

Introduction

In the closing months of 1842, when the Qing court and the British government had just concluded the negotiations that ended the Opium War, the Chinese Hong merchant Wu Bingjian, known to his Western partners as Houqua,¹ was already becoming immersed in the business of reactivating his trade network. On December 23, 1842, from his base in Canton, Houqua wrote to his American associates, John Murray Forbes and John's brother Robert "Bennet" Forbes: "My dear friends, / I cannot let the *Akbar* go off without a few lines to you." The ship the *Akbar* had served as a conduit for the frequent dispatch of messages and cargo between Houqua and his American partners. As the ship stood ready to return to America, Houqua prepared a note to acknowledge his receipt of letters from John and Bennet that another American associate, Mr. King, had interpreted for him. He had no time to respond to the particulars in these letters; however, he hurried to compose a quick message to accompany his shipment on the departing boat. "I send you by the *Akbar* about 500 tons of Teas all of good quality, & nearly all imported by myself from the Tea country. I have invoiced them low, & hope the result will be good." Why the rush? Houqua had received market intelligence that the U.S. government might impose a heavy duty on tea imports, but that "ships leaving here [from Canton] before January may get their cargoes in free." He limited his specific instructions to the brothers thus: "If a fair profit can be realized I am inclined to recommend early sales & returns, and with this remark for your consideration, the selling will be left to your discretion." In the global tea market, speed was of the essence. Houqua indicated his preference for a speedy sale of the cargo, but in his instructions to his trusted confidants, with whom he had engaged in transactions for years, he allowed ample latitude in the execution of the trade. "The *Akbar* has loaded quickly & Capt. D. if he has usual luck, will be among the first ships with you," Houqua hoped.

¹ His name is sometimes written as "Howqua." I have used "Houqua" throughout this volume because this is how he signed his name.

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In this update for his associates in America, Houqua took care to include his intention of also shipping to England, the other important market for tea. “I am sending to London by the *John Moore* about 10,000 chests of Tea, & about 7,000 of the same to FF&Co. & the balance to BB&Co.” From this shipment to England, Houqua did not expect high profits, but he thought “the chance better to ship than to sell here [in Canton] by & by.” Houqua understood that his American partners needed more than mere details about his plans for the U.S. market; they wanted privileged information about Houqua’s dealings in other important markets, thus allowing the team in America to coordinate its actions in the global marketplace.

In addition to his export shipments from Canton, Houqua explored the options regarding remittance of the proceeds. He believed that the Forbes brothers would send a ship from America bound for Canton. The ship would “come direct with cotton & lead, and if bought low these articles may pay a good remittance.” Unlike the outbound cargo, which consisted primarily of tea for the China trade in Canton, the return shipment would be assembled based on the profit opportunities that the various commodities offered at any particular moment. Houqua would, of course, welcome specie, but even the different forms of silver had unequal profit potentials. “I prefer Old Head Dollars to any thing [*sic*] else if to be had at or under 6% premium.”² In mid-nineteenth-century Canton, the various Spanish silver coins had different values in the market. The global trader Houqua had to communicate the latest pricing information to his overseas associates in order to reap the most financial gains.

By the outbreak of the Opium War, Houqua had already held court for decades in Canton’s nexus of international trade. During the closing years of the eighteenth century, he had entered the China trade in Canton, which at the time was the sole port of call for Western traders. As early as the 1810s, Houqua had already earned sufficient clout in the commercial world to be recognized as the preeminent Chinese merchant in the Canton system. However, in the aftermath of the Opium War, the Treaty Port system would alter the terms of international engagements for Houqua and other enterprising merchants. Nonetheless, Houqua, with half a century of experience in international business and the fortune he had amassed from the China trade under the Canton system, continued to charge ahead in the world of trade and finance in search of

² MHS Houqua Letters, December 23, 1842.

profitable avenues of exchange, much in the same manner that he had since the turn of the nineteenth century.

Wu Bingjian, whom the West would come to know as Houqua, was born in the thirty-fourth year of the reign of Qing Emperor Qianlong, the third of four surviving sons of Wu Guoying.³ Although the Chinese would reckon Houqua's year of birth as the year of *jichou* in the sexagenary cycle, according to the Western calendar Houqua was born in 1769, "the same year [as] Napoleon and Wellington," as one of his Western trading partners notes in his memoir.⁴

Houqua was born in Canton merely twelve years after the Manchu court of the Qing dynasty declared that Canton would be China's sole port of call for Western traders. The political turmoil brought on by the Manchu conquest in 1644 had intensified the movement of people, goods, and capital along the Chinese coast and in Southeast Asia. The ensuing conflicts dragged on, and it was not until the mid-eighteenth century that conditions became sufficiently stable for Sino-Western trade to be conducted with some regularity. The establishment of Canton as the sole legal port of call for Western traders facilitated a steady flow of goods between China and many Western countries, channeling the various parties to negotiate their interests in the city. These economic motivations, along with the evolving geopolitical landscape of the times, brought to Canton merchants from the West and from elsewhere in China, including Houqua's family and other enterprising Chinese traders. With their Western counterparts in Canton, Houqua and these select Chinese merchants interacted in their respective capacities as the licensed China traders, the so-called Hong merchants.

During the century that followed, the fates of Houqua, Napoleon, and Wellington, three men born only months apart in 1769, would intertwine. Napoleon's military conquests in continental Europe would alter the balance of international trade and Wellington's accomplishments would push British power to new heights. In response, Houqua maneuvered strategically and successfully to account for the changing partners arriving at his port of Canton. In fact, Houqua's commercial successes owed much to the political realignment in Europe, half a world away from

³ Wu Quancui, ed., *Lingnan Wushi hezu zongpu* (Complete Genealogy of the Entire Wu Clan in Lingnan) (1934), 2a:44a. Wolfram Eberhard relies on this version of the Wu genealogy in a case study of the clan in his *Social Mobility in Traditional China* (Leiden: E. J. Brill, 1962). The present study extends the exploration into the Wu clan by examining multiple genealogies, which not only provide more detailed information on the various generations but also explain the mechanisms behind family and business maneuvers framed in the idiom of kinship.

⁴ William C. Hunter, *The "Fan Kwae" at Canton before Treaty Days, 1825–1844 by an Old Resident* (London: K. Paul, Trench, 1882), 50.

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Canton. The political realignment, in which Napoleon and Wellington played critical roles, provided Houqua an opportunity to build his business and to consolidate his commercial power in Canton. Although he did not command military power or transform the political landscape in the manner of Napoleon or Wellington, Houqua proved to be instrumental in shaping the playing field for international commerce as he steered the flow of both goods and capital. His achievements pivoted around his ability to circumvent the ascending power of the British, epitomized by the Duke of Wellington, Napoleon's archrival at the Battle of Waterloo. As the British military elevated the East India Company (EIC) to a dominant position, Houqua countered by recasting his trading partners. Long after Wellington had thwarted Napoleon's ambitions to dominate continental Europe, Houqua still remained prominent in the world of trade, living out his last years by holding court in the emporium of Canton.

During this period before the imposition of Western rules of engagement for global exchange, enterprising businessmen had to fashion social connections for the flow of information and to deploy their goods and capital along the sinews of their networks to further their financial interests, all in the absence of a universal standard unit of account or a commonly accepted international court of law to mediate disputes. Houqua, the Hong merchant who dominated Sino-Western trade in the early nineteenth century, was an exceptional Chinese trader. The importance of his story lies not in his ability to represent the experience of an average Chinese player in global trade and commerce. Rather, it was his extraordinary ability to balance his interests with those of his partners from America, England, and other parts of the world that allowed him to play a pivotal role in configuring trade networks as global connections intensified. As he identified and pursued profit opportunities, he redirected the traffic of goods and capital around the world and, in the process, he altered the balance of commercial power on the other side of the globe, just as the Rothschilds tilted the playing field for political contenders in Europe.

Directing the development of trade in Canton, Houqua succeeded in navigating the turbulent waters of international commerce for nearly half a century. His death in 1843 coincided with the beginning of the Treaty Port days. However, his successors were unable to circumvent British military and commercial hegemony as successfully as Houqua had been able to do during the Canton era. During the ensuing power shift in international commerce, the command over the flow of capital and goods that Houqua's family had once enjoyed would be eclipsed by the mounting forces of the British, along with others of the Western world. This shift in the power structure has clouded our understanding

of the earlier period of global exchange when Chinese merchants exerted as much control as, if not more than, their Western partners over the flow of goods and capital. Colored by Western dominance during the later period, any memory of Houqua's criticality in international commerce (and that of other Chinese participants) has faded to such an extent that today people around the world still remember Napoleon and the Duke of Wellington, but almost no one, even in China, recalls Houqua's story of success.

In 1769, however, no one could have predicted this eventuality. A confluence of events was brewing that would provide the backdrop for the course of action charted by these three men. In China, as the troubles along the southeastern coast caused by what remained of the preceding Ming dynasty had subsided, Qing subjects living in the coastal provinces busied themselves with the trading opportunities in China's New World, which stretched from these coastal provinces to the ports of Nanyang, or the South China Sea. On the other side of the globe in the New World of the Europeans, fomenting trouble would soon turn British attention toward the East and create another contending power in North America.⁵ At the turn of the nineteenth century, in the cosmopolitan city of Canton, the colliding forces of these New Worlds brought together a motley crew of characters whose search for wealth and power would alter the course of the development of international politics and economics.

This book presents an account of Houqua's business enterprise not only to showcase the economic dynamism in China prior to the advent of the Treaty Port days but also to demonstrate the influence of this prominent Chinese merchant in constructing global networks of trade and finance as the flow of goods and capital accelerated in the emerging modern world. This study of Houqua's commercial and financial enterprise is intended to be a business history. It explores the social and cultural history of the players in China trade under the Canton system and traces the changes in the aftermath of the Opium War. In following the development of Houqua's business, I have three goals. First, I seek to restore the criticality of Houqua and the trade in Canton in the web of global commerce during the first half of the nineteenth century. Houqua fashioned his trading network as an international business enterprise predicated not on production capabilities but on connections and affiliations. Second, I investigate the means by which Houqua and his partners sustained

⁵ On the redirection of British interests, see James R. Fichter, *So Great a Proffit: How the East Indies Trade Transformed Anglo-American Capitalism* (Cambridge, MA: Harvard University Press, 2010).

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their system of trust and credit before the advent of the international order dominated by the Western powers. Third, I analyze how Houqua's descendants handled the new system of trade during the Treaty Port era and how the network that Houqua had constructed began to unravel in the second half of the nineteenth century. The overarching purpose of the study is to trace China's crucial role in the emergence of a dynamic global economy and its subsequent decline.

Houqua's business success stemmed from his ability not only to carve a space in the world of commerce but also to maneuver into a central position in the network of trade. That Houqua managed to expand his business enterprise globally defies the notion that the Canton system was a constricting arrangement that confined the Chinese Hong merchants and limited their ability to exert an influence beyond this one Chinese city. Houqua's ability to adroitly balance the powers of his Western partners and his insistence on actively charting his course of trade challenge the prevailing interpretation of the development of international trade as the unrelenting imposition of Western-style capitalism to which Chinese businessmen and China's economic system eventually succumbed. Without setting foot outside of his base in Canton, Houqua played an instrumental role in shaping international commerce and finance. The process by which he extended his global reach underscores his contribution in forging international trade as geopolitics transformed the commercial landscape.

Houqua in Chinese and Global History

Through the lens of a single prominent merchant house and its leading figure, this project explores the economic dynamism in early-nineteenth-century Canton. This study of Houqua and the Canton trade system adopts a global perspective. Such a global approach, overlooked by previous generations of scholars, seeks to underscore the commercial vitality and transnational exchange during the era of the Canton trade.⁶ Each

⁶ A recent publication, Eric Jay Dolin, *When America First Met China: An Exotic History of Tea, Drugs, and Money in the Age of Sail* (New York: Liveright, 2012) brings to the attention of the popular reader the global dimension of this exchange. The present study will extend beyond the oft-cited anecdotal examples based on Dolin's selected memoirs with a view toward building a critical understanding of the business dealings of these global traders. In a recently published monograph, Frederic Delano Grant Jr., *The Chinese Cornerstone of Modern Banking: The Canton Guaranty System and the Origins of Bank Deposit Insurance 1780–1933* (Leiden: Brill Nijhoff, 2014), introduces a different dimension of the global influence as he traces the origins of modern banking insurance across time and space to the Canton Guaranty System.

generation of earlier scholars of the Canton trade has focused on the decline of the Qing by interpreting historical issues through the lens of scholars of the respective eras. In the early part of the twentieth century, when China was struggling to find its footing on the international scene, research began to chronicle the rise and fall of various Hong families, but without capturing the dynamic economic exchanges in which they participated.⁷ Similarly, scholars who wrote before China's recent economic takeoff have focused on the cases of insolvency among the Hong merchants as their studies reflected on China's prolonged economic struggles.⁸ Balanced assessments of the Canton system have only begun to appear more recently.⁹ Extending the analysis to the China trade of the nineteenth century as the impact of geopolitical forces escalated, through the individual stories of Houqua and his partners this study explores the dynamic global networks of commerce in the decades prior to the Opium War.¹⁰

⁷ Liang Jiabin, *Guangdong shisanhang kao* (An Investigation into the Guangzhou Hong Merchants) (1937; rpt., Guangzhou: Guangdong renmin chubanshe, 1999).

⁸ See Dilip Kumar Basu, "Asian Merchants and Western Trade: A Comparative Study of Calcutta and Canton 1800–1840" (PhD diss., Department of History, University of California, Berkeley, 1975) and Kuo-tung Anthony Ch'en, *The Insolvency of the Chinese Hong Merchants, 1760–1843* (Taipei: Institute of Economics, Academia Sinica, 1990). There is a similar trend in the scholarship on the Western traders. Reacting against Western imperialism, Jacques M. Downs depicts the American traders operating in the Canton system by highlighting their role as traffickers in the illicit and immoral opium commerce. See Jacques M. Downs, *The Golden Ghetto: The American Commercial Community at Canton and the Shaping of American China Policy, 1784–1844* (Bethlehem, PA: Lehigh University Press, 1997).

⁹ Paul A. Van Dyke, *Merchants of Canton and Macao: Politics and Strategies in Eighteenth-Century Chinese Trade* (Hong Kong: Hong Kong University Press, 2011) and Paul A. Van Dyke, *The Canton Trade: Life and Enterprise on the China Coast, 1700–1845* (Hong Kong: Hong Kong University Press, 2007). Van Dyke views the Canton system as a sophisticated arrangement through which the Qing court managed the growing trade and generated significant revenue for the court, succumbing to Western imperialism only after the arrival of Western steamships and gunboats.

¹⁰ With respect to writings on Houqua, there has been surprisingly little scholarly coverage. Ch'en, in *The Insolvency of the Chinese Hong Merchants*, refers to Houqua, but he does not prominently feature this successful merchant, largely because his focus is on the insolvency of many other merchants. As for Chinese-language materials, until recently writers have shunned Houqua as a politically problematic individual. His connections with Western traders called into question his political allegiance. His family's financial contributions to the Qing state's suppression of the Taiping Rebellion, which many Communist historians view as a harbinger of the peasant revolution spearheaded by the Chinese Communist Party in the mid-twentieth century, rendered Houqua an enemy of the masses. In contrast, English-language coverage has celebrated Houqua's accomplishments, perhaps too much so when written from the romanticized perspective of the Old China Trade. See, for example, W. Cameron Forbes, "Houqua, the Merchant Prince of China, 1769–1843," *Bulletin of the American Asiatic Association* 6, no. 6 (1940): 9–18.

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Known today as Guangzhou, the Chinese city of Canton served as a dynamic node for transnational commerce until the demise of the Canton System in 1842. Tracing the footprint of its trading networks, this study includes archival work in Guangzhou, Hong Kong, Macao, Beijing, Taipei, Singapore, Boston, Providence, England, and India. The investigation covers genres of literature ranging from business records, family papers, personal correspondence, gazetteers, genealogies, government documents, travelogues, and anthologies of literary works. These sources are highly complementary. Whereas the Chinese court documents explain the Qing bureaucratic mechanisms of the Canton trade and the British East India Company (EIC) databank chronicles the ascending commercial prowess of England, the American records shed light not only on the business transactions but also on the personal stories of the individual traders. The genealogies of Houqua's family, in addition to tracing the lineage of the Wu clan, also detail Houqua's strategy for business succession. As the scattered historical records are reconnected, the emerging picture demonstrates the success of Houqua and his trading partners in sustaining their economic exchange on a global scale long before Western imperialism ushered in the era of international trade in the Euro-centric modern world at the turn of the twentieth century.

In the early nineteenth century, certain economic actors in Qing China, especially those in Canton, had become so involved in the world of commerce and finance that it is impossible to isolate their "Chinese experience" from the development of global processes. Their stories, however, reflect not only the "impact of the West," as these Chinese traders were not passive reactors to Western forces; rather, they were enterprising strategists furthering their economic interests in view of the shifting geopolitical landscape. To appreciate the interactions among the various players in this dynamic, multipolar trading world, one needs to go beyond not only the Fairbank model of the "Western Impact–Chinese Response" but also the later paradigm of "China-centered history."¹¹ The ever-evolving equilibrium in the nineteenth-century Canton system pivoted precisely around the traders' ability to navigate the turbulent waters brought about by the colliding regimes. As a central player in the world of commerce and a crucial figure in the geopolitics of the first half of the nineteenth century, Houqua offers a unique perspective on global development at the decisive juncture when China's fortunes began to diverge. His story allows us to explore how the divergence of business

¹¹ For an extended discussion of this historiography, see Paul A. Cohen, *China Unbound: Evolving Perspectives on the Chinese Past* (London: RoutledgeCurzon, 2003).

development on a macroeconomic scale pivoted around the talents and inclinations of specific individuals. Of course, even the most successful entrepreneur had to function within the geopolitical context of his times, but the fortunes of empires were contingent on the strategies of exceptional individuals in charting their course of business.

This analysis of Houqua's enterprise intervenes in the major debates that have preoccupied economic historians. Much has been written about the Canton system as a precursor to the Opium War and the subsequent demise of China. These scholarly analyses, usually privileging political and diplomatic developments, highlight the mounting incompatibility of Western and Chinese models of interaction and the reversal of the silver flows to which the Chinese merchants supposedly succumbed.¹² The story of Houqua and the Canton trade makes it clear that the Chinese economy did not merge with the routes of international trade with the advent of the Opium War. By the time of Houqua's rise to prominence at the beginning of the nineteenth century, the merchants in Canton had already weathered half a century of geopolitical turmoil around the globe.¹³ Through the work of the sophisticated Hong merchants operating under the Canton system, China became integrated into the global economy well before the arrival of the gunboats that altered the terms of transnational engagement. Houqua's ability to sustain his interactions with global players for decades in the field of commerce defies the conventional assumption of an ossified Chinese system that failed to adjust to international developments and that doomed Chinese participation in the integration of the world. By reviving this story of economic vibrancy, we return to the juncture when the commercial equilibrium fell apart with the collapse of the Canton system. The focus on this moment of historical contingency reshapes our understanding of China's critical role in the formation of a global network of trade and finance prior to the Opium War.

¹² *The Cambridge History of China* on this period, for example, focuses on political developments and emphasizes the system of power in which the merchants were supposedly subordinate to a "corrupt" official hierarchy. See Frederic Wakeman Jr., "The Canton Trade and the Opium War," in *The Cambridge History of China*, eds. John K. Fairbank and Kwang-Ching Liu, vol. 10, pt. 1 (Cambridge: Cambridge University Press, 1978), 163–212. Although the hierarchy in which the merchants operated under the auspices of the officials nominally underwrote the system of exchange, the trade in Canton entailed a pragmatic exercise of constant negotiations among merchants and bureaucrats over the ever-changing practices in global trade against the backdrop of the constantly shifting geopolitical landscape.

¹³ In 1757 Canton became the sole legal port of call for China traders arriving from the West. This system persisted until the conclusion of the Opium War in 1842, when the era of the Treaty Ports was introduced.

A better appreciation of how the system unraveled provides a new perspective to examine China's economic divergence from the West during the subsequent period. Economic historians have debated how the West escaped stagnation whereas China lagged behind, primarily from the perspective of industrial development.¹⁴ Some studies have linked the issue of economic growth to the role of the Chinese state, but few have constructed a comparative analysis of this early period to explore how different configurations in the alignment of the interests of the state and the business sectors led to economic divergence. In studies of the British experience, early scholarship focused on the role of finance as a facilitating device, but more recent analyses highlight finance and commerce as independent activities that contributed to economic growth independent of domestic industrial expansion.¹⁵ This realization of the contribution of finance and commerce to the British imperial enterprise redirected scholars' attention to the social networks of bankers.¹⁶ It was precisely in the successful redeployment of capital by "gentlemanly capitalists" to generate healthy investment returns that the financial sector earned its prominent position in the economics of the British Empire. Such a revelation of the contribution of finance and services independent of industry should have invited comparisons with the East Asian experiences. But thus far comparative analyses involving East Asia have seldom extended beyond Japan and such comparisons have been limited to assessments of the role of finance in the successful transformation of Japan into an industrial power.¹⁷

¹⁴ See, for example, Mark Elvin, *The Pattern of the Chinese Past* (Stanford, CA: Stanford University Press, 1973); Philip C. C. Huang, *The Peasant Family and Rural Development in the Yangzi Delta, 1350–1988* (Stanford, CA: Stanford University Press, 1990); R. Bin Wong, *China Transformed: Historical Change and the Limits of European Experience* (Ithaca, NY: Cornell University Press, 1997); Kenneth Pomeranz, *The Great Divergence: China, Europe, and the Making of the Modern World Economy* (Princeton, NJ: Princeton University Press, 2000); Kent G. Deng, "A Critical Survey of Recent Research in Chinese Economic History," *Economic History Review*, new series, 53, no. 1 (February 2000): 1–28.

¹⁵ For studies focusing on the role of finance as a facilitating device, see R. S. Sayers, *Central Banking after Bagehot* (Oxford: Clarendon Press, 1957); E. Victor Morgan, *The Theory and Practice of Central Banking, 1797–1913* (Cambridge: Cambridge University Press, 1943); C. A. E. Goodhart, *The Business of Banking, 1891–1914* (1972; rpt., Aldershot, UK: Gower, 1986). For an analysis highlighting finance as an independent contributor to economic growth, see Michael Edelstein, *Overseas Investment in the Age of High Imperialism: The United Kingdom, 1850–1914* (New York: Columbia University Press, 1982).

¹⁶ See Youssef Cassis, *City Bankers, 1890–1914*, trans. Margaret Rocques (1984; rpt., Cambridge: Cambridge University Press, 1994), and P. J. Cain and A. G. Hopkins, *British Imperialism, 1688–2000*, 2nd ed. (1993; rpt., New York: Longman, 2002).

¹⁷ See, for example, Kozo Yamamura, "Japan, 1868–1930: A Revised View," in *Banking and Economic Development: Some Lessons of History*, ed. Rondo Cameron (New York: