

LBDIS

We know
books

Global Trade in the Nineteenth Century

The House of Houqua and the Canton System

John D. Wong

The University of Hong Kong



CAMBRIDGE
UNIVERSITY PRESS

CONTENTS

<i>List of Figures</i>	page viii
<i>Acknowledgments</i>	ix
Introduction	1
1 A Study of the Structural Context: The Colliding Worlds in Canton	18
2 Lodging in an Existing Institution: Taming the Lion at Home	32
3 Weaving a Trading Network: Breaking Free with the Eagle	72
4 Sustaining Trust: Overcoming Business Uncertainties through Time and Space	105
5 To Reorganize or to Be Recognized? Reconstituting Business in the Reconfigured World of Global Business	135
6 Houqua's "Swiss Account" in America: The Legacy of a Farsighted Entrepreneur	177
Conclusion	205
Epilogue	222
<i>Bibliography</i>	229
<i>Index</i>	242

Figures

1.1. Schematic Representation of the Key Figures in the Genealogical Records of the Wu Family up to Houqua's Generation	<i>page</i> 21
1.2. Maritime Customs Revenue Collected in Canton	27
2.1. View of the Foreign Factories in Canton, circa 1805	33
2.2. Market Size and Market Shares of Tea Exports from China, 1775–1800	36
2.3. The EIC's Allocation of Shares among the Hong Merchants, 1800–1833	60
3.1. Amount of Specie, Bills, and Merchandise Exported to Canton on the American Accounts, 1805–1833	90
4.1. George Chinnery's portrait of Houqua	110
4.2a. John Sartain's Portrait of Houqua, circa 1830	115
4.2b. John Sartain's Portrait of Houqua, circa 1830	115
4.3. Lamqua's Portrait of Houqua	117
4.4. Lamqua's Portrait of Houqua	120
4.5. Portrait of Houqua by an Unknown Chinese Artist	122
5.1. Schematic Representation of the Genealogical Records of the Wu Family, from Houqua's Father to Two Generations after Houqua	139
6.1. Indices of American Stock and Bond Prices during the Investment Lifespan of the ASI, 1857–1880	195

1 A Study of the Structural Context

The Colliding Worlds in Canton

The convergence of the trading parties in Canton involved various currents of geopolitical developments in China and the West. As the Europeans' maritime explorations led them to find sustainable channels of exchange in Asia, people residing in the coastal provinces of China extended their reach to the ports of Southeast Asia. The movement of people, goods, and capital along the Chinese coast and in Southeast Asia intensified with the political turmoil brought about by the Manchu conquest of 1644. Once the conflicts subsided in the mid-eighteenth century, Canton became the sole legal port of call for Western traders. Motivated by the promise of profits from global trade, enterprising Chinese traders and their Western counterparts converged in the city. The paths of these China-trade participants, however, were conditioned by divergent state agendas toward their migrant-explorers and dissimilar political imperatives toward their respective New Worlds. This was the structural context from which Houqua emerged at the beginning of the nineteenth century.

A Family on the Move

Just as the Europeans departing for the New World found new economic opportunities in the Americas, Houqua's ancestors relocated to Canton in the second half of the seventeenth century from their native Fujian to capitalize on the reconfiguring trade networks. Wu genealogies record that Houqua's great-great-grandfather, Wu Chaofeng (1613–1693), relocated to Canton during the reign of Kangxi (1661–1722), registering in the jurisdiction of Nanhai, a county in the Canton area. To mark the relocation of this branch of the Wu family, Wu Chaofeng reinterred his mother and father on the Mountain of the Flying Goose in the city of Canton. Since then, Wu Chaofeng's descendants have honored Chaofeng's father as the founding ancestor of the Cantonese branch of the Wu family and have resided in the Xiguan area of Canton along the banks of the

Pearl River.¹ It was here that one could find the foreign factories of the Canton trade, the nexus of the Sino-Western trade over which Houqua would preside during the first half of the nineteenth century.

Genealogical records of Houqua's Wu family grafted their lineage onto the ancestral records of the Wu family in Fujian.² Despite disagreement about the generational count,³ latching their lineage to the Wu family in Canton and their roots to Fujian helped the Wu family that resided along the Pearl River to construct a story that situated their origins during the initial period of Chinese civilization. Their family in Canton had come from the town of Jinjiang in the province of Fujian. These ancestors in Fujian had, the Wu genealogies claim, moved from Kaifeng, the

¹ Wu Quancui, ed., *Lingnan Wushi hezu zongpu*, 1:12a; 9:45a; Wu Ziwei, ed., *Wushi ru Yue zupu* (Genealogy of the Wu Family that Moved to Canton) (1956), vol. 1.

² Following the genealogies of the Wu family in Jinjiang, Fujian, from which Houqua's branch in Canton sprang, the record of the Wu clans in the Lingnan region, which encompasses both Guangdong and Guangxi, claims that they descended from a certain ancestor Can, through his great-grandson, Wu Zixu, who was a renowned minister in the late Spring and Autumn Era (circa fifth century BCE) (Wu Quancui, ed., *Lingnan Wushi hezu zongpu*, 1:12a; Wu Ziwei, ed., *Wushi ru Yue zupu*, vol. 1). Can's forty-ninth-generation descendant, Shi, is said to have earned the examination degree of the "presented scholar" (*jinshi*) in 1109 and to have relocated to Putian county in Fujian in 1125 (Wu Quancui, ed., *Lingnan Wushi hezu zongpu*, 2a:25a). The father of Wu Chaofeng who relocated to Canton and initiated a branch of the family there is said to be the thirteenth-generation descendant of Shi (Wu Quancui, ed., *Lingnan Wushi hezu zongpu*, 2a:42a).

³ The same passage in the aforementioned genealogy that counts Chaofeng's father as a thirteenth-generation descendant of Shi who flourished in the twelfth century also considers Chaofeng's father to be a fifty-second-generation descendant of the founding ancestor Can who lived during the fifth century BCE. This second claim is most likely erroneous; it is more likely that there were thirteen generations between the twelfth-century Shi and the seventeenth-century Chaofeng, not three generations (as indicated by the second claim that Chaofeng was the fifty-second generation, as opposed to Shi being the forty-ninth generation). For the most part, the record in the larger genealogical project undertaken in 1934 to account for the Wu family residing in the two southern provinces matches the details provided in the 1956 genealogy, which focuses more specifically on the branch of the Cantonese Wu family to which Houqua belonged. This 1956 genealogy is the third edition of the work that Houqua's eldest brother, Wu Bingyong (1764–1824), initiated in 1824. The second edition, compiled by Bingyong's third son, Zhaoguang (1814–1887), was printed in 1884 (Wu Jiali's 1956 preface, in Wu Ziwei, ed., *Wushi ru Yue zupu*, vol. 1). This more focused genealogical record asserts that Chaofeng's father, whom the Cantonese Wu family honors as their founding ancestor, was an eleventh-generation (instead of a thirteenth-generation) descendant of Shi (see the genealogical table, in Wu Ziwei, ed., *Wushi ru Yue zupu*, vol. 1). This unresolved dispute probably stems from the missing link in the genealogical records for the two generations after Shi, a fact that the more focused genealogy compiled in 1956 duly notes in two instances (Wu Ziwei et al., 1956 preface, and notes to the record of the second generation, in Wu Ziwei, ed., *Wushi ru Yue zupu*, vol. 1). Unable to fully trace its linkage to the illustrious ancestor Shi, the compilers infer from the record of another Wu branch in Canton their proper place in the genealogical ranking (Wu Ziwei, ed., *Wushi ru Yue zupu*, vol. 1). The discrepancy in these genealogies indicates that descendants of Houqua's branch of the family maintained their different calculations into the twentieth century.

capital city of the Northern Song dynasty (960–1127). Tracing the roots back another millennium, the narrative links the Wu family to the genesis of the Sino-centric culture through their ancestors in Wuling in the kingdom of Chu and further to the story of the mythological God of Agriculture in prehistoric times. Acknowledging the lack of evidence for the earlier period, Houqua's brother, who compiled the family genealogy in 1824, nevertheless expressed his strong conviction about their ancestry in Fujian. This genealogical project, which he undertook with the help of Houqua and another brother, represented a celebration of their heritage and a testimony to the ties between the Wu family in Canton and that in Fujian.⁴

If we follow the genealogical claim asserted in the record that was prepared by Houqua's branch, Houqua was a sixty-fifth-generation (49+11+5) descendant of Can, the founding ancestor of the entire Wu clan, who lived half a millennium before the Common Era. Calibrated to the family's relocation to Fujian in the twelfth century, Houqua was a sixteenth-generation (11+5) descendant of Shi, who had relocated to Fujian. Focusing on the Wu branch in Canton, Houqua was a fifth-generation resident in the city since the establishment of the branch in the second half of the seventeenth century, not including the generation of Chaofeng's father who was reinterred in the city (see Figure 1.1).⁵ What is important is not the accuracy of this account (in fact, the earlier segment of this genealogical record is most probably fabricated, similar to other cases of genealogical compilation projects of Fujianese and Cantonese families that aimed to claim ties to the Central Plains in China and thus deep-rooted family pedigrees within the framework of a Sino-centric culture). Far more important were the sociopolitical and economic contexts that such claims revealed.

The relocation of the Wu family to Canton took place during the tumultuous period when China was extending its reach down the coast of the South China Sea toward Southeast Asia. The genealogy compiled by the Wu family in Canton does not indicate the precise timing of the relocation to Canton. Nonetheless, the reference that this relocation took place "during Kangxi's reign" (1661–1722) indicates that the Wu family was probably among those families dislocated by the coastal relocation policy of the Qing court.⁶ During the opening decades of the Manchu

⁴ Wu Bingyong's 1824 preface, in Wu Ziwei, ed., *Wushi ru Yue zupu*, vol. 1.

⁵ The claim in the 1934 genealogy that Chaofeng's father was a thirteenth-century descendant of Shi is more reasonable arithmetically as it implies an average of some thirty to forty years between succeeding generations. The assertion maintained by Houqua's branch yields a calculation of almost forty-six years between two generations.

⁶ Wu Quancui, ed., *Lingnan Wushi hezu zongpu*, 2a:42a.

Along with Fujian, the province of Guangdong also suffered from the displacement of residents due to the coastal evacuation order. The situation had subsided briefly when troubles in the late 1660s resumed as Canton, along with the rest of Guangdong and Fujian provinces, became embroiled in the Revolt of the Three Feudatories, lasting from 1673 to 1681. Not until the lifting of the ban on maritime activities in 1684 did the two decades of dislocation and destruction in the area come to an end. Just as the Qing court desired to redevelop economic activities in this region, people residing in the area were eager to participate in the rebuilding of business networks as commercial activities could now be revitalized in the aftermath of the warfare, both within China proper and in the ports of the South China Sea. The Wu family that resided in Jinjiang, Fujian, and lived through this period of turmoil and the relocation of a branch of the family to Canton, paralleled the process of reconstruction in the area when the Qing court lifted its evacuation order as it consolidated control during the ensuing decades.

Residents in the coastal areas, such as the Wu family, demonstrated a long-standing maritime orientation as they had to supplement the products of their agricultural labor with income from trade. Houqua's forefathers from Fujian thus decided to settle in Canton, the southernmost port of importance in the Qing Empire. Connected to Canton and their ancestral home in Fujian were, however, many coastal cities beyond the realm of the Qing Empire that had received generations of Chinese migrants, like those from Houqua's family. In fact, the migration of the Wu family from Fujian to Canton covered but a segment of the vast area that extended from the southeastern Chinese provinces of Fujian and Guangdong to the ports in China's New World in Southeast Asia.

China found its New World in Southeast Asia in the ports to which Houqua's fellow-countrymen from Fujian and Guangdong had migrated for centuries. Wang Gungwu has coined the term "merchants without empires" to describe Fujianese sojourners in Southeast Asia.⁸ What makes the two Chinese provinces of Guangdong and Fujian appropriate for comparison to Britain is their shared orientation toward their respective "New Worlds" and their common commercial heritage. What distinguishes the Chinese search for a New World from the case in the West is that, unlike the separation of the Old and New Worlds by the Atlantic Ocean in the West, Chinese migrants observed no clear delineation between the sending community and the receiving community. Transcending jurisdictional boundaries of various political powers in the

⁸ Wang Gungwu, "Merchants without Empires: The Hokkien Sojourning Communities," in *China and the Chinese Overseas* (Singapore: Times Academic Press, 1991), 79–101.

region, the migration patterns of the Wu family and other Chinese coastal residents reveal that they considered Canton as but one of the ports dotting the shoreline of China proper and beyond, forming a continuum of possibilities for migrants in search of opportunities that on occasion would arise precisely because of enforcement of different policies. As the state mandated that certain businesses be transacted in designated cities, these cities became possible destinations for potential Chinese migrants, where they could strategically position themselves to maximize profits for their families. Therefore, the Canton system that Houqua would come to dominate in the first half of the nineteenth century was not an exceptional case of China's trading connections with the world at large; instead, it grew out of the long-standing junk trade that extended along China's coast to various ports in Southeast Asia.

The ancestral origins in Fujian of Houqua and many of the other Hong merchants in the Canton trade underscore the process by which Chinese coastal dwellers exploited opportunities in an expanding world of commerce and capitalized on business possibilities created by political changes. For these enterprising traders, the Canton system was embedded in a system of exchange that encompassed Southeast Asia, and their presence in Canton situated them in the outlet for Chinese products to the Western world.⁹

The analogy of China's New World to its Atlantic counterpart can only extend so far, however. The Chinese experience differed considerably from that of the European "explorers" in terms of their mode of entry and the economic configuration that their New World encounters engendered. Under Manchu leadership during the Qing dynasty, China marched west to exert political control over vastly expanded territories. However, the Qing state did not sail south. Furthermore, Chinese migrants in Southeast Asia did not exert control over the productive resources of their receiving communities. Instead, this Chinese diaspora structured profitable trade on Chinese junks among fellow-migrants in the region and among their brethren in their ancestral homelands.

By the late eighteenth century, however, the junk trade among Chinese had yielded to the superiority of the Western vessels. Suffering from both direct and indirect limitations imposed by the Qing government, Chinese junks did not develop sufficient operational efficiencies to compete with the ocean-faring Western ships that had come to rule the seas with their

⁹ Chin Keong Ng stresses the sustained vitality of merchants of Fujian ancestry in the aftermath of the congregation of Sino-Western trade at the port of Canton in 1757. See his *Trade and Society: The Amoy Network on the China Coast, 1683-1735* (Singapore: Singapore University Press, 1983).

more advanced sailing techniques and knowledge of new routes.¹⁰ Situated in Canton at the crossroads of China and the West, Houqua and his fellow Hong merchants stood to benefit from the economic exchanges between China and the West. However, Western traders had established control over the sea routes for the delivery of tea, the bulk commodity that required express shipment to the Western markets. In Houqua's world of the early nineteenth century, the Western powers had yet to usurp the role of the Chinese in Southeast Asia. However, before their assertion of territorial dominance, Western navigators had already taken over the fast sea lanes, a reality with which Houqua had to contend from his base in Canton.

This was the conundrum that Houqua faced in Canton. He was situated at a port that afforded China a key interface with Southeast Asia. However, endogenous issues within this system encompassing both China and Southeast Asia had not allowed rice to come forth to serve as a binding element for sustainable commercial exchange and to fuel economic growth.¹¹ Exogenous to China's involvement in the economic system in Southeast Asia was the growth of the market for Chinese tea in the West. Other Chinese merchants in Canton, and in cities along the southeastern coast, would continue to pursue the junk trade with partners in Southeast Asian ports, but from his base in Canton, Houqua would come to specialize in the lucrative Sino-Western trade. Facing the challenge of operating when the sea routes were controlled by the West, Houqua leveraged his centrality in Canton, the nexus in the global flow of goods in and out of China.

Forming the Nexus of International Trade in Canton

For the Wu family and other enterprising Chinese migrant families, the appeal of Canton as a trading port grew as court policy, which favored

¹⁰ See Paul A. Van Dyke, "New Sea Routes to Canton in the 18th Century and the Decline of China's Control over Trade," in *Studies of Maritime History*, ed. Li Qingxin (Beijing: Shehui kexue wenxian chubanshe, 2010), 1.57–108; Paul A. Van Dyke, "Operational Efficiencies and the Decline of the Chinese Junk Trade in the Eighteenth and Nineteenth Centuries: The Connection," in *Shipping and Economic Growth 1350–1850*, ed. Richard Unger (Leiden: E. J. Brill, 2011), 223–246; and Van Dyke, *Merchants of Canton and Macao: Success and Failure in Eighteenth-Century Chinese Trade*, intro.

¹¹ For a detailed analysis of rice trade, see Jennifer Wayne Cushman, *Fields from the Sea: Chinese Junk Trade with Siam during the Late Eighteenth and Early Nineteenth Centuries* (Ithaca, NY: Southeast Asia Program, Cornell University, 1993). Cushman argues that the China trade with Southeast Asia, in particular with Siam, owed its success to the Qing court's perception and justification of this trade as an extension of the domestic coastal junk trade, distinct from the tribute missions.

Canton as the port of call for foreign traders, tightened. Balancing concerns about domestic stability with the appeal of economic benefits, the Qing court restricted Western trade to the single port of Canton in 1757.¹² This move proved important to Qing finances. Revenue from customs constituted an important and reliable annual contribution both for the Emperor's purse under the institution of the Imperial Household and for state revenues collected by the bureaucratic body of the Board of Revenue. The Imperial Household and the Board of Revenue were the coffers of the imperial family and the state, respectively, and the Emperor was the master of both. Both these treasuries received annual contributions from the maritime customs in Canton.¹³ The court issued customs quotas for each area, which totaled 2.26 million taels per year for the period between 1798 and 1821. Of this total, maritime customs from Canton accounted for 855,500 taels per year, or some 40 percent, making it the single largest contributor to customs collection and a material portion of the total proceeds to the imperial coffers.¹⁴

The strategic location in Canton allowed for tighter control over the movement of trading vessels and hence permitted more reliable surveillance and customs collection.¹⁵ Canton is located on the banks of the Pearl River, which empties into a broad bay thirty-two miles downstream. This bay opens into the South China Sea some fifty additional miles from the entrance to the bay. In this region there are numerous small islands. Macao is located on one side of the bay. Ships approaching Canton would enter the bay at Macao. At the entrance to the bay, which points toward Canton, ships would need to clear the "mouth" of the Pearl River, a strait formed by a protrusion of land from either side a "little more than a

¹² For a detailed discussion of the role of the state in China's maritime expansion and the decision to restrict Western trade to Canton, see Gang Zhao, *The Qing Opening to the Ocean: Chinese Maritime Policies, 1684–1757* (Honolulu: University of Hawai'i Press, 2013).

¹³ On the magnitude of this income stream to the Emperor's treasury, one scholar notes that "before the mid-nineteenth century [such income] as often as not exceeded the income of the Board of Revenue of the government." See Chang Te-Ch'ang, "The Economic Role of the Imperial Household in the Ch'ing Dynasty," *Journal of Asian Studies* 31, 2 (February 1972): 244. Other income streams flowing into the Imperial Household treasury included rents from the imperial estates, designated transfers from the Board of Revenue, income from the salt monopoly, customs from other bureaus, confiscations, and expropriations and fines, as well as profits from economic activities, such as the ginseng trade. See Preston M. Torbert, *The Ch'ing Imperial Household Department: A Study of its Organization and Principal Functions, 1662–1796* (Cambridge, MA: Council on East Asian Studies, Harvard University, 1977), ch. 4; Qi Meiqin, *Qingdai neikoufu* (Imperial Palace of the Qing Dynasty) (Beijing: Zhongguo renmin daxue chubanshe, 1998), ch. 5.

¹⁴ Chang, "The Economic Role of the Imperial Household in the Ch'ing Dynasty," 258.

¹⁵ *Ibid.*

musket-shot apart,” as noted by a nineteenth-century British observer.¹⁶ Known as Bocca Tigris (“Tiger’s Mouth”) to the Europeans, and Humen (“Tiger’s Gate”) to the Chinese, this formation afforded the Qing government a natural strategic stronghold. Foreign vessels were allowed to proceed another twenty miles upriver and to anchor at Whampoa, the “road” of Canton. These vessels were banned from proceeding farther and had to rely on boats to cover the remaining ten miles upstream to the city.¹⁷ The narrow strait of Bocca Tigris and the officers stationed at Whampoa provided the Qing court with a reliable mechanism to regulate the traffic of foreigners, a tool it would firmly hold on to.

By the mid-1780s, the court had finally succeeded in aggregating foreign-trade traffic in Canton and in defining its collection expectations (see Figure 1.2). In 1789, customs revenue in Canton surpassed the million-tael mark, double the peak annual collection before the court orchestrated its concerted effort to derive economic benefits from Sino-Western trade. During the period, total state income was in the range of 40 million taels.¹⁸ By the closing decades of the nineteenth century, maritime customs revenue had become an important and stable income stream for the court in Beijing.

The International Port Takes Shape

About this time, Houqua came of age and embarked on a career in international commerce from the port of Canton. This vital international port, which also served as the provincial capital, was a sprawling city. The expanding role of the city resulted in an ever-growing footprint of enclosed territories dotted by a government presence. With each phase in its expansion, the city did not metamorphose to assume a new shape. Instead of shedding its previous rings of protective city walls, the city grew into an organic formation of inner and outer walls, flanked by additions in the east and the west. A late-nineteenth-century gazetteer traces the inner wall of the city to the 1380 reconstruction efforts during the early years of the Ming dynasty. The outer wall, dating from 1563, extended from the southern side of the inner wall and ran a perimeter of 3,786 *zhang* (12,620 meters). At the top, this outer wall was 10 meters thick, and at its base, it measured over 11.5 meters thick. Eight gates punctuated the continuous

¹⁶ “Some Account of the City of Canton, Part I,” *Saturday Magazine* 10, no. 310 (London: John William Parker West Strand, April 1837): 162.

¹⁷ *Ibid.*; Liang Tingnan et al., comps., *Yue haiguan zhi* (Gazetteer of the Maritime Customs in Canton) (rpt., Taipei: Wenhai chubanshe, 1975), 5:1a.

¹⁸ Guoshiguan (Academia Historica), ed., *Qingshigao jiaozhu* (A Draft of the Dynastic History of the Qing, with Annotations) (Taipei, 1986–1990), 132: 3618–3619.

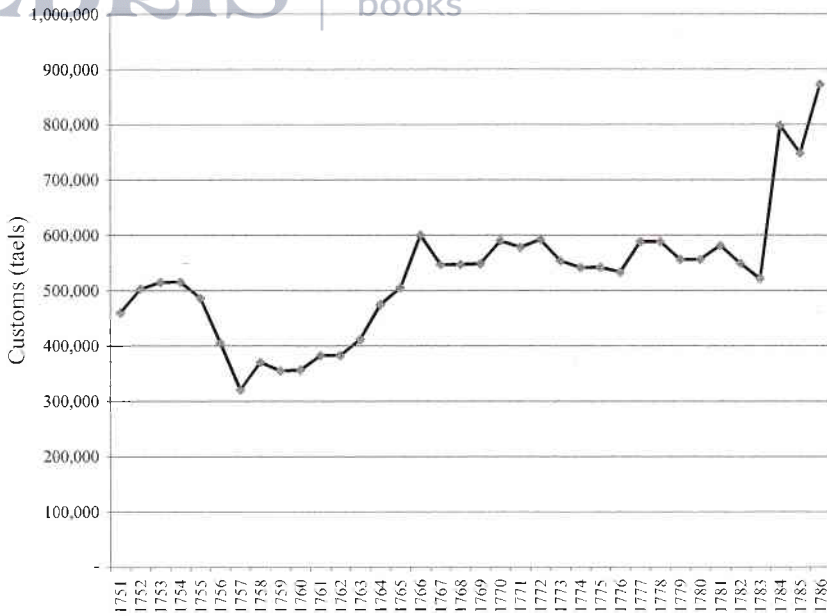


Figure 1.2. Maritime Customs Revenue Collected in Canton.

For issues related to year-to-year comparisons because of the intercalary month, see Ch'en Kuo-tung, "Qingdai qianqi Yue haiguan de liyi fenpei (1684–1842): Yue haiguan jiandu de jueise yu gongneng" (The Accrual of Benefits in the Maritime Customs in the Early Qing [1684–1842]: The Role of and Function of the Hoppo), *Shihuo yuekan* (Shih-Huo Monthly) 12, no. 1 (April 1982): 19–33; Zhongguo di 1 lishi dang'an guan (Number One Historical Archives of China), *Qinggong Yue Gang Ao shangmao dang'an quanji* (A Complete Collection of the Archival Documents on the Trade in Canton, Hong Kong, and Macao from the Qing Palace) (Beijing: Zhongguo shudian, 2002), 31–32; Liang Tingnan et al., comps., *Yue haiguan zhi* (Gazetteer of the Maritime Customs in Canton) (rpt., Taipei: Wenhai chubanshe, 1975), 10:7b–16b.

stretch of the outer wall: one each in the east, the west, the south, and the southeast, and four in the southwest.¹⁹ The concentration of these city gates in the southwest pointed to the commercial heart of Canton that fueled the circulation of Chinese merchandise in the international marketplace. During his youth, Houqua witnessed how Canton became not only an indispensable contributor to the finances of the imperial

¹⁹ Li Guangting, *Guangxu Guangzhou fu zhi* (Gazetteer of the Prefecture of Guangzhou Compiled During the Reign of Guangxu) (1879; repr., Shanghai: Shanghai shudian, 2003), 64: 1–4.