalising reform of the trade regime in the 1980s and 1990s was the reform of the trade-related system. Since the foreign trade was closely linked with other economic systems, such as the foreign exchange system, the pricing system and the enterprises property system, etc., to liberalise the trade regime entailed reform in all these economic sectors. In reality, liberalising reform also occurred in all these fields in the 1980s and 1990s. This chapter selected the reform of the foreign exchange regime as the case to reveal how the liberalising reforms were conducted in these associated economic systems. In the pre-reform period, since China's economic system was rather closed and isolated from the global market, the international market price made little impact on the domestic price of RMB, and the inconvertibility of the exchange rate meant that RMB could hardly be considered as an indicator of the market by which the enterprise could decide on trade (Hsu, 1989, p.178). Moreover, as it occurred in most of the planned economy, the overpriced home currency caused a massive financial loss on the export side. For instance, due to the financial loss from exports, the pertinent departments requested 3.18 billion yuan to subsidise this part of the loss (Hu, 1989, p.496).

In order to surmount this shortcoming, in 1980 the state initiated the 'foreign exchange adjustment centre' (*Waihui tiaoji zhongxin*), regulated by the State Administration of Foreign Exchange and Bank of China. Through this centre, foreign exchange holder would be allowed to conduct exchange transactions under specific conditions, and the price of foreign exchange was largely determined by supply and demand. Afterwards, a dual exchange rate system was formed in the 1980s. Under this system, the official exchange rate was determined by state administrative order, and the market exchange rate was determined by the market mechanism at large. As a transitional measure, it alleviated, to a certain extent, the series of predicaments in China's export market caused by the inconvertibility of RMB, and it also can be regarded as a pre-step for further liberalisation of the foreign exchange regime in the ensuing stage. However, flaws in this system were apparent. For instance, under the dual-rate system, the overpriced official rate taxed exports implicitly, whereas the under-priced market rate was an extra duty for imports (Lu, 1995, p.11). In addition, the threshold of access to the adjustment centre was high, and individuals were not allowed to conduct a transaction in the centre, which

led to the rampant growth of the black market (Hsu, 1989, p. 178; Jiao, 1989, p.39). All these flaws required the state to deepen and conduct further reform in this field.

The fundamental change occurred in 1994. The central government decided to unify the dual-track exchange rate system and announced the ‘unitary floating exchange rate system, based on the supply and demand in the market’ (State Council, 1994). In this new system, the official exchange rate was no longer determined by the administrative order of the pertinent ministry in the central government. Instead, it was determined by banks appointed by the state. Meanwhile, the exchange rate given by the appointed banks was calculated on the basis of the market demand and supply, with a limited floating range. The implementation of a new foreign exchange system had a rather far-reaching influence on China’s foreign trade. First, the market was the decisive factor in the formation of the exchange rate, which signified that the market mechanism had been introduced in the financial regime. Secondly, the market-based calculation was required to reduce the political and administrative constraints on use of the foreign exchange by market actors, as otherwise the relationship between demand and supply in the market would be misinterpreted. In reality, the state abolished the ratification of the use of foreign exchange by enterprises and corporations. In most cases, the transactions that occurred under the current account had no more constraints. In 1996, the central government officially opened the current account in the Chinese foreign exchange system, which granted foreign trade enterprises full discretion in obtaining and using foreign exchange.

Thirdly, in the previous period, the implementation of the ‘foreign exchange retention system’ and the ‘contract system’ was grounded on the state’s full control over the foreign exchange. Hence, the introduction of a new foreign exchange system implied the demise of those two transitional systems (Li & Yu, 2005, p.367). In this sense, the trading enterprises and corporations gained rather high autonomy in decision making, and more importantly, the decisions they made were determined by market factors instead of political and administrative orders. Fourthly, since the formation of the exchange rate in the new system was determined by market factors, the exchange rate policy evolved as an important instrument for the state to adjust the foreign trade; for instance, to boost exports (Fu, 2011, pp.65-75). Prior to this reform, the effect of exchange rate policy on foreign trade was marginal. In certain scenarios, it even exacerbated the state’s fiscal conditions. Nonetheless, under a market-based foreign trade

regime, the devaluation of the home currency made a large contribution to the enlargement of China's exports. For example, table 4-2 displays the change of the exchange rate for RMB in the period of 1991-2001. The value of RMB plummeted in 1994, with the devaluation rate falling to approximately 66.7%. This devaluation can be conceived as the convergence of China's official exchange rate with the international rate, due to the implementation of the new exchange rate system, China's export trade was boosted substantially. The value of exports grew by 40.92 billion dollars from 1993 to 1994. The growth rate in that period was 21%. However, in the period of 1992-1993, the value of exports had grown by only 6.8 billion dollars, and the yearly growth rate was only 8%. It would be oversimplistic to draw the conclusion that the growth in the export rate was diametrically caused by the formation of a new exchange rate system and the devaluation of RMB. Nonetheless, there is little contention that the devaluation of the home currency became a stimulus for the enlargement of exports after the reform. An empirical study suggests that a 1% devaluation of RMB would increase the value of exports by 1.465% (Sun, 2004, p.55). In this sense, the liberalised exchange rate regime not only introduced a market incentive for trading enterprises and corporations but also became a more effective instrument for state intervention in foreign trade.

Table 4-2. Changes in the exchange rate of RMB-US dollars, 1991-2001 (1 dollar=RMB)

Year	Exchange rate	Year	Exchange rate
1991	5.32	1997	8.29
1992	5.51	1998	8.28
1993	5.76	1999	8.28
1994	8.62	2000	8.27
1995	8.35	2001	8.27
1996	8.31		

Sourced from: CEIC data (2020) China's Exchange Rate against USD, [online]. *CEIC data*. [Viewed 10 October 2020]. Available from <https://www.ceicdata.com/en/indicator/china/exchange-rate-against-usd>

Liberalising reform of the trade regime, post-2001

After 15 years of trials and negotiations, China succeeded in becoming a member of the WTO in December 2001, which was widely conceived as a milestone for the integration of China's economy with the global liberal economic system (Chen, 2009, pp.1). In this process, China made massive concessions to the trading partners, particularly the US and the EU. China's commitment, explained in a 1500 pages protocol, even surpassed the expectations of U.S. representatives. Some conditions of accession were overly severe even from the perspective of a developed country, let alone a developing country such as China (Breslin, 2012, pp.213-220). This protocol of commitment not only involved changes in foreign trade regime but also covered almost all aspects of China's domestic economy in terms of the legal and political structure. This also explains why many international commentators and scholars stressed that China had embraced Western liberal ideas, as these commitments significantly drove and guided China's reform in the ensuing period (Kim, 2002, pp.433-435).

China's 685 commitments regarding the reform of foreign trade covered eight specific areas (Brat, 2009, pp.218-219; Raby, 2012, pp.136-139). Therein, the commitments related to market accession and undistorted trade were arguably the most remarkable, as these two aspects were of high concern to other members of the organisation. Since China's political and economic system was distinctive from the western liberal system, other members in the WTO required China to demonstrate more credibility through reforms of the regime pertaining to market accession and undistorted trade. This also explains why the conditions for China's accession were abnormally stringent by any standards. In the meantime, from the perspective of the WTO, 'non-discrimination', 'market opening', 'transparency and predictability', 'undistorted trade' and 'preferential treatment for developing countries were its core principles (Gertler, 2004, pp.25), and most of China's commitments were linked with the principle of market opening and undistorted trade. Retrospectively, China's liberalising reform based on the framework of the WTO can be assessed as moderately successful (Branstetter & Lardy, 2006; Brat, 2009, p. 234; He & Sappideen, 2009, pp.870-871). In the most concerning areas, namely market accession and undistorted trade, China fulfilled commitments in many vital areas, such as by reducing the tariff barrier and non-tariff barriers, through which fair market accession was largely guaranteed. Some commitments have not been fully accomplished yet, but progress has been made, such as through the reform on Intellectual Property Rights (IPRs) and the Trade-

Related Aspects of Intellectual Property Rights (TIPR). However, in relation to reform of undistorted trade, the Chinese government was less willing to make commitments. The long-term subsidy for exports and non-performing SOEs indicated the reluctance of the Chinese government to implement reform of undistorted trade. As will be explained in the next section, the state subsidy has been widely conceived as the linchpin for China's massive growth in exports in the last decades, yet it has been the trigger for the recent trade war with the United States. In the next section, the research will focus on the reform regarding the market accession and intellectual properties, as these two cases accurately demonstrate how liberalising reform was conducted in the post-2001 period.

Reform regarding the market accession

Regarding its market accession, China was required to eliminate or reduce tariff barriers and non-tariff barriers. As analysed in the previous section, China had made efforts in this field before the accession, particularly in reduction of the tariffs, yet for some industrial products, such as automobile products, the tariff was still maintained at high levels. Nevertheless, China committed to reduce the tariff rate by 2005 (Rumbaugh & Blancher, 2004, p.8). On the eve of accession, the average tariff rate was 15.3%, which China agreed to cut to 14% and then to make a year-based plan of tariff reduction. From 2001 to 2010, China's overall tariff rate and structure were significantly changed and adjusted. For example, the tariffs were reduced on approximately 5300 items in 2002, with the average tariff rate decreasing from 15.7% to 12%. By 2005, the tariffs on more than 3000 items were reduced and the overall tariff rate was only 9.9%; the tariff rate for agricultural products was 15.2%, and the tariff rate for manufactured products was 8.9% (Ye, 2017, pp.32-33). More importantly, for some products with high tariff rates, the scale of reduction was substantial. For example, the reduction of the tariff rate for auto packages reached 72.2% during this period. The tariff rate was reduced from 80%-100% before accession to 25% in 2006. Likewise, the tariff on cosmetics dropped from 45% to 12% in 2006, and the total reduction rate was 73.3% (Brat, 2009, p.220). By 2005, during the transition period, China had significantly reduced the tariff rate in line with the WTO's package. Since 2005, only amendments and trimmings have been made in the tariff sector, and the tariff rate has been maintained at 9.8% in the long run (Ye, 2017, p.34).

Table 4-3. China's average tariff rates (simple mean), 2001-2012

Year	Tariff rate (%)	Year	Tariff rate (%)
2001	15.3	2007	9.8
2002	12	2008	9.8
2003	11	2009	9.8
2004	10.4	2010	9.8
2005	9.9	2011	9.8
2006	9.9	2012	9.8

Sourced from: General Administration of Customs (2007-2012) *China Custom Statistics Yearbook (2007-2012)*, Beijing: China Custom Press, pp.34-42

In the meantime, China also committed to the removal by 2005 of the majority of non-tariff barriers, including import quotas, licences and other forms of protective measures such as automatic import licences. Minimal import restrictive measures were to be retained only for particular types of imports (Foreign Trade Law of People's Republic of China, 2004, article. 15). Under China's reform of the pertaining regimes, this obligation has been fulfilled to a large extent. Most of the quotas and licences have been eliminated (Branstetter & Lardy, 2006, p.22; Bhat, 2009, p.221 Imbruno, 2016, p.225). For example, except for six specific agricultural products imposed by the tariff quota, all other forms of import quotas and licences have been eliminated (Fu, 2008, p.126). Other measures, such as the automatic import licence, have been significantly restructured. The automatic import licence is targeted at selective categories of import products. Domestic importers are required to register and obtain a certificate of import of given products. The government has claimed this measure was to 'monitor and understand information about some specific products' (Sun, 2004, p.91). Nonetheless, it is a *de facto* import barrier as the list of products was selective, and the market of related products was distorted due to the control of this system. Before the accession, the standards and procedure of this system were opaque; however, the central government introduced reforms under its commitments to the WTO. In 2004, the Ministry of Commerce issued a specific rule regarding the import licence system, which mainly constrained the distorting effects of this system on imports and market accession. In a nutshell, compared with the non-tariff barriers before accession, most of these measures have been removed due to China's WTO commitments.

Reform of intellectual property

Intellectual property was another contentious field in China as the lack of systematic relevant law constantly led to violations of intellectual property over a long period. However, since China made the commitment to the WTO, substantial progress has been made on reforming intellectual property rights (IPRs) and specifically the Trade-Related Aspects of Intellectual Property Rights (TRIPs), despite the fact that certain commitments have not been fully accomplished (Bhat, 2009, p.216; Jain, 2014, pp.201-202). The WTO's framework of IPRs and TRIPs requires members to revise their domestic laws to be consistent with this framework. In China's case, certain progress has been made since 2001. For example, China has revised some related domestic laws multiple times, namely Patent Law, Copyright Law and Trademark Law. In addition, TRIPs have been introduced into domestic law in China. For instance, in the revision of the Law of Foreign Trade in 2004, an entire chapter was added to this law, which specifically stipulates the protection of intellectual property of imports and exports, as well as the relevant enforcement measures. Further progress occurred through the revision of Trademark Law in 2019, which extended the scope of trademarks to the service area. The exclusion of service from China's trademark law had long been widely perceived as problematic and inconsistent with the WTO's IPRs and TRIPs (He & Sappideen, 2009, p.867). However, in reality, the IPRs and TRIPs have caused a long-term contentious issue between China and its trading partners, as the local enforcement of pertaining laws is severely problematic (Breslin, 2007, pp.100-101). Also, the official report to Congress in the U.S. in 2018 explicitly states that China's enforcement in this field is against the export and investment interests of the U.S. (United States Trade Representative, 2018, pp.40). This is mainly because of the peculiarity of the Chinese political system, which has been described as 'fragmented authoritarianism' (Lieberthal & Oksenberg, 1988). In such a political system, the local government possesses high-level discretion enabling it to block central government's decisions and policies. In this case, the pressure from the WTO and the reforms launched by the central government may not be comprehensively implemented in localities, which is also a main concern among China's trading partners and international commentators. Although it can be seen that the Chinese governments have made notable progress in this field, further reforms are still needed.

It is apparent that China has conducted a rather comprehensive programme of reforms to liberalise foreign trade since 1978, which covered not only the trade regime *per se*, but also all related economic sectors. These liberalising reforms can be briefly divided into two phases. The first reform phase was during the 1980s and 1990s, when the most important and challenging task was to dismantle the old planned economic system and gradually replace it with a market system. The second phase started in 2001 when China gained accession to the WTO. Since then, liberalising reform in the trade regime has been largely guided by the framework of the WTO. In this regard, it can be seen that Chinese foreign trade in the modern epoch and maritime trade in the Qing period both underwent liberalising reform. In both cases, the liberalising reform was externalised and guided by state policy and institution building. Therefore, the transformation of the trade regime in the period of post-1978 largely echoes that in the Qing period.

4.3. Consequences, implications and aftermath of the expansion of China's trade

The third level at which to understand the continuity and similarities in the development of trade in these two historical epochs relates to the consequences, implications and aftermath of the expansion of China's trade in each period. As we shall see, under the liberalising reform, China's prosperous trade in both historical epochs brought similar impacts for both the domestic and global economy. However, the expansion of China's trade, not least its exports, caused discontent among its main western trading partners, which eventually led to trade wars in the 19th and 21st century, respectively. The significance and implications of the expansion of Qing's maritime trade can be revealed on two levels. First, from the perspective of the Qing state, its maritime trade soon entered a prosperous age. Under the market-based trading framework forged by the state institution, both the intensity and extensity of trade grew significantly in the 18th century, as is discussed in detail in chapter two. The prosperous maritime trade brought economic and political gains for the Qing state. Economically, China's delicate products, such as porcelain, tea, and silk, prevailed in the Asian and global trading network, and, in return, a massive amount of silver flowed into China. According to the estimation made in chapter two, approximately 30% of the total world's stock of silver arrived in China during the period 1500-1800. Although it might be difficult to identify the specific amount of annual silver inflows in the 18th century, due to lack of systematic data, it is fair to say that there is a consensus in current academic studies that China was the largest holder of

silver back in the 18th century. Thus, the massive inflow of silver significantly contributed to the reinvigoration of the economy, which was the original intention of Kangxi's opening. The economic benefits created by the thriving maritime trade exerted far-reaching influence in terms of the change to the economic structure, which was symbolised by the emergence of the national market in the 18th century (Hung, 2001, p.475). Politically, as epitomised by the maritime trade, the benign economic environment and remarkable economic growth generated political legitimacy for the Qing court. In what was the last prosperous age in China's early modern history, the emperors (Kangxi, Yongzheng and Qianlong) and Qing court succeeded in legitimating themselves mainly due to their economic reorientations, in which the maritime trade policy played an important role.

Secondly, from the perspective of the global economy, the expansion of China's maritime trade in the 18th century significantly accelerated the integration of the global economy. In the quantitative sense, the estimated value of China's maritime trade in the 18th century was approximate to the level of British trade concurrently. If, as conventional studies suggest, Britain and other European powers were the driving force of the emergence and expansion of the global trading network during this period due to the magnitude and extensity of trade, then the important role of Qing China should not be overlooked. Thanks to the Kangxi's opening, China's huge demand for silver provided the opportunity for Europeans to engage in lucrative businesses in the intra-Asian trading network. The massive inflow of global silver attested to the active role played by China's trade in the global trading network. In the meantime, the expansion of maritime trade also stimulated a growing number of Chinese diasporas and sojourners in the east and southeast Asia regions (Hui, 1995, pp.35-43; Yi, 2010, pp.60-62; Hobson, 2021, p.45-50). According to estimations, the total number of Chinese immigrants in east Asia had reached 150 million by the eve of the opium war (Zhuang, 2008, p.71). These Chinese immigrants usually played a dominant role in the development of local commerce and trading business. With the expansion of Chinese communities in this region, the east Asian trading network had been substantially invigorated (Hui, 1995, pp.73-78). Alongside the expansion in numbers of merchants from Europe and other regions, the pace of fabrication of the global trading network had been significantly accelerated.

Thirdly, in the aftermath of the remarkable expansion of maritime trade was the clash with Britain and other western countries in the 19th century. Taking the Sino-British trade as an example, the magnitude and frequency of trade kept growing, particularly from the 18th century, according to the record (Morse, 1921). Chinese tea was the major staple commodity on the British import list. Based on the import list of the EIC, tea accounted on average for 71% of the total value of imports between 1765 and 1774, and this ratio surged to 85% from 1785 to 1794 (Zhuang, 1995, p.65). However, as discussed above, Chinese traders had barely any interest in European products, except for silver. Silver exports accounted for over 90% of the total value of the EIC's exports to China in most of the recorded years in the first half of the 18th century (Morse, 2016/1921, pp.307-313). In this regard, Britain had a trading deficit in the Sino-British trade in the 18th century, and this deficit kept enlarging with the growing trading scale between the two states. To reverse this situation, the British began to focus on the importance of opium from British Bengal and India in the Chinese market, and opium became the main export of Britain via India to China from the second half of the 18th century. The average amount of opium exported from Britain was 2000 chests between 1790 and 1800, which soon surged to 40,000 in 1838 (Zhuang, 1995, p.75). Due to the harmfulness of this item for the Chinese society and state, the Qing court soon responded by prohibiting the opium trade. However, the prohibitive policy did not cease the import of opium as this lucrative business provoked a rampant smuggling trade. The Qing court started to apply the ban in a more draconian way from 1838, and war between China and Britain eventually erupted. In this sense, the eruption of the opium war in 1840 can be understood as the consequence of the long-term imbalance in Sino-British trade.

Paralleled with the significance of expansion of maritime trade during the Qing period, the impact of China's successful transformation of foreign trade in the post-1978 period revealed continuities and similarities, and an overall impact that was more remarkable at both the domestic and international level. Firstly, for China's economy, the comprehensive reform of the trade regime and the booming of China's foreign trade made huge contributions to China's economic growth. Based on the statistics evinced by table 4-4, it can be seen that China's GDP and the value of its foreign trade have both been growing significantly in the past forty years. China's GDP increased approximately 80 times during this period, from \$149.54 billion dollars in 1978 to \$12.13 trillion in 2017. The increase in foreign trade was even more striking. Rising from \$20.64 billion in 1978 to \$4.10 trillion in 2017, foreign trade grew nearly 200 times.

Moreover, the trade dependency rate is used here to measure the importance of foreign trade to the economy in each country. As can be seen, from the beginning of the opening and reform, the dependency of GDP on trade grew continuously. In 1978, the dependency rate was only 13.80%, which indicated that the foreign trade was only marginal for the entire economy. Following the liberalising reforms in the first stage, the rate reached over 30% in 1987. Then, after joining the WTO in 2001, the importance and value of foreign trade increased further in the ensuing period. Hence, the dependency rate surpassed 60% in the 2000s. Despite the fact that this figure went down slowly after 2008 due to multiple factors, such as the global financial crisis and the structural transition of China’s economic growth, the rate remained in the range of 30%-50% in the 2010s. In the course of the Chinese economic boom, exports played a vital role. Many studies conceptualise the Chinese economic growth as being ‘export-led’ (Anderson, 2007, p.8-9; Mah, 2007, p.752; Tingvall & Ljungwall, 2010, p. 5; Zhang & He, 2010, pp.93-94). As demonstrated in table 4-4, China’s exports were worth 9.75 billion dollars in 1978, yet the corresponding figure for 2017 was 2265.35 billion dollars. With 232-fold augmentation, this incremental rate was even larger than that of foreign trade as a whole. By the same token, the dependency rate of exports in relation to GDP increased from 6.52% in 1978 to over 30% in the 2000s, falling back to the range of 15%-25% in the 2010s. Therefore, the successful transformation of China’s trade regime, alongside China’s trade policy of export promotion, has contributed to the economic growth of the last forty years, despite the fact that the significance of foreign trade for economic growth started to decline from 2010.

Table 4-4. China’s GDP, the value of trade and dependency rate

Unit: Billion dollars

	GDP	Value of trade	Dependency rate (trade/GDP)
1978	149.54	20.64	13.80%
1981	195.87	44.03	22.48%
1984	259.95	53.55	20.60%
1987	272.97	82.65	30.28%
1990	360.86	115.44	31.99%
1993	444.73	195.70	44.00%

1996	863.75	289.88	33.56%
1999	1094.00	360.63	32.96%
2002	1470.55	620.77	42.21%
2005	2285.97	1421.91	62.20%
2008	4594.31	2563.26	55.79%
2011	7551.50	3641.87	48.23%
2014	10438.53	4301.53	41.21%
2017	12143.49	4104.50	33.80%

a. Current value in US dollars

Sourced from: The World Bank (1978-2017) GDP and Trade [online], *World Bank* [Viewed 10 October 2020]. Available from: <https://data.worldbank.org/country/china>

Table 4-5. China's GDP, the value of export and dependency rate

Unit: billion US dollars

	GDP	Value of export	Dependency rate (export/GDP)
1978	149.54	9.75	6.52%
1981	195.87	22.01	11.24%
1984	259.95	26.14	10.06%
1987	272.97	39.44	14.45%
1990	360.86	62.09	17.21%
1993	444.73	91.74	20.63%
1996	863.75	151.05	17.49%
1999	1094.00	194.93	17.82%
2002	1470.55	325.60	22.14%
2005	2285.97	761.95	33.33%
2008	4594.31	1430.69	31.14%
2011	7551.50	1898.38	25.14%
2014	10438.53	2342.29	22.44%
2017	12143.49	2263.35	18.64%

Sourced from: The World Bank (1978-2017) GDP and Trade [online], *World Bank* [Viewed 10 October 2020]. Available from: <https://data.worldbank.org/country/china>

Secondly, from the perspective of the global economy, the rise of China's economy and the expansion of foreign trade made substantial contributions to the thriving of international trade. In general, table 4-6 reveals how China's foreign trade impacted on international trade, from

insignificance to domination in this realm. From 1950 to 1990, China's share of foreign trade in total world trade never surpassed 2% (Department of Statistics and Analysis, General Administration of Customs of the People's Republic of China, 2018, pp.930-931). In most years in that period, the ratio was around 1%, which reflected the marginal role of China in the global trade arena. After the second round of reform in the 1990s, China's trade started to boom, and the ratio rose to 3.10% in 1999. The real surge commenced in the 2000s after China became a member of the WTO. Only twelve years elapsed until China became the largest trading country in 2013, and the share of China's trade rose rapidly from 4.02% in 2001 to 11.48% in 2017. The significance was more noticeable in the growing export trade. As Table 4-7 shows, China has been the largest exporting country since 2009. From 2002 to 2017, China's share of exports in the world total increased from 4.98% to 12.68%, which reflected the dominant role of China in the global trade system. By resorting to reform and expansion of foreign trade, China once again became an important player in the arena of global political economy, as it had in the 18th century.

Table 4-6. Share and ranking of China's foreign trade in the world total

Unit: billion US dollars

Year	Value of China's trade	Value of world trade	Share	Ranking
1991	135.63	7139.81	1.90%	14
1993	195.70	7689.12	2.55%	11
1995	280.86	10452.89	2.69%	11
1997	325.16	11330.98	2.87%	11
1999	360.63	11645.66	3.10%	9
2001	509.65	12675.23	4.02%	6
2003	850.99	15454.44	5.51%	4
2005	1421.91	21380.51	6.65%	3
2007	2176.16	28356.78	7.67%	3
2009	2207.54	25342.25	8.71%	2
2011	3641.87	36841.11	9.89%	2
2013	4158.99	37967.64	10.95%	1

2015	3953.03	33287.52	11.88%	1
2017	4104.50	35753.98	11.48%	1

Sourced from: Department of Statistics and Analysis, General Administration of Customs of the People's Republic of China (2018) *Report of China's Foreign Trade in Forty-Year Reform and Opening*, China Custom Press, Beijing, pp.930-931.

Table 4-7. Value and share of China's exports in world exports, 2002-2018

Unit: billion dollars

Year	Value of world exports	Total value of China's exports	Share of China's trade in the world total	Ranking
2002	6541.81	325.60	4.98%	5
2003	7638.03	438.23	5.74%	4
2004	9281.60	593.33	6.39%	3
2005	10575.88	761.95	7.20%	3
2006	12206.58	968.98	7.94%	3
2007	14114.48	1220.46	8.65%	2
2008	16265.03	1430.69	8.80%	2
2009	12636.28	1201.61	9.51%	1
2010	15400.39	1577.75	10.24%	1
2011	18455.31	1898.38	10.29%	1
2012	18629.43	2048.71	11.00%	1
2013	19071.82	2209.01	11.58%	1
2014	19105.89	2342.29	12.26%	1
2015	16636.20	2273.47	13.67%	1
2016	16132.98	2097.63	13.00%	1
2017	17845.61	2263.35	12.68%	1

Sourced from: The World Bank (2002-2017) GDP and Trade [online], *World Bank* [Viewed 10 October 2020]. Available from: <https://data.worldbank.org/country/china>

Thirdly, through the same scenario that occurred in Qing China in the 18th century, China's expansion of foreign trade, particularly on the export side, has resulted in trading surpluses in the long term. As demonstrated by table 4-8, in general, China's trading surplus has exhibited an upward trend in the last twenty years. The amount of surplus has continuously increased, and the incremental rise has been most remarkable since China joined the WTO in 2002. In the meantime, comparing the balance with GDP, the conventional statement, based on the average ratio of 3.8% from 1997 to 2016, is that the trading surplus has made huge contributions to China's economy. However, China's trading practices have not always met with approval from its trading partners, particularly from those who recorded trading deficits because of China's export policy (Liu & Woo, 2018, p.321). Specifically, the United States, under Donald Trump's administration, accused China of unfair trading practices which violated the WTO framework. Washington's main concerns related to unfair trade, intellectual property theft and abusive use of market power for technology acquisition. In the ensuing periods, multiple rounds of tariff impositions have been imposed respectively by Washington and Beijing on each other's trade. Various strategies that China has adopted to promote its exports might be considered contentious, such as the subsidy given to export enterprises and intervention in the foreign market to maintain the exchange rate of RMB at a low level. Needless to say, these measures substantially boosted the competitiveness of its products in the international market. As will be analysed shortly, the export subsidy, i.e., the main instrument of state intervention, brought considerable benefits to China's economy and foreign trade, which also explains why the Chinese government was reluctant to conduct reform on this issue.

By the same token, the People's Bank of China (PBOC) frequently intervenes in the foreign exchange market to maintain a favourable exchange rate for RMB, which can increase competitiveness of Chinese exports in the global market. However, this is not sufficient to explain the growing U.S. trading deficit vis-à-vis China in the past decades. For example, while the RMB is widely perceived to be undervalued, the extent of the undervaluation is much smaller than envisioned by commentators and the U.S. government, due to problems in understanding equilibrium of the exchange rate (Liu & Woo, 2018, p.5). A further reason for misunderstanding of the trading deficit between China and U.S. is that the trade deficit index was static, and only reflected the final balance between the two countries. However, a large portion of China's exports derived from processing trade, and China was able to import processing material from regions such as southeast Asia at low-cost. Hence, for this trade sector,

export prices were more advantageous in the global market. In this regard, the U.S. trading deficit may be better understood as the deficit between China and the low-cost material providers in Asia as a whole. In this regard, the trade war between the U.S. and China can be conceived as the result of the (over) expansion of China's trade in the last two decades. As had occurred in the 18th century, a long-term trading deficit forced the hegemon to launch a trade war with China.

Table.4-8. China's long-term trading balance in relation to GDP

Unit: billion us dollars

	Trading balance	GDP	Balance/GDP
1990	8.74	360.86	2.42%
1993	-12.22	444.73	-2.75%
1996	12.22	863.75	1.41%
1999	29.23	1094	2.67%
2002	30.43	1470.55	2.07%
2005	102	2285.97	4.46%
2008	298.13	4594.31	6.49%
2011	154.9	7551.5	2.05%
2014	383.05	10438.53	3.67%
2017	422.37	12143.49	3.48%

Sourced from: Department of Statistics and Analysis, General Administration of Customs of the People's Republic of China (2018) *Report of China's Foreign Trade in Forty-Year Reform and Opening*, China Custom Press, Beijing, pp.924-926

4.4. From historical managed liberalism to the managed liberalism in the modern era: different intensity of state intervention

In the foregoing sections, this chapter analysed how the transformation of China's trade in two historical epochs shared similarities and continuity in various aspects, including why and how the state implemented liberalising reform of the trade regime and the implications as well as the aftermath of the trade transformation. Nevertheless, this chapter, does not exclusively focus on similarities, nor does it simplistically argue that trade in the two cases shared an identical

development trajectory. It is important that the differences exhibited by the two cases should not be discounted. To scrutinise these differences would provide insight for a better understanding of the reform in each case and how the two cases essentially echoed with each other in the framework of historical managed liberalism. In a nutshell, the managed liberalism in the reform in the period of post-1978 period exhibited a more interventionist stance than was the case in the Qing period. Nonetheless, the different intensity of state intervention largely can be seen as the response to the distinctive historical contexts of each period. Put differently, as a latecomer, the state has to practise more active and comprehensive intervention in order to compete with the advanced economies and deal with the more challenging environment of the global economy.

Understanding the differences in state intervention in the two historical contexts

Generally speaking, the main difference demonstrated by trade reform in the two historical epochs can be conceptualised as the state intervention in the case of modern China being deeper and more comprehensive than it was the Qing case. The different intensity of state intervention is the main difference between historical managed liberalism and modern managed liberalism. Nevertheless, this difference might be understood through the variations in the domestic and global contexts in these two historical eras. The more liberal stance of historical managed liberalism in the Qing period and the more interventionist stance of managed liberalism in modern China can both be regarded as responses to the distinctiveness of the political economy context in each period. Therefore, before elaborating on the disparities and differences between the two cases in detail, it is important to highlight how the global and domestic contexts varied. Here, three factors can provide insight for understanding how the context and environment of political economy impacted on the trajectory of development of trade in each historical epoch.

Firstly, the global economy and the role of China in this system in the later historical epoch largely shaped the more proactive nature of state intervention in the trade sector during the post-1987 period. By the 19th century, the global economy could hardly be seen as a unipolar system or a world-system in Wallerstein's sense which Europe dominated while also trying to expand into other parts of the world. Instead, the trading network in East Asia had been formed and flourished even before the Europeans arrived (Bentley, 2018). Based on the large scale of trading activities in this region, this regional system continued to thrive and develop during the

first period of global integration (Schottenhammer, 2007, p.11). After the decline of tributary trade and the rise of Qing's maritime trade after Kangxi's opening, this system expanded further. In this regional system, Qing China played an important role due to the strong state economy and competitive products. By the same token, when Qing China encountered the European merchants in this region, it maintained its trading surplus as has been specifically discussed in the foregoing chapters. As a matter of fact, an important reason for European merchants to participate in the Asian trading network was the discovery of American silver and China's great demand for silver during this period (Frank, 1999, pp.202-210). Due to the increasing demand for Chinese tea in Europe, a large portion of global silver flowed into China through European merchants. As the largest silver recipient and a major exporter in the global market, the Qing court had little motive for intervention.

In stark contrast to this scenario described above, China was dealing with a different global economy in the late 20th and early 21st centuries. The latter two periods were essentially dominated by the advanced economies and the doctrines of neoliberalism. Fundamentally, this form of global economy usually favours the interests of developed economies rather than developing economies (Smith, 2004). A quintessential case is the WTO. Through banning various interventional measures and requiring trade liberalisation, the framework of the WTO has been largely perceived as 'kicking the ladder away for the developing countries or the later developers' (Chang, 2002; Weiss, 2010, pp.11). Many tools, such as the protective tariff and state subsidies that are prohibited in international trade at present, had been extensively used in the early stage of economic development in industrial economies such as the U.S. and Germany in the 19th century. Hence, it would be difficult for the later developers to compete with industrial economies without these stimulative tools. For instance, in the scenario of international trade, due to the huge disparities in industrial technologies and productivity, later developers usually find it difficult to compete with products from advanced industrial economies, despite the fact that they might have the advantage of lower labour costs (Amsden, 1992, pp.53-57). Therefore, the viable way for the later developer to compete with industrial economies is through active state intervention in the course of economic development. Both Gerschenkron and Amsden recognised, in either explicit or implicit ways, that the more the economy lagged behind, the more state intervention would be required (Gerschenkron, 1962; Amsden, 1989; Kasza, 2018, pp.148-150). Hence, the active role played by state intervention in the case of China's foreign trade since the 1970s was an attempt to overcome the

backwardness and incompetence of the economy. Compared with western industrial economies, China lagged behind in industrial production. Thus, having to fulfil the liberalisation in the trade regime and other economic sectors according to the WTO framework might expose the vulnerabilities of some domestic industries and the incompetence of industrial production. Subsequently, this could jeopardise the national economy. Hence, state intervention in this scenario could secure economic boon. As a latecomer, China has had to engage more actively and comprehensively in intervention than its Qing predecessor. At the same time, due to neoliberalism, the nature of the WTO is to motivate trade liberalisation by limiting the state's power or even expelling the state from the economic realm (Hartwick & Peet, 2003, p.189). This neoliberal tenet, however, might be contradicted by the 'managed liberalism' that originated from Chinese history. In China's historical managed liberalism and managed liberalism in the modern era, state intervention has been essential in preventing market failure, boosting the economy and, more importantly, preventing the overexpansion of market power, which will override the state and society otherwise. Hence, in the short term, China's liberalisation and economic reform may have exhibited similarities with neoliberalism. Yet, with the reform proceeding, it would deviate from the neoliberal path advocated by the WTO, as the 'minimal state' statement of neoliberalism is divergent from Chinese managed liberalism. In the managed liberalism in both historical and modern senses, the proposition of 'minimal state' was rejected, as the state had to remain strong enough to intervene in the market, while the ultimate goal for guaranteeing the economic performance was to secure the state's legitimacy and power. In reality, the deviation has been externalised as China was somewhat reluctant to reform some key areas, such as by removing state subsidies and loosening control over the capital account of the exchange rate. The recent trade war between China and the United States also revealed the different understandings and expectations of each government towards international trade and the global economy.

The second factor in understanding how the different historical contexts shaped the different intensity of state intervention in the course of trade reform is the different roles and purposes of trade in the eyes of the state in these two historical epochs. Although the ultimate goal for the state in conducting reform was to reclaim legitimacy through boosting the social economy, the role of trade might have been less important in the Qing economy than in the economy of modern China. Despite the fact that the trading scale in the Qing period was remarkable compared with other counterparts in the world, it might have been less influential in terms of

the national economy. As estimated and analysed in chapter two, the ratio of maritime trade to GDP was less than 5%, even if calculated by the max estimation. However, this ratio was over 30% at least in the post-2000 period. It is important to note that this ratio could not reveal the contribution made by trade to GDP (i.e., Switzerland's ratio was over 100% in 2019), but it has been widely used for measuring the openness of the economy and policy orientation (Johnston, 1992, pp.1-2; Pei & Peng, 2006, pp.5). In this sense, the disparity of ratios between the Qing period and the PRC in the period post-1978 may reflect the fact that China was more dependent on foreign trade and the state took a more active economic policy stance in this field in the period of post-1978. As far as the nature of the economy is concerned, the world economy in the 19th century could be considered as fundamentally agrarian (Wong, 2002, p.448). For the Qing state, maritime trade might have been less critical for the state economy compared with other economic sectors such as agriculture. In this sense, the significance of maritime trade was not to serve as the prioritised source of growth for the entire state economy (although the Qing state recognised that the prosperity of maritime trade would have a spill-over effect which could benefit the whole national economy), but as a reform method to recover the local economy and social order in the post-war period. In the meantime, the advanced domestic economy and competitive indigenous products prevailed in the regional and global market, enabling the maritime trade to expand significantly in the ensuing period, and the local economy soon recovered. Therefore, from the perspective of the Qing court, there was little motivation to maintain a high level of intervention in this sector. Different from the scenario in the Qing period, foreign trade was designated as the primary source of economic growth by the Chinese government in the period post-1978. As discussed in the foregoing sections, China's economic growth experienced a period of 'export-led' development for a long time, which endorsed the significance of foreign trade for the national economy. Hence, state interventions were widely deployed to stimulate foreign trade, particularly exports, in order to gain economic benefits. In stark contrast to the level of economic development during the Qing period, the PRC had economic difficulties at the beginning of opening and reform. These difficulties related not only to the production ability but also to the stiff economic system. From the dismantling of the planned economy to re-establishing the market economy, the state had to make comprehensive and even radical changes to prevent the derailment of the reform.

The third factor in terms of revealing the differences between these two historical contexts is that the legitimacy crisis as envisaged by the CCP was far more critical than that encountered

by the Qing court. Admittedly, both the Qing court and CCP encountered a (potential) legitimacy problem, which then constituted a catalyst for the later reform of trade. However, it should be recognised that the Qing court did not experience a legitimacy crisis such as that encountered by the CCP in the 1970s. By and large, what the Qing encountered was some social discontent and unrest, provoked by the Qing's evacuation strategy during wartime. The social discontent might have escalated to a legitimacy crisis if the Qing court had been unable to recover the economy and social order in time. However, the situation was relieved by the Qing's opening up. In this case, the Qing court did not confront an authentic legitimacy crisis. In contrast to the Qing case, the CCP encountered a serious and critical legitimacy crisis in the 1970s. A series of political campaigns and social movements had catastrophic results, and tens of millions of people suffered the effects. More importantly, this consequence aroused suspicions within society towards the communist party and its ideology, which was the primary source of state legitimacy in Mao's era. When Mao died in 1976, another primary source of legitimacy, his charismatic leadership, vanished (Zhou, 2013, pp.21-22). Hence, the preoccupation of the CCP was to create an alternative source of legitimacy. In this scenario, performance-based legitimacy was the only practical choice, which determined that CCP had to make a full commitment to economic reform. Hence, the state intervention would need to be more intensive to reform the economic system and reverse the legitimacy crisis.

Further, another critical legitimacy crisis for the CCP occurred in 1989. The 'Tiananmen Square' protest eventually ended in military oppression by the CCP. Although this movement did not shake the CCP's rule in China, its ruthless way of dealing with the demonstration significantly jeopardised the CCP's legitimacy (Zhao, 1994). From many commentator's perspectives, the protest calling for political reform and democratisation was the result of China's opening and economic reform in the 1980s. Hence, when the Party determined to suppress it by military force, many commentators and party members predicted that the opening and reform would be ceased as well, and China would go back to the old path followed during Mao's period (Panda, 2002, pp.41-43). Intriguingly, the Party did not cease the reform process but instead accelerated the pace of economic reform in the ensuing years, which was manifested by Deng's speech in 1992 (Deng,1992). This counter-intuitive phenomenon explains that performance-based legitimacy was the only cure for the legitimacy crisis, which was fully recognised by the CCP (Zhao & Yang, 2013, pp.18-20). Therefore, from the perspective of the CCP in the 1970s and 1980s, the critical legitimacy crisis not only entailed

economic change, but it required the CCP to carry out radical and comprehensive reform of the economic sector. In this regard, these two legitimacy crises reflect that the social and economic environments were unstable in the 1970s and 1980s. In this case, the state had to conduct comprehensive economic reform, entailing more intensive state intervention, to prevent market failure or economic chaos.

More liberal versus more managed: Different roles and intensities of state intervention in the course of reform

Since the historical context was the main factor impacting on the intensity and role of state intervention in the course of reform, as analysed above, it is important to scrutinise specifically how state intervention varied in each historical epoch. China was inherently a centralised state, and the ultimate goal of state reform was to (re)gain legitimacy through boosting the economy and living standards for the majority of people. Hence, the liberalising reform in both cases was designed, dominated and guided by the state. Nevertheless, a counter-intuitive understanding was that the state's intervention in reforming the trade regime was more active and comprehensive in the modern era than in the Qing period. Overall, cases of state intervention during the Qing period are limited. A typical case was the Qing court's utilisation of the maritime trade to import grain in order to alleviate the shortage of domestic grain and suppress the high domestic price of grain, as discussed in chapter one. In order to encourage grain imports, the Qianlong emperor announced duty reductions and exemptions in 1743, which substantially encouraged foreign traders to bring in grain to sell in China. This case shows that the state intervention occurred as a result of the market failure. At the time, the soaring grain price triggered social discontent. In this scenario, when the market was unable to fulfil the basic function of serving the people, state intervention was vital to fix this dysfunction in the market. However, such market disorder or failure rarely occurred in maritime trade during the 18th century. Thus, state intervention rarely emerged in the course of the development of maritime trade.

Compared with the Qing period, where the state tended to intervene less in the maritime trade, state intervention was commonly discovered in the course of the development of foreign trade in the period of post-1978. Various measures were deployed by the Chinese government to boost export during this period. The Chinese government designed the guidance on export

promotion from the commencement of opening and reform, as export was selected as the main source of economic growth in both the short and long-term economic plans. From the pre-reform period to the reform period, the changing orientation of trading policy was widely perceived as the transition from ‘import orientation’ to ‘export orientation’ (Guo & N’Diaye, 2009, p.6). In this regard, relying only on market forces would not suffice to accomplish the target of export-led growth. For example, the Chinese government tried to boost export through the exchange rate policy in the 1980s; the Chinese government engaged in several rounds of devaluation of the RMB in order to relieve the losses generated by exports. However, the effectiveness of devaluation was limited, as the incomplete reform of the exchange regime and closure of the domestic pricing system largely offset the effects of devaluation of the home currency (Lardy, 1992, p.67-69, Fu, 2008, p.135). The problematic economic system, including the trade regime and other pertaining systems, restricted the Chinese government’s capacity to stimulate exports through the ‘conventional weapons’ (i.e., exchange rate and macroeconomic policy, etc.) Therefore, the Chinese government accelerated the pace of reform in the 1990s.

Once the systematic transformation of the exchange rate was completed in the 1990s and adjusted in the early 2000s, the exchange rate was used by the Chinese government as a tool in trading interventions. The People’s Bank of China (PBOC), acting as the state institution, attempted to maintain the exchange rate of the RMB *vis-à-vis* the U.S. dollar at a favourable level for China’s exports. To accomplish this goal, the primary strategy of PBOC intervention was to go through the foreign exchange market (Lu, 2004, p.344; Mckinnon, 2006, p.5-9; Zhan, 2014, p.73-75 Hu & Li, et al., 2016, pp.499-500, Li, 2016, pp.8-9; Li & Yu, et al., 2017, pp.8-10). By buying and selling foreign currency in the market, the PBOC was able to maintain the exchange rate of RMB through the demand and supply mechanisms. Since China had accumulated large reserves of U.S. dollars, and since U.S. dollars have the largest impact on the RMB’s exchange rate, the PBOC found it easier to intervene through market transactions. For instance, stockpiling of U.S. currency and assets such as treasury bonds has been the conventional practice of the PBOC, which creates appreciation of U.S. dollars in the market, thus mitigating the pressure of appreciation of RMB. According to the official statistics of the U.S. Department of the Treasury, China has been listed in the top three major foreign holders of U.S. treasury security since 2000, and it was the largest holder during the period of 2008-2015 (U.S. Department of the Treasury, 2020). By such means, the exchange rate of RMB

could be maintained at a relatively low level, which subsequently boosted exports in the international market.

Another important instrument of state intervention in foreign trade is based on the use by the Chinese government of state subsidies to accomplish its economic targets. In 2001, China promised to remove the export subsidy, import substitute subsidy and subsidies for those non-performing SOEs, as one of the conditions for accession to the WTO, which were listed in detail in the Agreement on Subsidies and Countervailing Measures (SCM Agreement). Nonetheless, the empirical studies suggest that China was rather reluctant to reform the state subsidies, not least the export subsidy. A pivotal reason is that subsidy is an important and effective measure for enabling the Chinese government to stimulate exports (Girma and et al. 2008, p.). In reality, the form of export subsidy varied, including the preferential policies, soft loan, priority access, etc. (Li, 2002, p.32; Gao, 2005, p.108-110; Defever & Riaño, 2012, p.1). For example, empirical studies show that some agricultural products, such as cotton and maize, received large amounts of subsidy (10% on cotton and 34% on maize) to promote export in 2001, which was prohibited according to the SCM agreement (Huang, Rozelle, & Chang, 2004, pp.85). Defever and Riaño (2012, p.1) found that having received extensive export subsidies, a large number of enterprises were able to sell almost all their products in the international market. This kind of 'pure exporter' has primarily driven the growth of China's export. Moreover, even if the central government ceased to subsidise in certain cases, it would soon be replaced by the local government for both political and economic reasons (Haley & Haley, 2013, chapter 7). In some local cases, the subsidy was processed through extremely straightforward channels. For example, Shaoxing prefectural government issued a policy that 'within the export amount over 3 million dollars, every dollar of export would receive 0.03-yuan reward...' (Shaoxing government, 2020). In reality, this indigenous method of subsidy was widely applied by all level of local government in China, as it contributed to the local economy as well as to the cadre's promotions. All these cases and evidence showed the importance of export subsidies in the sight of the Chinese government, which also explains why substantial progress on the reform of state subsidies was difficult to achieve. Based on the analysis, the modern managed liberalisation exhibited by the transformation of the foreign trade regime in the period of post-1978 demonstrated a stronger interventionist stance than the historical managed liberalism epitomised by the maritime trade development in the Qing period. However, as discussed in the preceding section, the different intensity of state intervention

should not blur the big picture that trade in both cases had undergone liberalising reform. Essentially, the intensity of state intervention was largely shaped by the domestic and global contexts in each historical epoch.

Concluding remarks

The trajectory of China's liberalisation in the post-1978 period does not reflect that China has embraced the neoliberal path of development, as claimed by the neoliberal literature. On the other hand, categorising the Chinese economic success as state-led development would also obscure many distinctive features displayed in the course of Chinese economic transformation, though certain elements of state intervention fit the description within this framework. As analysed in this chapter, the overall picture of the transformation of the trade regime in both historical epochs is that they were experiencing a liberalising process. Through dismantling the old state command economic system and establishing the market economic system, there is little contention that China has made huge efforts and achievements in liberalising the economy in the past forty years. It has been the foundation for the rise of China's economy in the period of post-1978 (Qian & Wu, 2000, pp.30-31). The state intervention was equally important, yet it should be noted that most of the Chinese government interventions were grounded on the function of the market. Contentious measures such as the foreign exchange policy and export subsidy would be effective only if coordinated with the functions of the market mechanism. Referring back to the 1980s, despite the fact that the Chinese government tried to boost exports by devaluing the home currency to a substantial extent, this was not as effective as the Chinese government expected. The reason for this awkward scenario was that the function of exchange rate policy required coordination with other economic subsystems such as the pricing system, whereas these systems had not been reformed yet.

In the theoretical sense, the problematic conceptualisations made by both neoliberalism and state-developmentalism were grounded on the paradigm of the dichotomic relationship between state and market. As a result, the framework recognises and highlights the element of state in the economic transformation that would spontaneously expel the market element and vice versa. However, in China's cases, the state-market relationship might better be conceptualised as symbiotic (Nolan, 2004, p.175). From the historically managed liberalism to the modern managed liberalism, both frameworks highlight how state intervention and

liberalising reform can be conflated in the context of China's economic transformation. Therefore, the managed liberalism adopted by the Chinese government in the period of post-1978 may better be understood as another version of historical managed liberalism with a stronger interventional stance. In this sense, China's rise in the period of post-1978 should be rephrased as China's return.

Chapter 5. Return of China II: the development and transformation of the textile industry, post-1978

By drawing upon the historical managed liberalism and the managed liberalism in modern China, the last chapter elucidated how China's foreign trade has been transformed and developed since 1978 and, more importantly, how this transformation has practically mirrored the expansion of maritime trade that occurred under Qing rule by 1800. Following this pattern, this chapter aims to provide a new understanding of the development of China's textile industry in the modern era by comparing and contrasting it with the situation experienced during the Qing era. In so doing, this chapter elicits the conclusion that the development of the textile industry in the period of post-1978 essentially echoed the Qing period. Sharing a similar state-market relationship, the historical managed liberalism and modern managed liberalism both provided insight into understanding similarities and disparities between the two cases. It would be redundant to chronologically rerun the entire process of reform in this chapter, as several pertaining studies make relevant contributions (Moore, 2004; Zhang, Kong & Ramu, 2015). Rather, the pivotal task is to exhibit the punchlines of reform, and more importantly, how modern reforms echoed those of the early Qing period. To achieve this task, this chapter firstly focuses on the similarities between the two cases. As will be seen, the textile industry during the two historical epochs demonstrated similarities in terms of the remarkable performance and rationale behind it; more specifically, the parallel trajectories of liberalising reform and the changing dynamics between the state and the private sectors in this industry. In the meantime, the disparities should not be overlooked. Hence, this chapter will reveal how the differences between the two cases are explored and how these differences could be conflated under the framework of historical managed liberalism and liberalism in the modern era.

The peculiar state-market relationship, as discussed in the previous chapters, has three core dimensions. First, the market functions as a tool of the state, as the state has to (re)gain legitimacy by boosting the peoples' quality of living to gain what is called 'performance-based legitimacy' (Zhao & Yang, 2013, pp.9-10). It is also a moral-based legitimacy, a concept inherited from Chinese history and culture. Thereby, the state ruler has to do the 'right' thing in order to look after the people in return for which the people choose not to challenge the state politically (At first glance, it resembles performance-based legitimacy. However, these two concepts respectively originated from different historical contexts with different political philosophies). Upon this 'unwritten contract', the state and society relationship has been built (Breslin, 2008, pp.7-8). In this sense, the market is essentially embedded in the state-society

relationship and guided by the state. Therefore, secondly, liberalising reform and liberalisation in the context of China are presented peculiarly and diverge from the practice in other regions globally. Admittedly, the market would gain more autonomy through liberalisation, yet the formation of the market mechanism is not achieved through the state receding, as is claimed by classic liberal tenets. In China's case, on the contrary, the establishment of the market mechanism was a product of deliberate state actions, which included institution and policy building. Moreover, although the market has gained autonomy during this process, state intervention and regulation would not recede for two reasons. The first reason is that state intervention is pivotal in dealing with (potential) market failure, which has been tested in many cases. The second reason is that state intervention would prevent market forces from extending over state power due to divergent intrinsic functional logics between state and market. As China is an inherently centralised state, the function of market forces would inevitably come under control by the state. Lastly, the extent of state intervention in the market is primarily influenced by the domestic and global politico-economic environments, which comprise two crucial dimensions for understanding the disparities in the pathway of development and reform of the textile industry in the two historical epochs.

5.1. Remarkable performance and rationale

In both historical eras, the textile industries have played a significant role in the process of development as well as the transformation of the state's economy, which can be assessed by their remarkable industrial performance in global trade. For example, due to the export-substitution strategy economic strategy that the state has adopted since 1978, the textile industry has been the leading industry in enlarging exports and creating foreign reserves for the national economy. By 1995, it was the largest export sector. Despite the fact that it was excluded from the state's 'pillar industry' category in the 1990s, the expansion of China's textile industry in the global market did not cease (Gao, 2014, pp.147-148). Tables 5-1 and 5-2 illustrate the total value of China's textile exports and their share within the global export market. Overall, the total value of exports continued to increase after 1990. Starting from \$16.89 billion in 1990, the value of exports reached \$277 billion in 2018, which represented a 16.4-fold increase in 18 years. Moreover, the share of China's textile exports in the global export market exhibited a remarkable increase. Starting from 7.96% in 1990, this figure surged and has been sustained at over 30% per annum since 2008. In this regard, the global market has been significantly dominated by China's textile products. By the same token, the silk industry in the Qing period was the leading sector in China's export industry. Raw silk and silk

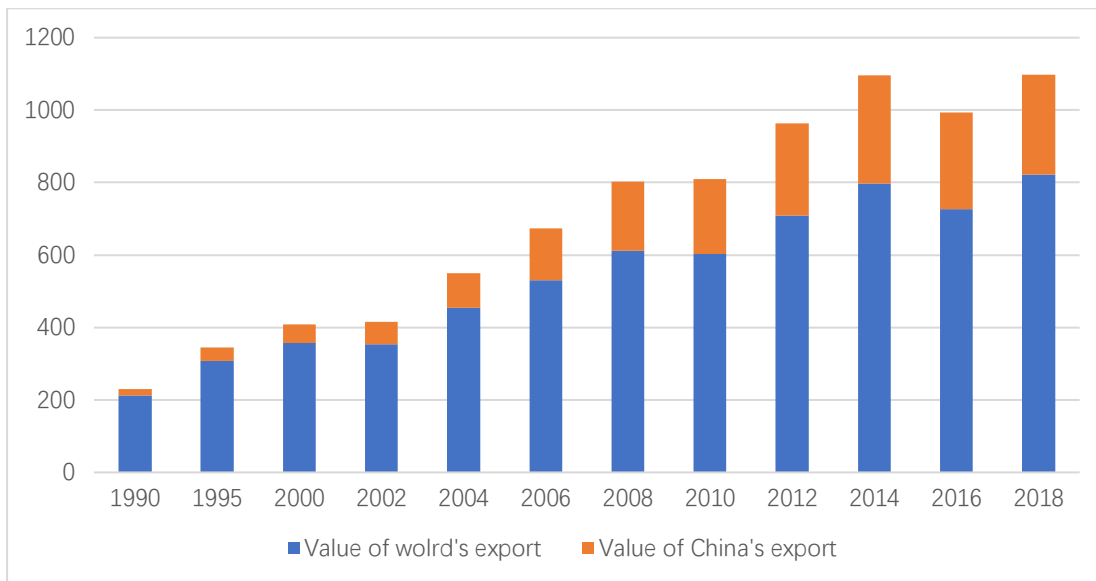
products were the largest exporting commodities by 1720. This leading product was replaced by tea thereafter, though silk retained its position in the top three export products. During the Qing period, silk textiles prevailed, particularly for the European merchants. For instance, as discussed in chapter two, the import of raw silk and silk products accounted for 20%-30% of the total value of imports in Britain from 1765 to 1785 according to historical records (Yan, 1955, pp. 32-35). Carried by the European merchants, China's silk products soon dominated the global market. Hence, the striking performances of the textile industries in global trade in the Qing and modern periods reflect the important role they played in the development of the economy. More importantly, in both cases, the expansion of textile industries in global trade could be perceived as reflecting how China was integrated within the global economy. The domination of China's textile exports in the global market essentially revealed the significance of China for the global trading system and the global economy.

Table 5-1 Chinese exports of textile and apparel products as a percentage of global exports in selected years

	Global Exports (billion USD)	Chinese Exports (billion USD)	Percentage
1990	212.27	16.89	7.96%
1995	307.1	37.97	12.36%
2000	356.4	52.21	14.65%
2002	353	63.13	17.88%
2004	454.53	95.29	20.96%
2006	530	144.07	27.18%
2008	612.09	189.62	30.98%
2010	602.12	206.74	34.34%
2012	708.36	255.06	36.01%
2014	796.73	299.37	37.57%
2016	727.26	267	36.71%
2018	821.28	277	33.73%

Sourced from: CNTAC (1990-2018) *Yearbook of China Textile Industry Development Report*, Beijing: China Textile Press, pp.235-258

Table. 5-2 China's changing share in total world exports



Sourced from: WTO (1990-2018) *World Trade Statistics Review 1990-2018, in Statistic Table, import and export of textile and clothing*. [online]. WTO. [View 12 December 2020]. Available from: https://www.wto.org/english/res_e/statis_e/wts2020_e/wts20_toc_e.htm

Moreover, the rationale behind the remarkable performances of the textile industry in the two historical epochs was similar. In both cases, the development and expansion of the textile industry were largely grounded in the advantage of the abundant labour force and the increased productivity brought about by the division of labour. First, the abundance of the labour force was widely perceived as China's indigenous advantage in the long term. In modern China, the liberalising transformation after 1978 successfully introduced the market mechanism, through which the textile industry was able to exploit this indigenous advantage. For example, from 2000 to 2014, the total number of employees in the textile industry ranged from 7.5-11 million, accounting for 4%-5% of total employment in all secondary industries. Meanwhile, the low wage level in the textile and apparel industry significantly stimulated industrial production and generated profits for this sector. Compared with other industries, real wages in China manufacturing industries have been at a relatively low level in general. For example, according to recent research (Zhang, Kong & Ramu, 2015, p.14), in the period of 2001-2011, the annual growth rate of real wages was 9.36% in all economic sectors, 8.92% in manufacturing industries in general and 8.21% in the clothing industry specifically. Hence, the abundant labour force and low wage level enabled China's textile industry to build strong competitiveness, which is perceived as the key for the striking performance of the textile industry in the global expansion and market domination (Baiardi & Bianchi, 2019, pp.397).

By the same token, the advanced level of development of the textile industry in the Qing period was built largely upon the massive labour force. For example, over 500,000 workers directly engaged in the production of silk cloth during the mid-Qing period (Li, 2000, p.45). This is the primary reason why Qing China could manage to export such a massive quantity of silk products overseas annually. The advantage of the abundant labour force was more remarkable in the cotton textile industry, as cotton production was more nationally widespread compared with silk production. As the primary source of living for many households, approximately 34.2 million households engaged in cotton cloth production in 1840, according to Xu and Wu (2003, p.313), which approximates to a labour force of 25.65 million, if counted by full year working.

Table 5-3 Employment in the textile and apparel industry

Unit: million people

	Total employment in secondary industries	Employment in the textile and apparel industry	Share
2000	162.19	7.59	4.68%
2002	156.82	7.89	5.03%
2004	167.09	8.95	5.36%
2006	188.94	10.3	5.45%
2008	205.53	10.89	5.30%
2010	218.42	9.72	4.45%
2012	232.41	10.11	4.35%
2014	230.99	-	-
2016	223.5	8.37	3.74%
2018	213.9	6.67	3.12%

Sourced from: National Bureau of Statistics., (2000-2018) *China Statistics Yearbook, Employment and Wage* [online]. NBS. [Viewed 12 December 2020]. Available from: <http://www.stats.gov.cn/tjsj/ndsj/2018/indexeh.htm>

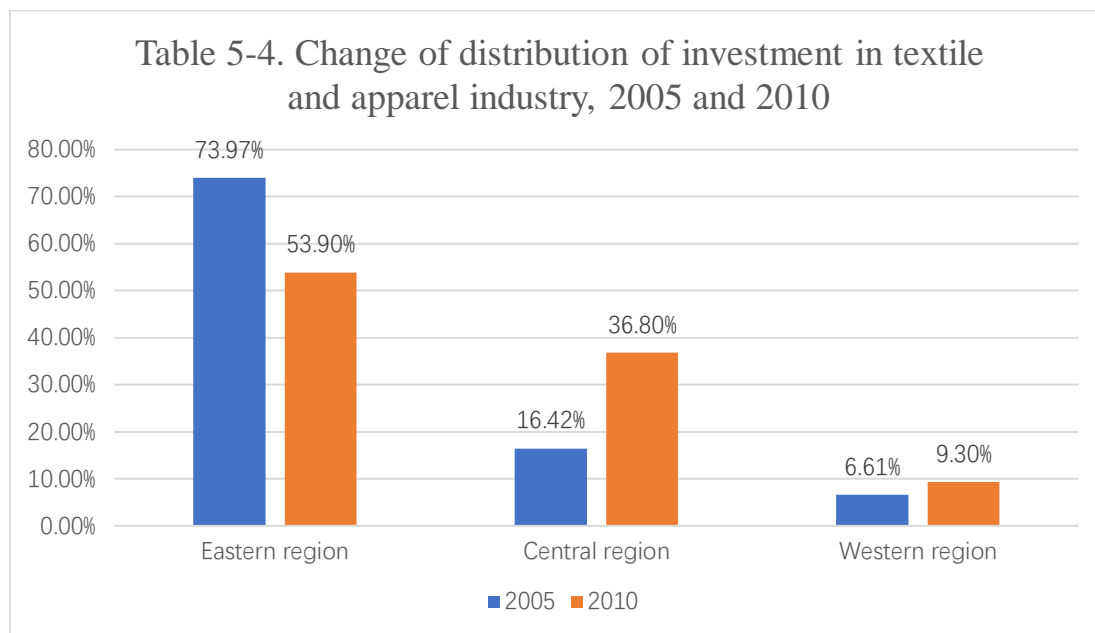
CNTAC (1990-2018) *Yearbook of China Textile Industry Development Report*, Beijing: China Textile Press, pp.235-258

Secondly, the increase of productivity in the textile industry in both periods was primarily grounded on the specialisation and division of labour. In modern China, the quintessential case

was industrial regionalisation after 2000. Despite the fact that the textile industry had enjoyed a boom that was brought about by the massive labour force and low wage level, these two advantages have been gradually eroded since and the demographic structure has changed in the last decade (Wei & Guo, 2013, pp. 109; Zhu & Pickles, 2014, pp. 41-44; Zhang, Kong & Ramu, 2015, p.14). Hence, the state tried to guide industrial upgrading through regionalisation. Specifically, through policy guidance, the state aimed to form competitive and 'high-end' industrial clusters in the eastern region and to transfer other types of industrial enterprises and factories to the central and western regions. In the early 2000s, the Chinese government formulated a plan for cluster formation across the nation in general but particularly for the eastern regions. Guided by a series of official documents such as 'guideline of development of textile industry in the 11th Five-Year Plan and the 12th Five-Year Plan', the state started to implement the plan to form industrial clusters in 2002 (Zhang, 2012, pp.39-49). In the first round of trials, 39 clusters were established. In the ensuing years, over 100 rounds of trials have been conducted. In 2010, the total number of textile and apparel industrial clusters extended to 175, covering more than 20 provinces nationwide (Zhang, 2012, p.69). Most of these industrial clusters remained in eastern provinces such as Zhejiang, Guangdong and Jiangsu. Jiangsu and Zhejiang, as the main clustering provinces, which respectively accounted for 25% and 21% of the total number of clusters nationwide. As a result, the contributions made by textile industrial enterprises in the eastern region surpassed the contributions made by other regions. According to an empirical study (Ruan & Zhang, 2014, p.85), between 2000 and 2010, the total production in the eastern regions accounted for over 80% of the national total, which highlights the leading role played by eastern enterprises in China's national textile industry.

In the meantime, the state transferred other parts of industrial production into the central and western regions. From 2000 onward, multiple forms of guidance, policies and institutions were set up by the state in order to accomplish this industrial relocation. For example, the state council announced initiation of the 'western development' policy in 2000 (State Council, 2000, no.33), which introduced various policies and institutional supports in the western regions, including the preferential tax rate, concessional bank loans, increase of fiscal expenditure and preferential land and resources policies. Specifically, for the textile industry, industrial transference to the western regions has been written into industrial policies as a priority for a long period. The 'Plan for adjustment and revitalisation of the textile industry' explicitly stated that the relocation of the textile industry to the western region would be a key emphasis for industrial development in the ensuing years (State Council, 2009). Encouraged by the

government's initiatives, this textile transference has been very successful. As demonstrated by table 5-4, the pattern of regional investment changed considerably between 2005 and 2010, with the eastern region's share of investment falling from 73.97% to 53.9%; meanwhile, the western and central regions' investment share increased from 6.61% to 9.30% and from 16.42% to 36.8%, respectively.



Sourced from: CNTC (2005) *Yearbook of China Textile Industry Development Report*, Beijing: China Textile Press, pp. 6-7

CNTC (2010) *Yearbook of China Textile Industry Development Report*, Beijing: China Textile Press, pp. 7-8

The industrial regionalisation and relocation plan was successful in achieving industrial upgrading after 2000, which largely offset the imbalance brought about by the decline of the advantages of the labour force and wage levels. The underlying logic of industrial upgrading, in this case, was based on the specialisation and division of labour. Firstly, for the industrial clusters in the eastern regions, the benign social and economic conditions benefited industrial management and production. More importantly, these clusters vastly reduced the costs for the local enterprises. This is because the clustering districts usually owned completed supporting facilities and infrastructures. Then, this regional effect attracted the upstream and downstream industries to locate locally, through which entire industrial chains were formed (Zhang, 2012, pp.33-34). Furthermore, the industrial clusters contributed to the emergence of branding enterprises, as the industrial clusters concentrated superior resources for the local enterprises.

A quintessential case was *Bosideng*, China's leading down-jacket producer, which was created in the industrial clusters in Jiangsu province during this period. Secondly, the industrial relocation to the central and western regions mostly relieved the increase in labour costs. As a group of enterprises moved out, competition in the eastern regions was reduced. Additionally, labour costs were lower in the western and central regions than in the east. Thus, the relocation of enterprises enabled the exploitation of local advantages to promote development. Hence, by entirely restructuring the industry, development and upgrading of the textile industry was achieved in both the western (central) and eastern regions, which was the key to China's industrialisation and the expansion of the textile industry globally post-2000 (Zhang & Long, 2011, pp.114-116; Zhu & Pickles, 2014, pp.59-60).

Likewise, specialisation and the division of labour emerged in the textile industry in the Qing period. In the silk sector, this 'Smithian dynamic' gripped production in the mills or workshops, where silk production was differentiated into multiple steps, each of which entailed specialisation by different workers or producers (Qiu, 2002, pp.77-81). The cotton textile industry exhibited a particular image regarding the specialisation and division of labour. Unlike the mill production that was important in the silk industry, by 1800, the primary location of cotton textile production was still the household. However, division of labour also occurred in the cotton textile industry. As discussed in chapter three, in household production, the separation of weaving and spinning largely accelerated production. The division of labour was also important in the dyeing and calendaring sectors. Dyeing and calendaring were two important steps in the completion or finishing of cotton textile production, while the round cotton textile production also involved an important degree of specialisation and division of labour. Moreover, due to the rapid development of these two sectors, the production relied to an important extent on mills and workshops. Hence, as with the silk industry, division of labour also occurred within the dyeing/calendaring mills and workshops. By 1800, the scale of the calendaring and dyeing industry was remarkable, according to a related study (Zhang, 2010, p.78), which further attested to the existence of division of labour in the cotton textile industry.

5.2. Trajectory of the transformation

Behind the remarkable performances in the two historical epochs, the textile industries in both periods have undergone liberalised reforms. If we compare the trajectories of these two cases, many identical elements can be demonstrated by the industrial reforms in the modern and Qing periods. This type of historical conjuncture can be elucidated through the following three

dimensions: first, policies and institutional guidance; second, the empowerment of the market as well as industrial actors; third, the changing dynamics between the state and the private sector.

Policy and institutional guidance

The first dimension in which similar pathways of industrial development in these two historical epochs could be revealed involves the process of liberalisation of the textile industries implemented in both periods. This process was largely guided and driven by the state's deliberate actions, which were mainly reflected by the policy and institutional settings. It has been widely observed that China's manufacturing industry has undergone radical and comprehensive liberalised reform in the last forty years (CNATC, 2019, pp.100-102). Through the opening and reform, China eventually achieved industrialisation, which is the breakthrough that China missed two centuries ago. Compared with other manufacturing industries, the reform of the textile industry is far more active and proactive. The 1980s and 1990s were conceived as a transitional period in which the entire industry was restructured. During this period, liberalisation and marketisation transformed China's economic system and the industrial regime, which laid the foundation for the expansion of the textile industry in the global arena in the later period. If we compare the pathway of liberalised reform of the textile industry in the modern era with that of the Qing period, many similarities and continuities can be identified. Most importantly, the development of the silk and cotton textile industry in the Qing period can largely be attributed to a liberalised environment provided by the Qing court. As discussed in chapter three, under a series of new policies issued by the Qing court, a more liberal economic environment was created across the entire handicraft industries, which was the key to the remarkable performance exhibited by the textile industry back in the Qing period. In this regard, both cases reveal how development of the textile industry gained benefit and encouragement from the state's liberalising reforms.

Liberalising reform in the 1980s and 1990s

At this stage, the state's attempt at industrial reform was rather straightforward. Consistent with the overall economic liberalisation process, industrial reform in the 1980s and 1990s was aimed at transiting from a planned industrial regime to a market-based regime. For the long term, the textile industry was trapped in a morass of low productivity and quality, which was mainly caused by the planned economic system legacy. In this case, the central government attempted to overcome these shortcomings of the textile industry by introducing market incentives. Thus,

decentralisation was the primary direction of policy designing for industrial reform in this transitional period.

Specifically, industrial reform in the 1980s may be better perceived as a process of icebreaking rather than systematic establishment. Industrial policies issued by the state were largely experimental and trial-based at this stage, as the terminology ‘market’ was still politically sensitive back in the 1980s, and the market system was never practised under the PRC regime (Clark, Murrell & Whiting, 2008, p.392). Nonetheless, the pertaining policies regarding the reform of the textile industry had started to dismantle the legacy of the planned economy. Firstly, the state’s policymaking and institutional building demonstrated that the textile industry had been granted a preferential and prioritised role in the state’s industrial plan. For instance, the central government had restructured the guidance of industrial development into ‘eight guidelines’ (*Bazi fangzhen*), with the aims summarised as ‘adjustment, reform, rectification and improvement’ (Li, 1981, p.3). Under this new guidance, the central government decided to shift the development focus from the light industry. This industry restructuring was an essential task in the sixth five-year plan proposed by the central government from 1981-1985. Specifically, in order to underpin the development of the textile industry, the state issued a new supportive policy of 'six priorities' in the textile industry from 1980. These six priorities included energy and raw materials supplies; reform and innovations; infrastructural and foundational construction; bank loans; foreign investment; and transportation. Priority in bank loans and foreign investment explicitly revealed the vital role of the textile industry in the state's blueprint of economic development. In the long term of the pre-reform period, light industry rarely received state investment, despite contributing to creating capital for the state to invest in heavy industry (Deng, 2012, p.4311). However, based on the new sets of policies, the textile industry would foreseeably become a major economic sector with inflows of domestic and international investment. In the 1980s-1990s, the textile industry was one of the largest FDI recipients, according to Moore (2004, p.76), a factor which contributed considerably to the expansion of the textile industry during this transitional stage.

Secondly, under the new industrial guidance, the textile industry was granted more autonomy. For instance, a set of policies was implemented by the state in 1987, which can be summarised as attempts (a) to reduce the categories of state planning for textile products; (b) to grant more discretion of examination and approval to local governments; (c) to practise specialised and preferential policies in special economic zones and 14 opening cities. In the meantime, the

‘contract system’ and ‘profits retention’ system were carried out by the particular localities that were granted the preferential policies (Shirk, 2013, pp.218-220). These new policies gave more discretion and profit to the producing and trading units, which stimulated these units to enlarge and promote production and export. Under these circumstances, a number of producing and trading corporations were established. These corporations were granted trading rights by the state, by which they could sell their textile products directly in the international market to earn foreign reserves for the state. For example, in the first round of trials, the iconic corporation was the Qingdao Textile Group (*Qingfang lian*) which had merged eight different factories, including textile factory, printing and dyeing factory, and knitting factory, etc. (Wu et al., 2018, pp. 184-192). The model adopted by this corporation incorporated production, processing and trade into one coordinated process. Since they were responsible for a large portion of their profits, the corporation developed significantly in the ensuing years. In 1987, the value of exports from the Qingdao Textile Group reached \$100 million, which accounted for nearly 1% of the total value of the textile industry (Almanac of China’s textile industry, 1989, p.26). Encouraged by the official policies, the ‘Qing Textile Group’ model was soon extended to several opening cities in the eastern coastal regions, including Shanghai and Guangzhou. In this round of reform, a profound change brought about by the reform policies was that the industrial and trading enterprises in the given regions had motivations and choices to boost the industrial output, as they had been granted economic and managerial discretionary powers in such as profits retention and decision making. Further, this round of reform indicated that the old planned based industrial regime had started to be dismantled, and the successful cases of reform encouraged and enabled the central government to commit to further reform, which laid the foundation for marketisation in the next stage (Wu et al., 2018, pp. 196-203).

Through the experimental reform measures in the 1980s, the production of the textile industry increased substantially, which encouraged the state to conduct further liberalising reform of this economic sector. As a matter of fact, in the 1990s, the overall economic structure was undergoing an overhaul. ‘Economic marketisation’ was the key phrase for the reforms in all economic sectors. In 1993, the central government passed the resolution on implementing the market economy. Under these circumstances, policies and measures on the textile industry reform not only proceeded toward decentralisation through following the reform path in the last stage but also tried to standardise and institutionalise the market mechanism in this sector. Thus, the first measures that drove the industrial liberalisation were the extension and standardisation of the rights granted to the enterprises. As discussed in chapter four, one

remarkable reform in the trade regime in the 1990s was the fact that more autonomy was given to market actors, which was epitomised by the implementation of the 'contract system'. By the same token, in the reform of the textile industry, the trading right was extended. For example, more textile enterprises were given trading rights. The total amount of textile enterprises that owned trading rights had increased to 302 by 1993, and this figure surged to 670 by 1995 (CNATC, 1993, p.152; 1995, p.8). In the meantime, the 'standardisation of trade incentive' (Moore, 2004, p.124) emerged at this stage. Compared with the state's incentive policy in the 1980s, it was no longer experimental in the 1990s. Thus, various policies and reform, such as the extension of trading trades, were not exclusively granted to the specific regions or enterprises. Put differently, most areas in China were undergoing decentralising reforms through which, in particular, the non-public enterprises benefited.

Liberalising reform during the Qing period

As with the reform in modern China, the development of the textile industry during the Qing period was largely attributed to the liberal industrial environment created by the Qing court. As discussed in chapter three, the Qing court launched two reforms that substantially liberalised the handicraft industries. First, the Qing decided to abolish the corvée system in 1645, which was widely perceived as significant progress with respect to the development of the handicraft industry (Yu, 2005). Under the corvée system, all work provided by the artisans was compulsory and free, which substantially squeezed the working time and energy of labourers. Once this system was phased out, an abundance of labour was unleashed. For instance, compared with the Ming period, workers in the weaving bureaus had to be made waged labourers in the Qing period under this reform. Most labourers now were either self-employed or employed by mill owners. Either working pattern would contribute to the development of the entire industry.

The second change originated in tax reform. In 1711, the Qing court abolished the poll tax and reformed the entire tax system, which was unitarily land-based afterwards. This reform significantly accelerated the development of the handicraft industry in the private sector (Peng, 1981, pp.45-48). For artisans and handicraft workers, this reform would immediately relieve their financial pressure. Thus, theoretically, they could gain more capital through industrial production and investment. In the meantime, the change of taxing object would prompt peasants to leave their lands and join handicraft industries such as the textile industry. Therefore, potentially it increased the pool of labour for the industry. In this regard, two policies of reform

issued by the Qing court massively increased the labourers' social and economic liberties, which accelerated the development of the textile industry.

5.3. Empowerment of industrial actors

The second dimension in which similar pathways of liberalisation of the textile industry in these two historical epochs can be revealed relates to the empowerment of private industrial actors. China's remarkable performance in the textile industry by 1800 was predominantly attributed to private actors, including private producers, mill owners, merchants and traders. These non-official actors fabricated a production and trading network which not only made massive contributions to the development of the textile industry but also drove the expansion of the domestic market to integrate with the global trading system (Tian, 1957; pp.6-16; Hui, 1995, pp.35-40; Kanumoyoso, 2018, pp.17-19). Likewise, it has been widely conceived that the flourishing of China's textile industry after 1978 has been significantly driven by private enterprises. As will be explained shortly, one remarkable change brought by the economic liberalisation in the opening and reform is the unchaining of the non-public enterprises. In both cases, the empowerment of non-public actors could be perceived as the product of state liberalising reform, as well as the main engine for industrial expansion. Notably, in the case of the Qing period, these industrial actors were mainly private entities, including private producers, merchants and traders. In the context of modern China, due to historical and political reasons, the definition of property rights is somewhat blurred and complex (Yu, 2009, pp.83-85). Hence, industrial actor here refers to all types of non-official and public enterprise, including private enterprises, foreign enterprises, TVE and other types.

The development of industrial actors in the period of post-1978

The development of China's textile industry largely can be attributed to the flourishing of private producing organisations since the early modern period. In the modern era, according to a previous study, the ongoing development of the textile industry was based on the private sector (Wu, Chen & Wang, 2018, p.204). In 1949, when the CCP took over the regime, 17,902 textile factories remained in China and 17,782 of these were private enterprises. The value of output achieved by the private sector accounted for 67% of the entire textile industrial output (Wu, Chen & Wang, 2018, p.204). Nonetheless, under collectivisation, all types of private enterprises vanished in the ensuing years, which arguably caused interruption of the long-term development of the textile industry. The actual recovery may have started from the 1990s. All these decentralised and liberalised reforms conducted in the 1990s, as discussed above, were

aimed to unchain all types of enterprises in the textile industry. A major milestone for the reform of enterprises was in 1992 when the state issued the document ‘regulation of change of public-owned industrial enterprises’ operational mechanism’ (*Quanmin suoyou zhi gongye qiye zhuanhuan jingyin jizhi tiaoli*) by which all industrial enterprises were to be liberated and empowered (State Council, 1992). First, it guaranteed granting of a series of rights to industrial enterprises. As discussed in the last section, under the reform during this period, more discretionary powers, such as trading rights, were given to enterprises. Based on this document referred to above, the industrial enterprises enjoyed full rights of discretion, management, pricing, trading and responsibility for profits and losses. In this regard, not only was more autonomy granted to enterprises, but it essentially introduced and standardised the incentive mechanism across the entire industry.

Secondly, this document highlighted the principle of the separation of government and enterprises. Unlike many conventional documents with euphemistic wording, this document explicitly set out penalties for violations. In this regard, the document revealed the state’s active and even forceful determination to liberate the behaviour of enterprises in the market from political impact. In reality, this document, alongside other measures of reform in the 1990s, largely liberated the industrial enterprises and introduced the market mechanism, which laid the foundation for the prosperity of the private enterprises and private economy. Notably, although the title of this document referred to public-owned enterprises, it *de facto* applied to all types of enterprises. This is because in the early stage of marketisation reform, the term ‘private’ enterprises may still have been politically sensitive. Thus, the private capital commonly established enterprises in the name of ‘township and village enterprise’ (TVEs) or ‘small collective enterprise’ (Fu & Balasubramanyam, 2003, p.616)

As a matter of fact, the types of enterprise in the textile industry were quite diverse, which reflected the prosperity and high potential of this industry. Compared with SOEs, the non-public and especially the private enterprises were the major beneficiaries in this round of decentralising and liberalising reform, as the market mechanism became a much more effective incentive for the private enterprise. In contrast, the long-term advantages of SOEs were based on a series of prerogatives such as state subsidies and preferential bank loans, which started to decline as the liberalising reforms progressed. Therefore, under a rather benign and liberalised process of economic and industrial reform, the scale of non-public enterprises in the textile industry was augmented significantly from the 1990s. As shown in table 5.3, comparing the

structure of China's textile industry in 1995 and 2000, the proportion of SOEs declined by more than 10%, whereas the proportion of foreign-funded enterprises multiplied in these five years. Other types of enterprises, including collective and private enterprises, accounted for over 50% of the total number of enterprises in this period, which at least reveals the upgrading of non-SOEs to become the main player in the textile industry.

Despite the fact that systematic data on the numbers of enterprises in the 1980s is missing, multiple research and official documents confirmed that the SOEs dominated the textile industry in that decade (Wu et al., 2018, p.218). In addition, table 5-4 and table 5-5 respectively exhibit the economic performance of SOEs and non-SOEs in the textile industry in 2000 and 2010 and show that non-SOEs surpassed SOEs based on various measurements, with the margins between them continuously increasing. For instance, in 2000, over 70% of total industrial output was generated from non-SOEs, non-SOEs carried out nearly 80% of all export transactions, and total profits made by non-SOEs accounted for more than 75% of total industry profits. The contributions made by non-SOEs were even larger in 2010. As can be seen in table 5.3, approximately 98% of enterprises were non-SOEs, which generated 97.03% of the total output of the cotton textile industry: 98.28% of total exports and 97.78% of profits generation. Based on these figures, therefore, the liberalising reform in the 1990s significantly unchained and empowered the non-SOEs, the expansion of which made huge contributions to the rise of the textile industry. The dominant role of non-SOEs in the textile industry may provide insight into why China's textile industry developed rapidly and expanded internationally, not least in the post-2000 period.

Table 5-5. Structure of China's textile industry in 1995 and 2000

	1995	2000
Number of enterprises	48,515	18,862
Proportion of SOEs	29.4%	19.5%
Proportion of foreign-funded enterprises	14%	27.5%
Proportions of other types of enterprises (i.e. collective enterprises; private enterprises)	56.6%	53%

Sourced from: The Editor Broad of the Almanac of China's Textile Industry, (1995). *Almanac of China's Textile Industry*. Beijing: China Textile Press, pp.153-158

CNTAC, (2000). *Yearbook of China Textile Industry Development Report*. Beijing: China Textile Press, pp.322-330

Table 5-6. Economic index of textile industrial enterprises, 2000

	SOEs	Non-SOEs	Total
Total number of enterprises	3,679	15,183	18,862
Total value of industrial output (billion yuan)	263.0	617.62	880.6
Value of exports	57.73	221.47	279.19
Total profits	6.71	22.30	29.01

Sourced from: CNTAC, (2000). *Yearbook of China Textile Industry Development Report*. Beijing: China Textile Press, pp.322-330

Table 5-7. Economic index of textile industrial enterprises, 2010

	SOEs	Non-SOEs	Total
Total number of enterprises	651	54,740	55,391
Total value of industrial output (billion yuan)	131.34	4,144.79	4276.13
Value of exports (billion yuan)	13.34	764.48	777.82
Total profits (billion yuan)	4.55	200.81	205.36

Sourced from: CNTAC, (2010). *Yearbook of China Textile Industry Development Report*. Beijing: China Textile Press, pp.278-285

Empowerment of industrial actors during the Qing period

The empowerment of non-SOEs in the 1990s was significantly mirrored in the Qing period. As defined earlier, the industrial actors that were empowered during the Qing period included private producers, mill owners, merchants and traders. In this case, the empowerment of private producers and merchants might be quintessential to reveal how the textile industry was liberalised under the Qing court. As discussed in the previous sections, due to the abolishment of the corvée system and poll tax, the private producers in the handicraft manufacturers were

significantly liberated. In the meantime, as elaborated in chapter three, a significant change that occurred in the Qing period was the boosting of the social status of the merchant group due to changes in the emperors' attitudes. From Kangxi's to Qianlong's reign, the emperors had underscored the important role of the merchant group for the entire society on various occasions (Wang, 2000). Hence, they deemed that the merchant group should gain recognition and protection from the state, as enjoyed by other social groups. Under this circumstance, the merchant group implicitly or explicitly gained more autonomy in the market. A typical example was the decline of the state brokerage system and the emergence of the 'putting-out system' during the early Qing period (17th-18th centuries) in the textile industry. Initially, the broker played the role of intermediary between producer and merchant. Under the state's endorsement, all trade and transactions of cotton cloth had to go through this system. However, this system soon declined because cloth merchants tried to contact local producers directly without going through the brokerage system. Intriguingly, such circumvention gained acquiescence from the Qing court. This acquiescence enabled merchants to contact local producers to conduct businesses legally, which was a significant breakthrough in terms of forging productive relationships, as this type of 'putting-out' system is usually understood as the pre-stage for the emergence of productive capitalist relationships (Diskussionsbeiträge, 1986, pp.3-6). Although mature capitalist production did not emerge in China, the empowerment of the merchant group predominantly activated the cotton cloth production and market.

5.4. Dynamics between the state and private enterprise

The third dimension in which similar pathways of industrial liberalisation in the two historical epochs can be revealed is the analogous trend of changes in the dynamics of the state and private sectors during the process of liberalising reform. As analysed in the last sections, liberalising reforms in both cases significantly empowered the industrial actors, particularly in the private sector, which was a key reason for the textile industry thriving in both historical eras. In the meantime, however, the relationship between the state sector (SOEs) and private sector was not merely dichotomic, even though the SOEs were widely perceived as a hindrance to industrial liberalisation by various studies (Sun & Tong, 2001, p.185; Li & Brødsgaard, 2013, pp.66-69). As a matter of fact, the state sector (SOEs and weaving bureaus) exerted a positive influence on the development of the private sector in the initial stage of the reform. Since the SOEs and weaving bureaus functioned not only as enterprises but also as state institutions, both would inevitably execute tasks set by the state. Thus, as will be explained shortly, several cases can be discovered with respect to how the SOEs and weaving bureaus repetitively contributed

to the development of private enterprise and the textile industry as a whole in the two historical epochs. This complementary relationship was an important aspect of the dynamics between the state and private sector, yet it has been widely overlooked by the current literature. In both cases, the dynamics between the state and private sectors were constituted by the dual relationship, to wit, the complementary and competitive relationships, which were one peculiar feature as well as a historical conjuncture in the process of development of the textile industry in these two historical eras.

As discussed in chapter three, the weaving bureaus during the period of the Qing period were state-owned silk textile mills, in which silk products were produced by waged labour, according to the production task assigned by the Qing court. Hence, the weaving bureau shared similarities with the SOE in the modern era, as both of these units were state-owned and undertook the function of fulfilling the state's industrial tasks or policies. For example, the weaving bureaus were required to prepare the silk products (this preparation referred to production or purchase from private producers) in order to conduct foreign trade with western regions (i.e., Xinjiang or Kazakhstan). Likewise, during the period of the 1980s, the trading rights were primarily held by the state textile corporations such as the China National Silk Import and Export Corporation (Moore, 2004, p.100). Hence, these types of corporations conducted foreign trade based on the state's requirements. In this case, the state textile corporation resembled the weaving bureau in the sense of producing or trading for the state. The only nuance is that since the marketised reform in the 1990s, the SOEs have had to be market-based enterprises, which means that these enterprises have to gain profits through market competition. In contrast, weaving bureaus were not concerned with profits or losses to their business, as they were completely funded by state revenue (Peng, 1963, pp.99-100). Nevertheless, it is worthy of note that most SOEs in modern China were loss-making. Poor-performing SOEs were heavily subsidised by the state's fiscal and financial means, which means that in reality, many SOEs were not driven by pure market forces.

As both weaving bureaus and SOEs acted similarly, the dynamics between the state enterprises and private enterprises in both periods exhibited analogous trends of change during the reform. In both periods, the analogous dynamics between state and private can be revealed by their dual relationships. On the one hand, the state enterprises and private enterprises exhibited a complementary relationship. In the case of the textile industry of the Qing period, the weaving bureaus benefited from more funding and more advanced techniques and equipment compared

with private mills and other forms of producers (Li, 1999, pp.12-13). Hence, they were largely able to make up for the private enterprises' deficiencies in productivity and total output. In the meantime, since workers in the bureaus were usually hired from private producers, these workers were able to learn new weaving and spinning techniques when they were working at the bureaus (Fan, 2015, pp.219-225). Once they left the bureaus, these techniques were soon spread and applied in private textile production. In the modern period, the complementary relationship between SOEs and private enterprises was even stronger at the initial stage of the reform. This is because, during the pre-reform phase, private enterprises barely existed. The overwhelming numbers of SOEs enjoyed most of the resources and funding in this sector. In this case, most private enterprises during this period were in their infancy and lacking in competence. Thus, the development of the entire textile industry was carried by SOEs. At the same time, during this process, in order to promote industrial and trading performance, the state had introduced experimental reforms by establishing the industrial and trading corporations, which combined or merged different types of enterprises, including SOEs and private enterprises. Furthermore, the precursors of many prestigious private textile enterprises were SOEs, which were transformed into private enterprises during the wave of SOE reform in the mid and late 1990s. SOEs had possessed advantageous resources since back in the early stage; meanwhile, their transformation into private enterprises was remarkable (Jiang, 1998, p.19).

On the other hand, the state and private enterprises exhibited a competitive and conflicting relationship, as many studies suggest (Garnaut, et al., 2012; Li & Brødsgaard, 2013). Regarding the textile industry in the Qing period, for example, the vintage generalisation on the relationship between the weaving bureau and private producers is that the function of weaving bureaus hindered the development of private sector textile production, as they forcibly took over the manufacturers and artisans' time and labour. This statement is oversimplistic in depicting the overall image of the relationship between the weaving bureaus and private producers, as critiqued in chapter three. However, a competitive relationship widely existed, which was equally important in the analysis of the dynamics between these two sectors. This competitive relationship was mainly embodied in the of the labour force and raw materials markets (Fan, 2015, p.229-241). However, this competition was rather moderate and sporadic since the weaving bureaus only existed in the silk textile industry and the overall size of the bureaus was very minimal compared with that of private silk producing units throughout the whole country or even in the Jiangnan region alone. With the development of the nation's silk industry, the output of weaving bureaus declined. As mentioned in chapter three, many cases

indicated that by the late 1700s the weaving bureaus preferred to purchase directly from the private producers or private mills instead of producing by themselves (Fan, 2015, pp.215-229). This suggests that the competition relationship between the two sectors had gradually disappeared. If we broaden the scope to a more extended historical period, from the Ming to the Qing, the overall size of weaving bureaus continued to shrink. In contrast, the private sector of the silk industry developed substantially. Meanwhile, this competitive and conflicting relationship was also stronger within the textile industry in modern China. As mentioned in the previous sections, the overall size of the textile producing SOEs in modern China was massive. Yet, the critical flaw of SOEs in terms of lacking incentive was exposed and augmented once the market mechanism was introduced (Zhang, 2006, pp.138-143). Under this circumstance, a considerably large number of SOEs continuously reported losses in the 1990s, which significantly hindered the development of the entire textile industry. In order to tackle this issue, the state had to implement multiple reforms, including thinning the capacities of SOEs (i.e., laying off workers, eliminating spindles) and transforming SOEs (i.e., via bankruptcy, merger and combination). In 2000, SOEs accounted for less than 20% of the total number of enterprises in the textile industry, and this ratio further reduced to less than 5% in 2010 (CNTAX, 2002, pp.92-94; 2010, pp.65-70). This contraction of the SOEs gave private enterprises more opportunities to develop. An empirical study suggests that during the period of post-2000, in the provinces where the textile industry had been well-developed, the proportion of SOEs was usually maintained at a minimal level (Zhang, 2011, p.113). This is because private enterprises could obtain more resources, including bank loans, labour forces, and lease of land, etc., in the absence of unfair competition from SOEs.

In this regard, the textile industry in both the Qing period and modern China was essentially driven by the private sector. However, the state sector did not function completely negatively, as many liberal economists suggest. In both cases, the state sector exhibited complementary implications for the private sector. Thus, by reviewing the pathway of industrial reform, the dual relationship between the state sector and the private sector and the dynamic changes that occurred can be observed. At the initial stage, when the private sector was unable to fully accomplish the state's aims of economic and industrial development, the state sector had underpinned the private sector in multiple aspects. However, with the proceeding of liberal reform and further industrial development, the intrinsic flaws and competitive relationship determined that the state sector would be an obstacle for the development of the private sector as well as the industry as a whole (Wu et al., 2018, pp.194-202). In this scenario, the state

would usually diminish the implications of the state sector through acquiescing to the expansion of the private sector or even forcibly weakening the negative implications of the state sector. This process can be observed in the case of the decline of the state brokerage system during the Qing period and the case of thinning the SOEs' capacity in the late 1990s, which I shall explain in the next section.

In this regard, the historical conjuncture in the transformation and development of the textile industry in these two historical epochs can be revealed. In both cases, the textile industries experienced liberalised reform, which can be understood through three dimensions: state policy and institutional design; the empowerment of industrial actors; and the dynamic changes between the state and private sectors. Based on the liberalised reform, the advancement and development of the textile industry were largely driven by the market mechanism. Specifically, under the market-based environment, the textile industries could fully exploit the indigenous advantage of the abundance of the labour force to expand both domestically and internationally (Baiardi & Bianchi, 2019). Even though the pathway of industrial transformation in both cases shared many similarities, the nuances and disparities should not be neglected. Moreover, by referring to China's peculiar state-market relationship, the next section will analyse the disparities exhibited between the two cases and how these disparities can be understood as the state's response to the domestic and international environments in the different historical epochs.

5.5. Understanding the differences between the two historical epochs

In general, the differences can be mainly revealed in terms of the nature and intensity of state intervention in the textile industry. Overall, compared with the Qing period, modern state intervention in the textile industry was intensive, as can be unearthed in four aspects. Firstly, from the perspective of policy and institutional building, the Qing court issued far fewer industrial policies than the PRC government in modern China. During the Qing period, some policies had far-reaching implications for the textile industry, such as the abolition of the poll tax. However, these policies were not targeted at the textile industry *per se*. In contrast, the policies issued by the modern Chinese government were directed at both micro and macro levels of the economy. As discussed in the previous sections, the liberalising reforms in the 1980s and 1990s involved these two types of policies. Policies such as the implementation of a market system were targeted at the entire economic system, which then impacted on each subsector of the economy. In the meantime, many preferential policies were made by the

government in order to support the textile industry, such as the decentralisation reforms in the late 1980s and early 1990s. Even in the post-2000 era, when the market transformation was basically complete, and China's textile industry was dominating the global market, the Chinese government still attempted to upgrade the textile industry through industrial policies. In this regard, the state in the Qing period may have played a more *laissez-faire* role in terms of policy guidance and support.

Secondly, the overall impact of the state sector on the textile industry's development was smaller in the Qing period than it was in modern China. As discussed in the previous section, the dual relationship between the state and private sectors was constituted by complementary and competitive relationships. However, the complementarity and competitiveness of the state sector over the private sector were stronger in the modern period than during the Qing period. A simple comparison of the size of the state sector in the textile industry in the two historical epochs reveals that it was much smaller in the Qing period than in modern China. Compared with the massive scale of SOEs in the textile industry during the periods of 1980s and 1990s, the only counterpart during the Qing period was the three weaving bureaus in the silk industry. As a matter of fact, even compared with the Ming period, the scale of the weaving bureaus in the Qing period had dramatically shrunk (Fan, 1990). The limited size of the state sector in the Qing period again manifested that the Qing court had little intention to intervene in the entire textile industry and market, as this would have entailed enlarging the scale of the weaving bureaus in order to maintain the state's control over the silk industry and market. In contrast, the scale of the SOEs in the early stage of opening and reform was massive. This industrial structure determined that many industrial policies would be executed inevitably by the SOEs. For instance, the expansion of foreign trade in the textile industry in the 1980s was largely carried out by the SOEs. Put differently, if the essence of China's industrial transformation has been the liberalisation and rise of private enterprises since the late 1990s, as many studies suggest (Zheng & Tong, 2014, pp.1-3), then the industrial expansion in the early stage of opening and reform was largely accomplished by SOEs. In this regard, the impact of SOEs over the private sector and the entire industry was stronger and more remarkable than it was in the Qing period.

In the meantime, the divergence of the state sector's impact in these two historical epochs can be discovered in the scenario of decline and demise of SOEs and weaving bureaus as well as the brokerage system. As will be discussed shortly, China's SOEs gradually became a hindrance

for the development of the entire industry, owing to the overproduction and massive loss-making. Considering the massive scale of SOEs, the predicament triggered by the SOEs soon spread and encumbered the development of the entire industry. Under these circumstances, to overcome these issues and downsize the scale of SOEs required the state's deliberate intervention. As will be discussed shortly, under the state's forceful policies and administrative measures, the size of the SOEs was dramatically reduced. However, in stark contrast to the situation of the textile industry in the 1990s, the decline of the state sector in the Qing period proceeded quietly (Shen, 1986, p.60). In the cotton textile industry, for instance, under state acquiescence, the expansion of the private sector eventually brought about the demise of the brokerage system. Likewise, the weaving bureaus became less likely to produce silk products by themselves. Instead, they preferred to purchase directly from the local market in order to accomplish the tasks set by the Qing court. Both cases suggested that the significance of the state sector in the textile industry became increasingly limited. The Qing court did not adopt any measures to prevent the demise of the brokerage system and decline of weaving bureaus, nor did it deliberately reduce the influence of the state sector in the textile industry as the Chinese government did with the SOEs in the 1990s. Key to understanding Qing's acquiescence was that the implications of the state sector for private industry were limited at the beginning, which reflects why the Qing state adopted a liberal attitude towards the textile industry.

Lastly, the autonomy of industrial actors (merchants and enterprises, etc.) in both periods was enlarged, which was undoubtedly the result of liberalised reform conducted by the state. Nonetheless, the divergence between the two cases is that a state-merchant nexus was not formed during the Qing period, whereas this has been established in the modern period (Shirk, 1993; 1994). In the discussion regarding the reason why capital accumulation was remarkable in Europe but not in China by 1800, a key difference here was that the state-merchant nexus did not emerge in China. Despite the fact that the Qing court had practised a liberal stance towards maritime trade and the textile industry, the state power did not straightforwardly engage in the two sectors. In the case of Europe, state power can be detected often in scenarios such as trade expansion and protection of the textile industry (Griffiths, Hunt & O'Brien, 1992, p.881). This bizarre phenomenon at least can be explicated by three reasons. The first reason was that the overall economy in China was advanced and competitive by the 1800s, so that there was no need for the state to become engaged when it envisaged the global challenge. The second reason is strongly linked with the first one. Based on the advanced economy, the state

was heavily reliant on the land tax as a source of revenue (Ni, 2018, p.89). This largely explicated why the Qing court held liberal attitudes towards both trade and the textile industry, whereas the European states adopted mercantilist strategies in these two sectors. Thirdly, while the Qing court was willing to boost trade and the textile industry as well as the national economy, the state rulers were vigilant regarding capital accumulation (Wong, 1997, p.146). Capital accumulation might have led to the merchant group shaking the foundations of society and statecraft, which would have further jeopardised the state's legitimacy. Lack of state endorsement is a linchpin in understanding the divergence between China and Europe, although it was by no means the cause of the great divergence.

However, the period of opening and reform saw the formation of a state-merchants nexus. An important incentive for the emergence of this nexus was that the state urgently needed to boost the national economy. In order to achieve this goal, economic marketisation and political decentralisation were introduced into most fields of state politics and the economic regime, which bred the formation of the state-merchants nexus. For instance, during the period of opening and reform, the local governments were granted more power in terms of decision making and tax and financial retention. The 'fragmented authoritarianism' (Lieberthal & Oksenberg, 1988) in modern China has created common interests between the enterprises and local government. Industrial development and expansion could make greater contributions to the local tax revenue and GDP growth. The latter has been the most important aspect to measure the annual performance of the local government (Edin, 2017, p.13). In this case, the local government would spontaneously back industrial expansion and capital accumulation, even if to do so was against the central government's guidance or the law. A typical example is the central government's issuance of the Labour Contract Law in 2008, which specifically stipulated labourers' working conditions and human rights. Yet, at the local level this law has been regarded negatively (Wang et al., 2009, p.486). An important reason for this is that the law substantially increased the labour costs for industrial enterprises. Hence, many local enterprises chose not to fulfil the obligation. Meanwhile, many local governments have been aware of and acquiesced with such illegal behaviour by enterprises, as long as it would not cause any collective actions or social insurgency. During the Qing period, however, economic considerations rarely concerned the local government. When demonstrations or strikes occurred, as they did at various times in the textile industry during the Qing period, due to the conflicts between workers and mill owners, the primary considerations of local government in solving these issues were based on the moral and legal frameworks, as well as on making sure

the settlement would not jeopardise the social stability. This nuance regarding state intervention largely explicates why a state-merchants (enterprise) nexus has been formed in modern China, whereas this did not occur in the Qing period.

Re-understanding the differences under the historical contexts

The nuances and disparities exhibited in the transformation of textile industries in these two historical epochs can be attributed to the nature and intensity of state interventionism in the textile industry and the market. As analysed above, state intervention was more active and comprehensive in modern China than it was back in the Qing period. Since the relationship between market liberalisation and state intervention is not dichotomous in the context of China's political economy, the development of a more liberalised or interventional economy was largely shaped by the domestic and international environments of the political economy. In this sense, the pathway of industrial transformation and reform in each historical epoch could be conceived as the responses to the domestic and international environments. Overall, the domestic and international environments had been more benign in the Qing period than the modern period in China, which determined that the Qing court was able to adopt a more *laissez-faire* strategy towards the development of the textile industry, whereas the PRC had to adopt a more intensive intervention.

The domestic environments and the state's responses

The divergence in the levels of state intervention in the textile industry between the two cases was largely shaped by the domestic environment in each historical epoch. Firstly, the development of the national economy generally and the textile industry specifically was rather advanced in the Qing period, China had played a leading role in the first round of globalisation in the period of 1500-1800 (Flynn & Giraldez 1995; Frank 1998; Pomeranz 2000; Hobson, 2020). For example, despite the fact that the debate regarding the accuracy of figures on China's GDP for that period continues, there is little contention that China enjoyed the largest GDP in the world by 1800 (Maddison, 2007, p.47). Another compelling case was that China was the largest recipient of global silver generated from global trade (Flynn & Giraldez 1995; Frank 1998). As a result of the latter, China was able to develop a strong national economy and play a significant role in the global trade system. Specifically, regarding the textile industry, the development level was advanced with respect to the quantity and quality of production. In both the silk and cotton textile industries, the emergence of the division of labour by 1800 was an important driving force to improve the productivity of textile production. Particularly, in the

silk textile industry, the growth of production was based on the formation of mills or workshops, which were usually perceived as the rudiments of the modern factory. Furthermore, due to the advanced textile industry, the pertaining market was activated and broad. Through the various roles of merchants, such as the long-distance traders, the sphere of circulation of cotton cloth had reached most regions of China by 1800, which created a broad market for cotton products (Luo, 2002, pp.84-85). While the cotton-textile products primarily circulated in the domestic market, silk products dominated the global markets. By 1800, silk products were consistently ranked among China's top three exports (Liu, 2009). All these statistics indicate the advanced development level of the textile industry back in the Qing period.

In contrast to the Qing period, the national economy in modern China significantly lagged behind western economies during the pre-reform stage. When China entered into the PRC era, the overall national economy and the textile industry experienced a significant recession. In 1949, for instance, production of cotton cloth was at only 68% of the 1936 level (Wu et al., 2018, p.146). The Chinese government issued several preferential policies to underpin the textile industry, which achieved a moderately positive effect in the 1950s (Chen & Hsia, 1975, pp.69-72). However, the prospects of the textile industry soon dimmed as a series of political campaigns started in the ensuing years. For instance, during the period of 'the great leap forward,' many cotton factories had to shut down, and the average annual growth rate of cotton production was -5.5% from 1958 to 1962 (CNTAC, 1982, p.192). Despite the fact that the output of the textile industry recovered moderately in the following years, the overall image of the textile industry could by 1978 only be perceived as depicting recovery rather than actual development, compared with the pre-1937 period (Zhao, 1977, p.258). More critical was the fact that the entire economy as well as the industrial regimes needed to be overhauled, as there were no sufficient incentives for industrial production under the planned economic system. Without the introduction of appropriate incentives, the textile industry would not be able to achieve development by exploiting the indigenous advantages. In this sense, systematic transformation in the textile industry entailed not only institutional or policy support but comprehensive reform of both economic and industrial structures. This determined that the state had to engage in deeper industrial intervention to guarantee the pathway of industrial development.

A second reason for the divergence of state intervention was the different roles of the textile industry in the national economy. In the Qing period, the national economy was largely inward-

oriented, which determined that the state would not be heavily dependent on the foreign trade for revenue, and customs tariffs were held at low rates after 1684. Thus, despite the fact that the trade and business of textile products were quite activated in the domestic and global market, the primary source of state revenue was land tax, which approximately accounted for over 70% of total tax revenue by 1800 (Chen, 2008, p.366). Hence, the textile industry was not the major contributor of tax revenue, nor did it determine the state's economic strategy. Coupled with the advanced development level that the textile industry had accomplished, there was no motive for state intervention in this scenario. On the other hand, as discussed in the introduction chapter, a key reason for the CCP to initiate the opening and reform was that the poor economic performance in the pre-reform stage brought about a critical legitimacy crisis. Thus, the state had to shift the focus from political logics to economic construction. Thus, for an extended period of time, the textile industry acted as a pioneer for the state strategy in creating exports and boosting economic growth (Yang, 1999, pp.6-12). Since the beginning of opening and reform, the blueprint of economic development was outward-oriented. Primarily based on foreign trade, the state aimed to accumulate as much foreign reserves as possible. Hence, as a traditionally advantageous industry, the textile industry was a pioneer in pursuing this state target. Consequently, as it can be observed, the state heavily intervened in the textile industry in the 1980s and 1990s to liberalise and re-rationalise the entire sector in order to promote its competitiveness and output. In this regard, the reform was successful, as the textile industry was the leading sector in export by 1995. Despite the fact that the machinery industry gradually took over the leading position, the export of textiles remained in the top three in ensuing years (CNTAC, 1995-2000).

The low starting points of the national economy and the textile industry in the period of post-1978 inevitably entailed state intervention to prevent any market failure during the process of transformation. The case that could best exhibit this intrinsic logic is the state's handling of the overproduction and profit-loss of SOEs in the 1990s. The liberalising reform in the 1990s caused an impasse of overproduction and increasingly poor performance by the SOEs (Moore, 2004, pp.128-130), which can be traced back to various sources. Firstly, the liberalising reforms in the late 1980s and early 1990s, as discussed above, stimulated the expansion of the textile industry, including a surge in the number of textile enterprises and production which subsequently caused an overstock. Secondly and critically, the poor performance of SOEs in the textile industry significantly worsened the overproduction and overstock. Alongside the liberalising reform, the SOEs gradually became a hindrance to the development of the textile

industry. As stated by the vice-premier Zhu, the redundancy of staff and repetitive production in SOEs caused significant overproduction in the textile industry (CNTAC, 1997-1999, p.2). In the meantime, according to official statistics, extensive and constant losses emerged in the SOEs in the 1990s. For instance, in 1996, the total net deficiency in SOEs was 8.9 billion yuan, and 54% of SOEs encountered losses (CNTAC, 1997-1999, p.2). The main reasons for the poor performance of SOEs related to two factors. First, most SOEs had debt issues. The overall asset-liability ratio of SOEs was over 80% in 1996, which caused the textile industry to become the most loss-making industry in the 1990s (Jiang, Shi & Lu, 1995, pp.39-41; Shi, 1997, p.8). Secondly, redundant production equipment and staff was a common issue for SOEs. For example, the number of spindles amounted to 41.92 million, which overwhelmingly outnumbered total demand. Likewise, over 30% of the total workforce were classified as redundant (Moore, 2004, p.130). These factors eventually caused the loss making by the SOEs and overproduction across the industry.

At large, the overproduction and poor performance of SOEs in the 1990s was a hybrid product of liberalising reform with a planned economy legacy. Under these circumstances, the market was no longer able to overcome the impasse caused by the SOEs. Thus, state intervention was essential to overcome the predicament discussed above. By issuing the official document of 'Notification regarding deepening reform and restructuring the textile industry to eliminate the lossmaking situation' (Ministry of Commerce, 1998, no.2), the state set targets and guidelines for 'eliminating spindles, cutting down on employees, adjusting the structure and increasing efficiency'. Specifically, in the entire textile industry, 10 million cotton spindles (approximately 25% of total spindles) required to be eliminated, and 1.2 million textile workers (approximately 30% of total employees) would be laid off in the three years from 1998 to 2000 (Wang, 1999, pp.4-6). In addition, the state made a series of supportive and rewarding policies in order to stimulate enterprises and localities to accomplish these targets. For example, in the cotton textile industry, an enterprise would receive a subsidy of 3 million yuan for every 10,000 spindles that were disbanded. The laid-off workers had skills training and reemployment arranged by the local governments. In the meantime, the state required the SOEs to go bankrupt and/or undergo reorganisation, as most SOEs were loss-makers or suffering from heavy debts (Ministry of Commerce, 1998, no.2). During this process, a large number of textile enterprises, including several time-honoured brands, were subjected to mergers and reorganisation, or even bankruptcy. Under the state's forceful intervention, the predicament caused by overproduction and poor performance of SOEs was significantly relieved. By 2000, the task of spindle

elimination and cutting employee numbers was accomplished, according to the official document (Yearbook, 2000-200, pp.1). The value of SOEs had shrunk from 15,758 to 3,679 in the five years between 1995 and 2000 (CNTAC, 1996, pp.1, 197; Yearbook, 2001-2002, pp.236). Loss-making had also been reduced. Compared with the scale of losses of 54% in 1996, there was a considerable reduction in 2000, to slightly higher than 30% (CNTAC, 2001, pp.236). Therefore, through the state intervention, the predicament of overproduction and poor-performance SOEs in the textile industry was mostly relieved.

The case of the fight against overproduction and poorly performing SOEs in the 1990s revealed how state intervention was important in dealing with issues which would not have been overcome simply by resorting to the market. Nonetheless, it is worthy of note that the emergence of this predicament was because the textile industry in the 1990s had undergone a process of transformation. In this regard, the more critical economic environment for the development of the textile industry that emerged in the course of opening and reform entailed more intensive state intervention in modern China than in the Qing period in order to secure the success of reform in this sector.

The global environments and the state's responses

Thirdly, the external environments confronted by the Qing and the PRC had changed radically. Here, the external environment mainly refers to the global economies and trading systems that China confronted, respectively, in the periods of pre-1800 and post-1978. By 1800, during the Qing China period, no unipolar global trading system had yet been formed. As analysed in detail in chapter four, grounded on the core status of trade, Qing-China was able to facilitate a liberal trading system, and it enjoyed the significant boon brought by trade due to the competitiveness of its products. These trading advantages remained even after encountering European expansion. Hence, without state preferential or stimulative industrial policies, China's textiles, such as raw silk and silk products, were still able to prevail in the global market. Under this liberal trade system, the dominant role of textile products ultimately reflected the indigenous advantages of the textile industry, including the abundance of the labour force and the high levels of production techniques and productivity.

In stark contrast, what the PRC confronted in the 20th century was a unipolar global economy which was significantly influenced by the United States' power. Overall, the big picture of the global economy and global trading system was grounded on neoliberal tenets, epitomised by

the WTO and the trading framework under this organisation. As demonstrated in the last chapter, a shortcoming of the WTO framework is that the 'free trade' regime it advocates is *de facto* biased against developing economies (Besson & Mehdi, 2004). Many advanced economies had practised protectionist trading policies under the GATT framework, in the guise of anti-dumping measures. A quintessential case was the implementation of the MFA framework and its successor, the ATC, in the textile trade regime (Moore, 2004, p.8). Under this framework, the export of given textile products was restricted by the quota negotiated by the bilateral trading partners. This framework was widely perceived as consisting of protectionist measures that were launched by the advanced economies in order to contain the expansion of textile industries in developing countries (Moore, 2004, p.63). Through negotiating with Washington, China formally became a signatory of the MFA in 1982. From then, China's textiles export industry had to grapple with multiple restrictions brought by this framework until 2005, when the ATC was completely phased out. The severe environment of the global trading regime determined that state intervention was needed due to the biased policy orientation of the MFA and ATC frameworks. Thus, industrial reform conducted by the state during this period could be perceived as the response to the constraints of the MFA and the ATC.

In this regard, the best case was the Chinese reform of the export quota system in the 1990s. Constrained by the MFA and ATC frameworks, the utilisation of the export quota was essential for China's export and textile industry. In the 1990s, however, the allocation of the export quota had been significantly problematic for an extended period (Yang, 1999, pp.13-14; Moore, 2004, pp.131-133). Conventionally, the export quotas were distributed to competent bureaucratic departments, namely CHINATEX in the early 1980s and MOFERT in the late 1980s (Yang, 1999, p.13). Then these bureaucratic institutions would allocate the quotas to local branches and enterprises according to various standards. Theoretically, the primary standard of allocation was based on the performance of the enterprise. Nonetheless, the actual process was a power play among multiple levels of bureaucratic agencies and enterprises. Consequently, it caused a number of problems, including corruption, political bargaining and nepotism (Yang, 1999, pp. 13-14). Based on empirical work done by Moore (2004, p.133), many officials in CHINATEX and MOFERT got rich by manoeuvring the allocation of quotas. In reality, the bureaucratic mode of allocation was in favour of SOEs, as these enterprises commonly had close ties with the state bureaucracy. By contrast, private enterprises were in a disadvantageous position for obtaining the quotas. Foreign enterprises and joint venture enterprises were even excluded from

this allocation until 1996 (Yang, 1999, pp.13). However, compared with private enterprises, the SOEs widely lacked competitiveness and efficiency in production and foreign trade. Moreover, due to the mismatch of quota allocation to many non-performing enterprises, illegal quota transactions emerged in the 1980s. For those non-performing enterprises, the best choice for them was probably not to maximise the value of their exports under the quota but to sell their quota directly in the black market. This type of black market had widely existed in China since the early 1980s and it expanded rapidly in size in the ensuing period, which further deteriorated the textile industry and trading enterprises, as the irregular price of quota transactions significantly raised the cost of exports. All these factors hence suggest that the administrative allocation mechanism did not serve the best interests of the industrial or trading sector. Instead, a series of defects caused by this non-transparent mechanism significantly distorted the export quota.

Under these circumstances, the state tried to solve the inefficiency of the allocation mechanism and illegal markets by formulating a new framework of quota allocation and establishing an *ad hoc* quota bidding system. In 1992, the MOFERT issued the official documents ‘Regulations of Textile Export Quota’ (*Fangzhipin chukou pei’e de guanli banfa*), which redesigned the rationale of quota allocation transference and transactions (MOFERT, 1992). Under this new regulation, several measures efficiently improved the utilisation of the export quota. Overall, this official document formulated specific punishments and rewards according to the performance of quota utilisation. For example, if the ratio of quota utilisation in one enterprise was lower than 90% in two consecutive years, according to this regulation, the share of quota allocated to this enterprise would be reduced in the third year. Another important measure was that a part of the export quota was allowed to be transferred and sold. Based on the new regulation, a maximum of 20% of the basic quota could be transferred or sold to other units. Lastly and more importantly, according to this official document, a bidding system would be established through which a certain number of quotas would be transacted and circulated. The new bidding system significantly improved the utilisation of the export quota. Initially, despite the fact that the quota allocation was still bureaucratic-based, new regulations revealed that the state was aware of the misallocation caused by the previous mechanism and tried to fix it with more draconian and subtle stipulation. For example, under this new regulation, the majority of quotas would be used instead of being wasted or sold. Secondly, this new regulation sophisticatedly redesigned the transferring and bidding system, mainly in order to improve the optimal utilisation of the quota and upgrade the industrial competitiveness (Yang, 1999, p.18).

For example, under the bidding system, the extra quotas would be determined by the bidding price, which would stimulate those enterprises to improve their productivity and quality of goods in order to maximise their profit. Lastly, a critical issue for the old system was the spread of the black market. However, the rise of the black market would be largely curbed by the new system, as both the size and value of quota transactions would be under the strict supervision of the government and pertaining department.

In this regard, the disparities displayed by the two cases of transformation of the textile industry largely can be conceived as the state's responses to the distinctive domestic and global environments. Put another way, most disparities exhibited in the trajectory of industrial transformation in modern China can be attributed to the fact that the state conducted an intensive intervention in the process of liberalising reform, as the domestic and global environments that the state encountered were both more critical than in the Qing period by 1800. Hence, the PRC government had no choice but to engage deeply in this process in order to guarantee the success of the industrial transformation. Instead, what the Qing court encountered was a more benign environment, domestically and internationally. Therefore, the Qing court could exhibit a more *laissez-faire* attitude towards the development of the textile industry. Nevertheless, the disparities demonstrated by these two cases might be two sides of the same coin. Essentially, the goal for the state in conducting liberalising reform, whether by *laissez-faire* or interventional methods, was to establish a liberal economic stage for the textile industry. Only under a liberalising economic stage could the textile industry achieve development and expansion by exploiting the indigenous advantages. Ultimately, as an important and traditionally advantageous sector, the development of textile industries in the two cases would bring benefits to the entire national economy. These were the methods that the state adopted to fulfil its moral responsibilities to the society, through which the state would (re)gain legitimacy.

Concluding remarks

In the last and this chapter, I have focused predominantly, though by no means exclusively, on the continuity of the state's 'managed liberal' stance vis-a-vis the economy, though I also consider a major discontinuity. If we consider the Qing state's relationship with foreign trade and the domestic textile industry, then it appears striking for its relatively liberal stance. As I explain in chapters one and two, from 1684, the Qing underwent an 'open and reform period' under the Kangxi emperor, with average tariffs of about 6-10 per cent, which qualified as 'freer

trade'. Moreover, the state intervened in the textile industry not so as to govern it directly but to create the institutional conditions for it to develop freely. This was a remarkable success story given that China was the world's biggest producer of cotton textiles right to the end of the nineteenth century. In the post-1978 period, the state underwent what Hobson (2021, p.43) calls 'Going Global 2.0' and, moreover, its accession to the WTO in 2001 takes us back to 1684. Once again, China became the world's largest producer of cotton textiles, thereby taking us back to the Qing period. The discontinuity, however, lies in the fact that the state has combined a liberal stance with a highly interventionist one. For the success of industrial re-rationalisation and transformation in the 1990s, we witness how the state slimmed down the non-performing SOEs and overcame the overcapacity by eliminating the redundant cotton spindles and laying off 1.2 million workers in the textile industry in three years. In general, the overcapacity and losses of SOEs can be perceived as the products of market competition, whereas these issues had been hindrances for industrial re-rationalisation and transformation back in the late 1990s. Thus, strong and forceful intervention was important to overcome the predicament, which was unable to be solved only through resorting to the market.

The focus of this thesis has been foreign trade and the textile industries. Nevertheless, when we view the economy in the round, a bigger picture emerges. Thus, the state's intervention in the economy may have been much less than depicted by the conventional studies. In those sectors, private actors had not entered the market, so the Qing state stepped in to solve the market failure. It also intervened to prevent monopolies from emerging and to maintain a relatively free competitive market system. By contrast, the state in the post-1978 period has blended a more intensive form of state intervention in the economy with a liberal stance. For example, alongside the wide range of liberalisation and marketisation in the 1980s and 1990s, the state's hands can be observed in various subsectors of the economy. For instance, in the long run, China's interest rate and the exchange rate have been deliberately maintained at low levels. Regarding the low interest rate, this could directly stimulate the economy. From the vintage viewpoint, the sources of economic growth are consumption, investment and export. The low interest rate on savings would curb the desire to save. Thus, the money that used to be saved would be used for consumption. In the meantime, the low lending rate would encourage more enterprises to borrow money from the banks, which, then, would motivate the growth of investments. In the field of foreign trade, the general methods that the Chinese government deploys for boosting export include maintaining a low exchange rate and subsidising the export enterprises. The low-level exchange rate is aimed to boost export and is achieved by buying up

U.S. treasury bills (so as to keep the value of the dollar high relative to the yuan, thereby enhancing export capacity). Meanwhile, state subsidies could reduce the cost of production for the exporting enterprises, thus increasing the competitiveness of their goods in the global market.

Overall, then, the modern Chinese state has adopted a more intensive version of the Qing's 'managed liberalism', though it retains some of the features of the Qing's managed liberal posture. Fundamentally, by rejecting the wisdom of the dichotomic state-market relationship paradigm, the indigenous Chinese state-market relationship might best be understood as symbiotic, as it highlighted that the state has to do 'rightfully' and to practise benign performances economically and morally, through which the state is able to (re)gain the legitimacy. This cultural and political philosophy perpetuated through China's early modern history in the long run. Grounded on this political foundation, what the state was really concerned about was what could lead to economic success, instead of picking a side between the 'state-led' and 'market-led' economic development model. In this sense, the historical managed liberalism with a more liberal stance and the modern managed liberalism with a more interventionist stance is essentially the same. Both of these can be perceived as the response from the same state-market relationship to the different historical context in each epoch. In this sense, it is best to rephrase 'China's rise' in the modern era as 'China's return to the global economy'.

Afterword

After the transformations in all fields but particularly in the economic sphere, China has maintained impressive economic growth and development for 40 years. The resolution of 'opening and reform' in 1978 might not manifest the beginning of China's rise as a consecutive civilisation, but it unveiled a new era known as the Chinese economic miracle. However, this unprecedented spectacle of economic development cannot last forever, and it has been slowing down in the latest decade. In 2015, the GDP growth rate was lower than 7% for the first time since 1980. Since then, the growth rate has fluctuated in the range of 6%-7%. In general, the 6% growth rate of GDP is still remarkable. Nonetheless, given that the average growth rate of the Chinese economy was approximately 10.4% between 1978 and 2010, 6%-7% indicates that China's economic growth in the opening and reform era has become sluggish. It is an acceptable result as no economies could be expected to maintain this level of high-speed growth, but it might not be entirely satisfactory for the Chinese rulers.

As discussed in the previous chapters, the fundamental reason for the Chinese state to develop its economy through the liberalising reform is that the economic performance could be and might have been the only valid source of state legitimacy since the eve of China's opening. By increasing the level of people's income, the CCP has gathered a vast amount of legitimacy from the mass of Chinese, which has been the core logic of state governance in China for the last few decades (Economy, 2018, p.95). If the growth rate slows down, economic performance, as the legitimacy source, would shrink. This is not to imply that the CCP would confront an immediate legitimacy predicament or crisis. Still, this change might influence the path of designing economic reform for the following period. Empirical study suggests that signs of slowing down of the Chinese economy have emerged since the global financial crisis of 2007, as the depression of global trade and the shrinkage of the imbalance between savings and investment in the domestic economy largely curbed the functioning of Chinese foreign trade for economic growth (Lardy, 2019, p.8). Nevertheless, the slowing down was not distinct. From 2009 to 2012, the average growth rate of GDP was approximately 9.38%, which still can be assessed as 'remarkable'. An important reason that the economic growth during this period had been maintained was the government's 'four trillion' plan. In this controversial plan, the government released approximately four trillion RMB (586 billion dollars) to incentivise and boost the economy. In the short term, this investment plan secured the Chinese growth rate,

whilst, it also left latent economic risks, including price inflation and increased bubbles in the real estate industry and the stock market, which would worsen the economy in the long term (Zhang, 2009, pp.4-5). In reality, this investment package largely contributed to inflating bubbles in the Chinese economy in the wake of the financial crisis.

The state's legitimacy might be further deteriorated by the slowing down of economic growth zooming in on other social problems, such as social inequality. Social disparity, mainly epitomised as income inequality, has been enlarging alongside the procedure of economic reform. However, aggregate economic growth was prioritised in the state's development plan, regardless of the increase of income inequality (Knight, 2014, p.15). The pertaining study suggests that the Gini coefficient has surpassed 0.5 in China since 2005, which is widely perceived as reflecting severe income inequality (Xie & Zhou, 2013, pp.6928-6829). The level of inequality has even worsened in later periods. According to the research done by the Survey and Research Centre for China Household Finance (CHFS), the Gini Coefficient reached 0.6 in 2015 (CHFS, 2016). All these studies indicated that income inequality has gradually escalated to create serious economic and social problems. This large gap could be more critical in the eyes of the Chinese people. After all, the CCP and the Chinese government never abandon socialism as the orthodox ideology. Under this circumstance, social inequality can be the catalyst for potential social unrest. Even though social unrest is taboo for the Chinese government and the CCP, the pertaining studies indicate that the number of collective actions and social protests has increased significantly in recent years. For instance, the estimated number of mass incidents had reached 180,000 in 2001, compared with 10,000 in 1994 (Economy, 2018, p.87). Whether the surge of social protest and mass incidents has threatened the state regime remains open to debate, yet there is little contention that social unrest has always been sensitive for the Chinese government. As discussed in the introduction chapter, social stability is deemed as a measurement of state legitimacy. Hence, the government often attempts to deal with it cautiously and secretly. With the increase of social unrest, it would be more difficult for the government to solve or cover up this issue. In this regard, without further economic growth or more equal means of social wealth distribution, the social unrest would cause damage to the state's legitimacy.

The shift of economic strategy in the Xi's era

The slowing down of Chinese economic growth, along with other economic and social problems, has essentially challenged the governing ability of the CCP. When Xi Jinping took a grip on power, two impending questions were emerging in Chinese society and the international community. In general, what kind of state should Xi pursue? Specifically, does he commit to the path of Deng's opening and reform? Under Xi's predecessors, Hu and Wen, China strictly stuck to the opening and reform plan designed by Deng Xiaoping. Apart from the benefit to the economy from the liberalising reform, another essential reason that the economic opening scheme was proceeded by the Hu-Wen government was that these two leaders lacked absolute power over the inner party. The political struggle among the different political groups in the party had reached a delicate balance. None of them had ambitions and capabilities to break down Deng's framework of economic opening. However, this balance has been dismantled by Xi. Through the multiple rounds of political campaigning, most of Xi's rivals has been taken down. In the Politburo Standing Committee structure, Xi and his protégés have taken the most seats and control the pivotal departments. In this case, Xi has obtained absolute power *vis-à-vis* other political groups within the CCP. A quintessential case of practising this absolute power was the amendment of China's constitution in 2018. Through the amendment, the limited term of the president has been removed. In this regard, Xi Jinping's rise manifests that state governing in China has transited from collective leadership to personal leadership. Whether the shift in the type of leadership indicates a change in state form remains ambiguous. Yet, it is conspicuous that the state is primarily a reflection of Xi's will. Hence, Xi's perception regarding the Chinese state-market relationship and economy is vital in analysing economic change in China during this era.

The economic predicaments have seriously challenged Xi's leadership. However, it seems that Xi does not intend to embark on further economic liberalisation, at least not in line with his predecessors. Three cases reveal how Xi's strategy has deviated from the economic reform path followed in the previous time through strengthening state control over the economy. Firstly, in the Third Plenary Session of the 18th Central Committee, the report stated explicitly that the market would play a vital role in the allocation of resources in the future, and the state would secure the position of the private economy. Nevertheless, these commitments have only remained on paper. Xi's economic strategy is to reduce the market's function and strengthen

the party's control over the economy (Lam, 2015, pp. 157-158; Minzner, 2018, pp.63-64). Multiple changes can be observed in the economic sphere which imply a potential shift of Xi's economic strategy compared with his predecessors. The first change is the establishment of the Central Comprehensively Deepening Reforms Commission, constituted by the senior party members and led by Xi. The commission has the highest power of decision making in all fields, including the political, economic, cultural and social dimensions. Under this commission, six special groups are respectively in charge of the implementation of policy in each field. Through the establishment of this commission, Xi has regained supreme power in decision making. However, the state convention was that the prime minister was the top decision maker in the economic sphere. If following the conventional pattern, the current prime minister, Li Keqiang, should have been in charge of all economic affairs. It is important to note that Li is widely perceived as a 'liberal reformer' by external observers. He attempts to overcome the economic difficulties mainly through the market mechanism. In the meantime, he underscores that the party and state should adopt a 'let it go' policy to guide economic growth. Li's philosophy and methodology concerning the economic reform have been summarised as 'Likonomics'. Nevertheless, Li and his roadmap of economic reform have been largely marginalised by Xi and his commission, regardless of the fact that Li is a commission member. The marginalisation of the prime minister's role latently reveals that Xi intends to adopt a different economic strategy than Li's liberal path.

Secondly, the increasing party control over the economy can be reflected in the reform of SOEs during Xi's era. As analysed in the preceding chapters, the liberalising and privatising reform of SOEs in the 1990s has significantly boosted the Chinese economy's efficiency. However, there has been reluctance to further reform SOEs in China. In the fast economic growth, the SOEs is the largest beneficiary, reaping the most economic boon during this process. In the contrast, the private economic sector firms earn little in bonuses, despite being the major contributors to economic growth. As a result, 'state sector advance and private sector retreat' (*Guojin Mintui*) has emerged as the product of the Chinese economic development. This phenomenon has provoked social discontent and essentially reflects that the oversized SOEs have hindered economic growth. In this regard, the reform of SOEs becomes the priority for the economic reform in this stage. In general, the conventional roadmap of the Chinese government's SOE reforms is to reduce the linkage between the enterprises and the state. The SOEs are thereby anticipated to improve their market performances and competitiveness.

Guided by this strategy, the Chinese government attempts to change SOEs' ownership, primarily through corporatisation, mergers and mixing the ownership. Nonetheless, these measures' can be assessed as having limited effect or even failing (Lardy, 2019, p.50). Some efforts have even caused a counterproductive impact. For example, the merger programme has incorporated many large companies, which leads to new monopolies in the given fields.

Furthermore, the impasse of the SOEs reform might worsen under Xi's strategy. As he perceived that the SOEs should be fundamentally supported and led by the party, the party-SOEs tie is growing stronger. Under this guidance, a typical change is that the party branches and organisations have deeply penetrated into the SOEs. These party organisations have participated in the firm's management and decision making, even daily affairs (Economy, 2018, pp.116). Not only are party branches spawning in the SOEs, but the state and party attempt to fortify their control through personnel appointments. For example, the party would appoint staff to enterprises to serve in crucial management positions. In the meantime, some CEOs and executive members from the central enterprises (*Yangqi*) have been appointed to the Central Committee or even promoted to be provincial government officials after their resignation (Lam, 2015, pp.164-165). These changes have established close ties between the party and SOEs, reflecting that Xi no longer follows the conventional pattern to minimise the state's control over the SOEs.

Thirdly, instead of committing to the outward and opening economy, Xi has partially decoupled the Chinese economy from the global economic system. In the Political Consultative Conference in 2020, Xi stated that the Chinese economic strategy should be based on the internal circulation (*Nei Xunhuan*) and coordinated with external circulation. This statement is widely conceived as a sign of economic decoupling from the global economy. In reality, the government underscored the domestic market's importance and domestic consumption as the new engine for economic growth during the last leadership reign. However, central government documents that would put the domestic economy in an overriding position have rarely been seen. After all, the outward economy has been the most prominent characteristic of the economic opening and reform since 1978. It is dubious whether the formation of this new strategy is based on economic concerns. Considering Xi's government has exhibited a more aggressive strategy in foreign relations and international affairs, this economic strategy might

also be a political shift. In the last few years, there has been growing incidence of economic friction and clashes between China and other economies, such as the unsettled trade war with the U.S. since 2017 and the economic sanctions respectively on Australia and Taiwan in 2020. It should be noted that the economic sanctions on Australia and Taiwan are entirely grounded on political considerations. Even though China has traditionally weaponised the economy (Chang & Yang, 2020, p.313), the growing number of recent cases suggests that the political factor has become more sensitive in triggering China to exploit the economic weapon. In the meantime, from the perspective of Xi's regime, political considerations have gained more weight in the decision making in the current Chinese government than was the case with his predecessor. Retrospectively, the Chinese economy during Mao's period can be seen as an ideal type of internal circulation with minimal external circulation. No solid evidence has been given to suggest that China might step back to Mao's path. However, due to the large scale of the Chinese economy and close linkage with the global economy, any systematic shift could result in an earthquake in the Chinese and the global economy. Under this context, the shift of economic focus back to the domestic economy would become worrisome.

China at a crossroads

The Chinese economist, *Zhang Wuchang*, has raised the famous question: 'What right things has China ever done to achieve this astonishing economic development in the past decades?' (Zhang, 2010). The thesis answers this inquiry by providing historical managed liberalism: the liberalising economy and market mechanism is the engine for economic development; state intervention is the safety valve to prevent market failure, overaccumulation and, more fundamentally, to maintain social integration. Behind this state-market relationship, there is the peculiar statecraft that originated from its two-thousand-year imperial history. The moral and economic performances largely determined the state's legitimacy. Hence, the state has to resort to the market to fulfil this responsibility to gain legitimacy. This philosophy of political economy has laid the foundation for the prosperity of the Chinese economy, as demonstrated by the case during the period of high Qing and post-1978. If we follow this pattern, then Xi's strategy might foreshadow damaging prospects for the Chinese economy. At the economic level, Xi's plan has exhibited the shift to state intervention and party control. This is not to suggest that more state intervention would lead to the deterioration of the economy. The less interventionist stance in the Qing's case and the more interventionist stance in modern China

have both led to economic prosperity. The pivotal question is why the state conducts the intervention or in what scenarios the state should strengthen the intervention. Based on the discussion in this thesis, the essence of state intervention is to prevent market failure and secure social integration. However, Xi's intensification of control over the economy might not stem from market factors. Many measures he adopted in the economic sphere aim to fortify party control and personal power. Due to political reasons, the sanctions on Australia were at the expense of the economic benefits and economic relationship. A similar case can be discovered in Hongkong. Xi's harsh crack down on the Hongkong protests and purge of the political opposition faction *de facto* significantly endangered Hongkong's liberal economy. As the most important financial centre in Asia, the economic role of Hongkong for mainland China is unreplaceable. It serves as the financial port between the mainland and world economies due to the inconvertibility of RMB. Beijing's draconian policy implementation in Hongkong is causing political uncertainty that will inevitably cause distrust from interventional investors towards Hongkong's economy. Therefore, the cases of sanctions on Australia and worsening of Hongkong's economic environment due to Xi's iron fist policy both reflect that the political factors are growing its weight *vis-à-vis* economic factors in the procedure of policymaking. If this is the case, further economic reform might be largely politicised, which would deviate from the Chinese political economy's conventional wisdom, as analysed in this thesis.

At the level of statecraft, the gloomy prospects for the Chinese economy might be stemming from the (partial) changing of legitimacy source from Xi's perspective. For the state, economic development is significant only because it serves as the legitimacy source. However, if the state legitimacy source has shifted, then the state would lose the motivation simultaneously to promote the economy. In reality, the change of state legitimacy might have occurred during Xi's era, even if the shift is partial at the current stage. As discussed in the preceding section, the slowing down of economic growth might impact state legitimacy. Thus, two choices can be made by the state in dealing with the potential decline of state legitimacy. The first choice is to stick with the economic performance. Either stimulating economic growth through further economic reform or relieving the economic inequality through the redistribution mechanism can be seen as economic improvement. The second choice is to seek an alternative source of state legitimacy. In reality, it is increasingly conspicuous that Xi intends to claim legitimacy through nationalist sentiments and the socialist ideology, as the moderate economy no longer satisfies Xi's demand for legitimacy (Bhattacharya, 2019, p.249). A core concept of Xi's

governing statement is the 'Chinese dream' (*Zhongguo meng*), which emphasises the rejuvenation of the Chinese nation in the world through 'enriching the state and strengthening the military force' (*Fuguo qinagbing*). In the meantime, Xi meticulously underscores that the Chinese dream should be built upon a mighty and thriving Chinese nation, and the thriving Chinese nation can be only accomplished under the leadership of the CCP. In so doing, Xi has incorporated the concepts of the Chinese, the Chinese nation and the CCP into an intact narrative, in which symbiotic relationships have been built among these concepts. Thereby, the ultimate goal of this narrative's fabrication is to serve state legitimacy and personal recognition through the nationalist sentiment. With the growing importance of nationalist sentiment, the Chinese policy orientations in various fields have shifted towards a nationalist direction as the source of legitimacy. Specifically, in the economic sphere, the trade war with the Trump administration has been perceived as the war between two nations by many Chinese. China's growing aggressive diplomatic parlance and attitude on this issue have substantially fed the nationalist sentiment domestically. However, it has been an important cause of the impasse between Beijing and Washington. The economic performance might still serve as the source of state legitimacy, yet its significance has declined considerably. The gradual shift of legitimacy source towards the nationalist sentiment and ideology might indicate that the statecraft under Xi's era has been changing accordingly, explaining why Xi's economic strategy has deviated from that of his predecessor as discussed above.

Some studies argue that Xi's rise manifests the retrogression or even the end of China's opening and reform, designed by Deng Xiaoping forty years ago (Lam, 2015; Minzner, 2018). It might be too early to make a final assessment concerning whether Xi will eventually lead China to another flourishing age or back to the darkness. However, after the remarkable development of the last forty years, China now is at a crossroads under Xi. Supposing the state and CCP can commit to the economic opening and reform, compounded with robust market intervention, that would make significant contributions to the thriving of the Chinese and global economies. On the other hand, if China turns in the opposite direction and heads along the path of unfettered nationalism and ideological games at the expense of the economy, then the decline of state and a crisis of legitimacy might emerge in the short future.

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