Published by Pickering & Chatto (Publishers) Limited
21 Bloomsbury Way, London WCIA 2TH
2252 Ridge Road, Brookfield, Vermont 05036–9704, USA
www.pickeringchatto.com
All rights reserved.
No part of this publication may be reproduced,
stored in a retrieval system, or transmitted in any form or by any means,
electronic, mechanical, photocopying, recording, or otherwise
without prior permission of the publisher.
© Pickering & Chatto (Publishers) Ltd 2015
© Lin Yu-ju and Madeleine Zelin 2015
To the best of the Publisher’s knowledge every effort has been made to contact
relevant copyright holders and to clear any relevant copyright issues.
Any omissions that come to their attention will be remedied in future editions.

BRITISH LIBRARY CATALOGUING IN PUBLICATION DATA
Merchant communities in Asia, 1600–1980. – (Perspectives in economic and
social history).
306.3'4'955'0903–dc23
Web-PDF ISBN: 9781781444511
ePUB ISBN: 9781781444603

This publication is printed on acid-free paper that conforms to the American
Content Management Platform by LibriXML™
Typeset by Pickering & Chatto (Publishers) Limited
Printed and bound in the United Kingdom by CPI Books

CONTENTS
Acknowledgements xi
List of Contributors xiii
List of Figures and Tables xvii
Preface – Lin Yu-ju 1
Introduction – Madeleine Zelin 5
Part I: Merchant Communities as Institutions
  1 Trade, Public Affairs and the Formation of Merchant Associations in
    Taiwan in the Eighteenth Century – Lin Yu-ju 11
  2 Seoul Merchant Communities in Late Chosŏn Korea – Cho Young-Jun
    and Lee Han-Chang 29
  3 Rice, Treaty Ports and the Chaoshou Chinese Lianghao Associate
    Companies: Construction of a South China–Hong Kong–Southeast
    Asia Commodity Network, 1850s–1930s – Choi Chi-chesong 53
Part II: Merchant Communities as Networks
  4 The Rise of Chinese Commercial Dominance in Early Modern Southeast
    Asia – Kwok Hsiu Kian 79
  5 The Merchants of the Korea–China Ginseng Trade in the Late
    Nineteenth Century – Ishikawa Ryota 95
  6 Transcending Borders: The Story of the Arab Community in
    Singapore, 1820–1980s – Stephanie Po-yin Chung 109
Part III: Merchant Communities and Empires
  7 Spanish Colonial Policy toward Chinese Merchants in Eighteenth-
    Century Philippines – Tina S. Clemente 123
  8 Merchant Communities in a Qasba (Market Town) of Western India
    in the Late Maratha and the Early British Period (1760s–1840s) –
    Ogawa Michihiro 141
  9 Mid-Nineteenth-Century Nagasaki: Western and Japanese Merchant
    Communities within Commercial and Political Transitions –
    Robert Heldyer 159
From the mid-nineteenth century to around the 1960s, a Xiang Le Xian Shan jiao (Hong Kong-Singapore-Bangkok-Swarow trading network) existed. It was established by Chaoshou merchants who were mainly engaged in transnational rice trade. Until the mid-nineteenth century Chaoshou merchants played an essential role in the rice business in Hong Kong and Southeast Asia. According to Suehiro Akira, three of the five rice exporters in the late nineteenth century, and five out of eight in the first half of the twentieth century in Bangkok were merchants from Chaoshou. Chen Shouzhi shows that in the 1950s and 1960s in Hong Kong, more than 50 per cent of the rice was imported from Thailand, where 80 to 90 per cent of the rice mills were run by the Chaoshou Chinese. Not only were the majority of licensed rice importers Chaoshou Chinese, but rice distributors, wholesalers and retailers were also mostly Chaoshou natives (see Table 3.1).

Table 3.1: Number and percentage of Chaoshou rice merchants in Hong Kong in the 1950s

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of licensed importers Chaoshou</th>
<th>No. and % of Chaoshou importers</th>
<th>No. and % of Chaoshou wholesalers</th>
<th>No. and % of Chaoshou retailers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950-4</td>
<td>17</td>
<td>10 (59%)</td>
<td>18/39 (95%)</td>
<td>1895/2400 (80%)</td>
</tr>
<tr>
<td>1957-60</td>
<td>38</td>
<td>19 (50%)</td>
<td>10/39 (20%)</td>
<td></td>
</tr>
</tbody>
</table>

Source: Chaoshou Chamber of Commerce in Hong Kong, Xiang Le Xian Shan jiao Chaoshou Renminren Xue'ao Xueyuan Chaoshou Renminren Xueyuan (A Special Volume Commemorating the Fortieth Anniversary of the Hong Kong Chaoshou Chamber of Commerce and the Completion of the New Building of the Chaoshou Merchant School) (Hong Kong: Chaoshou Chamber of Commerce, 1961), pp. 12–13, 40, 41.
This trading network required three elements, namely the product, the consumer and the trading agents. This chapter will first discuss where the supply of rice came from; whether Swatow (hereafter, Shantou) and its hinterland, the prefecture from which many Chaozhou merchants hailed, provided a sufficient consumer base; and whether rice, being the sole product, could sustain the trade. The second part of the chapter will focus on the organization and trading network of one of the earliest transnational Chaozhou rice import-export companies. Rice is a subsistence commodity, and profit from its sale relies on various factors, ranging from the taste of the consumers to natural conditions, many of which cannot be controlled by the trading firm. This chapter therefore attempts to point out that it was important for the firm to establish an integrated business strategy in order to reduce risk and maximize profits. The Shantou treaty port, the Chaozhou migrants and the trading network provided a nested trading environment for the development of successful rice merchants in the late nineteenth and early twentieth century.

Trading Environment: Shantou Treaty Port in the Late Qing Period

Before the 1920s the business environment in Shantou can be summed up as follows: it was a transit port that did not sustain itself as a consumption centre. Weak control by the state facilitated competition between two major financial factions in the local Chamber of Commerce. Finally, trading relied heavily on trading networks that linked the area with Hong Kong and Southeast Asia as well as with Shantou's hinterland.

The Area under the Jurisdiction of Shantou

Shantou, located on the eastern coast of Guangdong province, was not a prime trading port that colonial empires sought to open before the mid-nineteenth century. As pointed out by a contemporary writer,

"Europeans were first attracted to the neighborhood of Swatow shortly after the opening of the Port of Amoy [Xiamen] in 1842, but the first attempt at forming a trading depot was made at the island of Nanos [Nan'ao], where opium vessels were anchored for several years."

The treaty port opened by the Tianjin Treaty in 1858 was not in Shantou but in the wealthier Chaozhou-fu, the prefectural seat thirty-five miles north of Shantou. When the Shantou port was legally opened to foreign trade in 1860, replacing the strongly anti-foreign Chaozhou-fu, it was not an ideal consumer centre nor was there a strong pre-existing trading infrastructure to facilitate the city's rapid growth.

In 1860, Shantou was a city of less than 1.08 square kilometres. On 29 May 1860, John E. Ward of the Legation of the United States in Shanghai reported to Lewis Cass, the Secretary of State, that the trade in Shantou was increasing.

Swatow, long before it was opened by the [Tianjin] Treaty, was the resort of Chinese pirates, and foreign opium smugglers. No mandarin of high rank had ever resided there, and the petty officials were easily induced for a very small sum to permit the trade to go on, without any treaty rights. It was of course very inletosie to these traders and officials to be compelled to pay the duties required by treaty, and to lose the profits of the illicit trade.

The absence of a high-level official and traditional indigenous power in its early days encouraged competition among rival sub-dialect groups (different varieties of Chaozhou), dialect groups (Chaozhou and Hakka) and business factions. It also encouraged merchants to seek alternative trading routes that might reduce the cost of transportation and allow them to pay lower transit taxes.

As a treaty port, Shantou was not itself a consumption centre of subsistence commodities. Even as late as the beginning of the twentieth century, the entrepôt had a population of less than 30,000. The Decennial Report of the Maritime Customs for the decade 1882 to 1892 noted that facing the sea front are long rows of rickety godowns, where incoming and outgoing merchandise finds temporary rest. But away from the waterfront there are only an insignificant collection of houses, a few shops where pewter is beaten into various shapes, and here and there a temple or a gao-hall.

Therefore, rice, like other consumption commodities, was re-exported to inland consumers. Until the late nineteenth century, trade was constrained by the port's limited facilities and hindered by the competition presented by alternative trading routes.

In 1919, the US Department of Commerce reported that Shantou lacked modern financial facilities. Banking and exchange had to rely on Hong Kong. Therefore, Shantou was not one of the four southern Chinese cities recommended to American businessmen by the Department of Commerce. Its geographical size and limited number of warehouses also disallowed long-term storage of commodities. The British consul reported in 1863 that

"[The above-mentioned] vessels average from 150 to 300 tons and are better suited to the coasting trade under Chinese charter than our larger vessels, which require more cargo than can be stowed at Swatow, where there is a paucity of godowns: goods have, therefore, to be retained up country until the vessel is ready to take in her cargo, when it is sent down in boats which go at once alongside to put it on board. Nearly all the vessels employed in the trade of the port, exclusive of course of steamers, are chartered by Chinese merchants, who much prefer these smaller craft, which are besides chartered at a lower rate than either British or American vessels."
Though Shantou was the primary maritime port in the region, serving a huge hinterland, the port also faced tremendous competition with other native ports, like Zhuhai and Zhangjiaqun, along the south-eastern coast of China. In 1907, along the coast of Chaoshou prefecture there were fourteen native transit stations and substations where many Chinese vessels anchored. The rate paid at these stations was about half of that levied at the Shantou Maritime Customs. These ports were easily accessed by small Chinese vessels, and their cargo could reach inland consumers much faster and cheaper than through the Shantou port.

From the perspective of trade and taxation, British consul at Shantou never failed to point out the disadvantages foreign merchants encountered. Nicholas Denny described the situation thus:

"Proximity to Hong Kong enables the large native firms to conduct their own importing business more cheaply than it can be done for them by Europeans, whilst the staple trade of the Port - the importation of Beancake coastwise from the North and the export of Sugar - is also conducted in correspondence with Chinese agencies at Newchwang [Yingkou], Chefoo [Yantai] and Shanghai. Hence the foreign firms established at Swatow are chiefly occupied in obtaining charters and insurance for Chinese principals ... The merchant princes of former days are being superseded by astute and cheaply-living Cantonese or Singapore Chinese."

He stressed that "trade is almost entirely in the hands of native or Singapore Chinese, the foreign community is very small." Many Chinese also chartered vessels under flags of continental (non-British) states at a cheaper rate. As Chinese citizens, they could dispose of their cargo in ports between Hong Kong and Shantou, choose a shorter and more direct route to the corresponding inland markets and pay lower transit dues at the native customs stations.

The inaccessibility of Chaoshou prefectural city, where many wealthy merchants lived, and the hostility of the inland Chinese towards Westerners forced foreign importers and exporters to hire native agents to conduct business inland. In addition to this, transit taxes had to be paid a few times more on foreign commodities when they left the treaty port area. Hence, the price of foreign goods was higher than that of native products.

The British consul, on the one hand, emphasized that the spirit of the treaty was such that all foreign goods, whether transported by the foreigners themselves or by their Chinese agents, should be exempted from all kinds of taxes, transit dues or banxia donations, after tariff payment at the treaty port. On the other hand, they argued that the treaty port area should include the Chaoshou prefectural seat and that the Chinese government should not collect any lijius or transit dues (sometimes known as hiles) within the treaty port area. When the city area of Shantou expanded rapidly in the early twenty century, the Maritime Customs extended its jurisdiction to include coastal native customs and interior cities that were also accessible to foreign merchants. However, before 1934 when a strong state stepped in, the local political economy was dominated by merchant factions.

Merchants and Factions

Shantou is an alluvial sandbank situated at the southern exit of the Han River. The trading port was founded in the nineteenth century. Most of its merchant guilds were established after the 1860s. The first commercial guild, the Zhang-Chao Huiqu (Association of the Zhangzhou and Chaoshou Merchants), was
established in 1854 by Fujianese and local Chaozhou merchants. The association was the centre for various kinds of transactions, including shipping, Chinese medicine, rice and food, matches, and remittance and exchange. In 1867, as the influence of the Fujian merchants shrank, the Chaozhou merchants established their own Association, Wan Nian Feng (literally, prosperous for ten thousand years). The Association dominated most of the businesses in Shantou. For example, the Maritime Customs reported as follows:

In 1881 some Swatow merchants were heavily fined for disregarding a custom rule affecting the examination of cargo. The guild took the matter up with spirit. And an anonymous note called upon merchants to cease all import and export trade unless their demands were complied with. In that particular instance the guild was unable to gain the point for which it was fighting, but trade was kept completely at a standstill for 15 days, pending its decision to submit.27

It was this group that formed the Shantou Chamber of Commerce in 1901. The Association’s membership consisted of many occupational guilds. The dominant guilds were those for remittance and money exchange. The Association was also called Liu Xi Hui Guan (Association of Six Counties) as it was founded by merchants from six Chaozhou counties.

The Association was divided into two equally influential cliques; the first was formed by merchants from Haiyang (or Cha’an), Chenghai and Raoping, all of whom spoke with a Chaozhou accent. The second was formed by merchants from Chaoyang, Puning and Jieyang, most of whom spoke with a Chaoyang accent. Each clique had its own organization, regulations and ritual celebrations. The Association had a board of forty-eight member firms representing equally the two cliques. Every month each clique would choose two employees from its twenty-four representative firms to run the Association’s daily affairs and accounts. The two cliques continued to compete for control of the Association until the 1930s. Their rivalry was further enhanced in the early twentieth century when the Shantou Chamber of Commerce was given the power to regulate the issuing of private notes by local firms; this practice continued until 1934 when the central government made illegal the use of private notes, and enforced state-issued tender as the only legal currency.

Competition occurred not only between the two Chaozhou cliques, but also among different dialect groups. There were two non-Chaozhou associations established before 1891, namely the Guangzhou Association (1871) and the Hakka Association (1882). Both Associations were small and not especially influential, and they were mainly involved in business negotiation and welfare for members. During the late nineteenth to early twentieth century, fourteen regional associations (tongxianghui) were founded. Besides one created by Cantonese speakers from Guangzhou and Zhaoqing prefectures, ten were established by the Chaozhou dialect group and three by those from Meizhou. Most of the associations established in Shantou, at least until 1925, were dominated by Chaozhou dialect speakers.

In 1925, in order to balance the Chaozhou/Shantou merchants’ power, the Nationalist Party united the middle and small merchants in Shantou to found a shengmin xiéhui (association for the merchants and the people). One year later, chambers of commerce of different counties in the Chaozhou and Meizhou regions together founded a joint association in Shantou. According to a directory published in 1934, there were in total sixty-nine guilds and twenty regional associations in Shantou. They controlled 4,465 firms engaged in eighteen different types of business.28

In other words, before the intervention of the central government, the treaty port was dominated by the merchants and their alliances. Whereas rivalry between the two Chaozhou cliques centred on control of local finance, that between the Hakka and the Chaozhou merchants was instigated by three inter-dialect group disputes which occurred in the early twentieth century. In 1902, the Hakka association, which represented merchants from the eight hinterland Hakka dialect counties, announced publicly that they belonged to a different ethnic group, and therefore should be exempted from the baoguo tax contribution which was levied only on Chaozhou merchants.29 Rivalry among the Shantou merchants demonstrated a complementary oppositional relationship (see Figure 3.2). For instance, the Chaozhou merchants established an alliance that allowed them to dominate the commercial sector in Shantou, and on the other hand the cliques strove to control the guild (later the Chamber of Commerce). Such a relationship was further enhanced by not only the dialect/accents they spoke, but the type of business in which they engaged.
The Trade
Shantou was a commercial city. Its prosperity relied heavily on shipping, remittance and exchange, and on import and export. Besides embroidery (Chaozhou chousha, a kind of drawn work on silk products), industry was not significant. These four dominant businesses — shipping, remittance and exchange, import-export and embroidery — linked Shantou’s fate with its hinterland and with Hong Kong and Southeast Asia.

Shipping, Import and Export
Shipping can be divided into two categories, that is, the transportation of human beings and the transportation of goods. The number of ferries and junks entering or leaving the Shantou port increased from 161 ships carrying 59,236 tons in the 1860s, to more than 2,000 ships transporting 2,000,000 tons in the 1920s, and then to 4,010 ships handling 5,735,828 tons of cargo by the 1930s (see Table 3.2). These figures indicate that the number of legal transactions, as well as the amount of goods imported and exported and the movement of people, all increased rapidly, especially from 1890.

---

Table 3.2: Movement of goods and passengers

<table>
<thead>
<tr>
<th>Year</th>
<th>Shantou</th>
<th>Tonnage (in tons)</th>
<th>No. of immigrants</th>
<th>No. of emigrants</th>
<th>Total overseas settlers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1840</td>
<td>161</td>
<td>59,236</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1870</td>
<td>414</td>
<td>204,968</td>
<td>6,176,293</td>
<td>-</td>
<td>22,282</td>
</tr>
<tr>
<td>1880</td>
<td>866</td>
<td>627,886</td>
<td>21,275,667</td>
<td>28,013</td>
<td>38,005</td>
</tr>
<tr>
<td>1890</td>
<td>1,649</td>
<td>1,573,542</td>
<td>25,070,981</td>
<td>50,062</td>
<td>75,143</td>
</tr>
<tr>
<td>1900</td>
<td>2,127</td>
<td>2,185,544</td>
<td>40,030,734</td>
<td>71,650</td>
<td>91,640</td>
</tr>
<tr>
<td>1910</td>
<td>2,592</td>
<td>2,960,744</td>
<td>54,014,382</td>
<td>108,835</td>
<td>132,928</td>
</tr>
<tr>
<td>1920</td>
<td>2,496</td>
<td>2,921,531</td>
<td>65,497,958</td>
<td>68,352</td>
<td>133,826</td>
</tr>
<tr>
<td>1930</td>
<td>4,010</td>
<td>5,735,828</td>
<td>108,879,407</td>
<td>94,726</td>
<td>203,603</td>
</tr>
</tbody>
</table>

Sources: Zhongguo Haiguan Xuehui Shantou Haiguan Xiaota and Shantou Shi Diliang Zhi Bianzhuan Weiyuanhui Bangongshi (eds), Chao Haiguan Shifan Huihian [Collection of Historical Documents Relating to the Chaozhou Maritime Customs] [Internal reference, 1988], pp. 136–279; hereafter, Chao Haiguan Shifan Huihian.

Before Shantou was established as a treaty port, smuggling was a way of life for the people who lived in the region. Opium, which occupied about 75 per cent of the revenue from imports until 1910, was gradually replaced by the importation of cotton yarn, sugar and canned food. In 1926, the major commodities imported from overseas were rice, sugar, cotton and charcoal. The major goods exported to overseas countries were paper and peanut oil. Major goods imported from other parts of China included bean cake, cotton yarn, beans and peanuts; goods exported to other parts of China included paper, sugar and clothes. Products were transported inland by local steamship companies. As we can see from Table 3.3, the Shantou–Hong Kong–Southeast Asia trade occupied about 70 per cent of the total trade return. This trade route was mainly dominated by the Haitian clique (merchants from Chao’an, Chenghai and Raoping) of the Shantou Chamber of Commerce. However, trade with Shantou’s hinterland and Shanghai was mainly in the hands of the Reform clique, which included merchants from Chaoyang, Puning and Jieyang. This situation continued until the 1930s.

Table 3.3: 1926 trade returns of Shantou port (Haiquan tael)

<table>
<thead>
<tr>
<th></th>
<th>Import</th>
<th>Export</th>
<th>Total</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hong Kong</td>
<td>4,436,535</td>
<td>733,911</td>
<td>5,170,446</td>
<td>16.90</td>
</tr>
<tr>
<td>Siam</td>
<td>3,776,891</td>
<td>2,939,592</td>
<td>6,716,483</td>
<td>21.90</td>
</tr>
<tr>
<td>Straits settlers</td>
<td>307,728</td>
<td>4,819,929</td>
<td>5,127,657</td>
<td>16.80</td>
</tr>
<tr>
<td>Vietnam</td>
<td>2,097,286</td>
<td>2,223,188</td>
<td>4,320,474</td>
<td>14.10</td>
</tr>
<tr>
<td>Sub-total</td>
<td>10,659,400</td>
<td>10,708,020</td>
<td>21,367,420</td>
<td>69.7</td>
</tr>
<tr>
<td>Other China ports</td>
<td>8,641,133</td>
<td>678,359</td>
<td>9,319,492</td>
<td>30.3</td>
</tr>
<tr>
<td>Total</td>
<td>19,240,533</td>
<td>11,384,979</td>
<td>30,625,512</td>
<td>100</td>
</tr>
</tbody>
</table>

Shipping also transported large numbers of Chaozhou and Hakka people overseas and brought them back. In the 1850s, Shantou replaced Xiamen as the major port for transporting coolies. Coolie trade agents ran hotels and coolie pens, sent their brokers to Shantou’s hinterland to recruit coolies, and transported these recruits to Shantou via local steamships. The coolies were kept waiting in the hotels until the end of the year for departure. From 1852 to 1853, more than 3,450 coolies were sent through the coolie business. In 1855, the number increased to 6,300. After Shantou became a treaty port, more and more Chinese from inland districts went overseas via this port. The Chaozhou merchants, mainly from the Chaozhou accent district, acted as agents of foreign shipping companies or themselves were owners of ships. They provided an efficient infrastructure to assist these new emigrants; services ranged from transporting them from their hometowns to assisting them to settle in the host country. According to a set of 1935 statistics, there were about two million Chaozhou Chinese living in Southeast Asia (see Table 3.4). They constituted 40 per cent of the Chaozhou region’s population of five million. The large number of Chaozhou people living overseas resulted in a great demand for Chaozhou goods as well as the need for sending back remittance through various agencies.

Table 3.4: Numbers of Chinese in Southeast Asia

<table>
<thead>
<tr>
<th>Year</th>
<th>Malaysia (including Singapore)</th>
<th>Indonesia</th>
<th>Burma</th>
<th>Siam (Cholon)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1947</td>
<td>364,232 437,407 157,649 641,945 827,411</td>
<td>33,990 50,038 136,130 554,981 188,400</td>
<td>162,000 162,000 278,800 370,000 216,000</td>
<td>41,542 41,542 12.6% 10.6% 3.4% 3.4% 7.8%</td>
</tr>
</tbody>
</table>

Remittance and Exchange
Before the Second World War, there were only a few modern financial organizations in Shantou. Local native banks played an important middleman role in small-scale transactions. They were able to minimize the influence of large-scale financial institutions such as the Shantung remittance banks before the 1911 revolution and foreign banks such as the Hong Kong and Shanghai Banking Corporation until the late 1930s. The only foreign bank, the Japanese Taiwan Bank, did not play an active role in foreign exchange and remittance. The Bank of China (Zhongguo Yinhang) and Bank of Guangdong Province (Guangdong Sheng Yinhang), both of which established branches in Shantou in the 1920s, did not have any branches in Thailand, from where most of the remittances came (see Table 3.5). The agencies that managed remittance before 1934 were always the xinju (letter bureaus), yinhao (traditional Chinese banks), zhongchao (business companies) and shukhe (individual agents). A publication of 1933 describes the situation before the Second World War thus:

The most convenient and safe method is to ask an individual agent to bring back the money. The remittance agents founded by different counties in Shantou are as many as the fish in the river. The remittance business is very prosperous in Shantou. It is the major power in the Chaozhou economy.

Table 3.5: 1933 remittances (in millions of dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>Siam</th>
<th>Singapore</th>
<th>Vietnam</th>
<th>Other</th>
<th>Total</th>
<th>% of national share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1930</td>
<td>40</td>
<td>30</td>
<td>10</td>
<td>20</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>1931</td>
<td>35</td>
<td>28</td>
<td>10</td>
<td>17</td>
<td>70</td>
<td>22</td>
</tr>
<tr>
<td>1932</td>
<td>32</td>
<td>25</td>
<td>6</td>
<td>12</td>
<td>75</td>
<td>21.9</td>
</tr>
<tr>
<td>1933</td>
<td>27</td>
<td>25</td>
<td>6</td>
<td>12</td>
<td>70</td>
<td>20.5</td>
</tr>
<tr>
<td>1934</td>
<td>20</td>
<td>18</td>
<td>4</td>
<td>8</td>
<td>50</td>
<td>20.2</td>
</tr>
</tbody>
</table>


Yinhao or native banks were important because they had more capital. They usually assisted the remittance houses whenever the latter had financial difficulties. Of the remittance sent from Thailand, 90 per cent was sent through the Chaozhou yinhao via Hong Kong to Shantou. Before 1934, many of these yinhao could issue paper notes themselves. In 1946, there were in total eighty-five remittance agents, of
whom fifty-five belonged to the remittance guild. Of these eighty-five agents, thirty handled more than four billion yuan a month or forty-eight billion yuan a year. In 1933, there were seventy-one agencies that could issue paper currency. They were closely related to the two merchant cliques in the Chamber of Commerce, one controlling the remittance guild and the other the banking guild (see Table 3.6). These included seventeen traditional Chinese banks registered with the remittance guild (qianye gonghu); twenty-three business firms registered with the remittance guild; eighteen traditional Chinese banks registered with the banking guild (yinye gonghu); and thirteen business firms registered with the banking guild.

### Table 3.6: Competition between the Haitian group and the Reform group

<table>
<thead>
<tr>
<th>Region</th>
<th>Reform</th>
<th>Haitian</th>
</tr>
</thead>
<tbody>
<tr>
<td>internal connection</td>
<td>Chaozhou, Raoping and Chenghai counties</td>
<td>Huang, Fuzhou, and Jiezou counties</td>
</tr>
<tr>
<td>External connections</td>
<td>Hong Kong and Southeast Asia</td>
<td>Shanghai and Interior</td>
</tr>
<tr>
<td>Financial guilds</td>
<td>Yiyue gonghu</td>
<td>Qiyou gonghu</td>
</tr>
<tr>
<td>Number of paper</td>
<td>17 native banks</td>
<td>17 native banks</td>
</tr>
<tr>
<td>agencies registered with</td>
<td>23 business firms</td>
<td>23 business firms</td>
</tr>
<tr>
<td>the guild</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business scale</td>
<td>Transnational merchants</td>
<td>Many petty merchants</td>
</tr>
</tbody>
</table>


In brief, before 1934, the local government in general was weak and not able to manage the monetary system. The local economy and socio-political affairs were controlled by two major cliques, founded on the basis of dialect, place of origin and occupation. These two groups, which either had close ties with Hong Kong and Southeast Asia, or with Shanghai and Shantou’s hinterland, competed for control of the city through influence over the Shantou Chamber of Commerce. Most businesses in Shantou were of small scale (see Table 3.7). To influence the local society, they had to affiliate with large corporations, such as Yuan Fa Hang and Kin Tye Lung, which had the major portion of their businesses in Hong Kong and Southeast Asia. Shantou was only one of their many branches. These companies and the local banks associated with them enjoyed the liberty of issuing paper notes until 1934. Instead of sending the capital back to Shantou to settle business transactions or as remittances, they could use the accumulated foreign currency or currency by weight to reinvest in other areas in Hong Kong and Southeast Asia. The reputation of the firm, the social credit of the merchants and real estate holdings functioned as guarantees, allowing capital circulation backed only by a small amount of currency by weight. As a result, most of the business firms in Shantou operated on the basis of a comparatively small amount of capital (see Figure 3.3).

### Table 3.7: Average capital of major firms in 1933

<table>
<thead>
<tr>
<th>Type of firm</th>
<th>No. of firms</th>
<th>Total capital(yuan)</th>
<th>Average capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exchange</td>
<td>256</td>
<td>1,024,000</td>
<td>4,000</td>
</tr>
<tr>
<td>Remittance</td>
<td>55</td>
<td>1,100,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Native bank</td>
<td>58</td>
<td>14,500,000</td>
<td>250,000</td>
</tr>
<tr>
<td>Import-export</td>
<td>70</td>
<td>7,000,000</td>
<td>100,000</td>
</tr>
</tbody>
</table>

**Sources:** Ran, Chaozhou Zhi, section 4, "Shengzhi: Shangyu", pp. 1299–300.

![Figure 3.3: Transactions with special notes on the flow of currency and bills](source)


The central and local governments had never successfully implemented a strong and efficient financial mechanism in Shantou. Even after 1921 when Shantou became an administrative city, the city was always under the influence of the merchants, many of them engaged in the import-export business. Before the Great Depression, plantations and the trading of rice and other local products
in Southeast Asia had attracted many Chinese from this region either as contract labour or as members of a family-run trading firm. Shipping of goods and passengers and the remittances sent back from overseas members were major businesses affecting the livelihood of the city and its hinterland. Business firms opened by the Chaozhou merchants in Southeast Asia also provided financial services, particularly in remittance and production. After the First World War, some of them established modern banks that were tightly affiliated with their family businesses. Before China adopted a legal tender with gold as its standard in 1934, they took advantage of favourable exchange rates between silver and gold. By issuing paper notes, they did not need to provide currency by weight to settle their transactions in Shantou. Moreover, because of their social credit and their overseas connections, these companies expanded the volume of their transactions with only limited reserves of currency by weight. To make this possible, a transnational integrated trading strategy was needed. Shantou's trading environment before the twentieth century was the foundation that shaped the business formation of the Chaozhou transnational merchants who, on the books, were rice importers and exporters.

Rice Trade in Shantou: A Historical Review

The Maritime Customs in Shantou stated in its Decennial Report for the years 1902 to 1911 that

although rice is cultivated to a considerable extent in the surrounding districts, the supply does not suffice to meet local requirements, and large quantities of this cereal are consequently imported each year, principally from the Yangtze ports, but also at times, as in 1910, when the Yangtze crop failed, from Siam.15

Ten years later, it reported a change.

Less rice is now imported, both from Siam and the Red Sea, than formerly, but more flour; the local rice crops are, owing to the hilly nature of the hinterland, never sufficient for the needs of the large population, but the area under cultivation is smaller than it was at one time, as the cultivation of fruit and vegetables is more profitable, and they are in great demand among emigrants abroad ... Swatow rice is preferred to any other on the market.16

We learn from these two reports that the district itself was not only an area that consumed rice, but was also an area that produced it. The supply and demand of imported rice therefore relied on the harvest of the grain, the population and the utility of land. We also learn that at least until the beginning of the twentieth century, most imported rice came from central China. Southeast Asian rice, particularly from Thailand where the majority of the Chinese and the Chinese rice merchants from Chaozhou were based, constituted only a small percentage of imported rice.

Various factors contributed to the amount of rice imported through Maritime Customs. When a good harvest was reported, there was no need to import rice.18 However, Chaozhou is a district prone to typhoons in the summer, when the second cropping of rice is about to yield. This poses a threat to the rice crop. Before the twentieth century, the Chaozhou region was reported to have experienced three serious natural disasters respectively in 1854–5, 1885–6 and 1898.19 Typhoons brought heavy rain. As a result, "[in 1864] immense embankments were broken down, and fields and villages inundated in all directions."20 In response to the bad harvest, rice importation increased in the subsequent year.

The second reason was social unrest, in particular, the Taiping rebellion from 1850 to 1865. The rebels forced many capable cultivators to leave their land, and with certain cities threatened by the rebels, rice dealers were not motivated to distribute rice even though it would sell at a good price. Disruption of inland trade routes as well as the bankruptcy of hinterland farming encouraged importation of rice from Southeast Asia. It also encouraged illicit importation through alternative routes where rice and other subsistence products could reach the consumer directly. Political decisions regarding rice production in central China also affected the amount of rice imported as well as the decision to import rice from Southeast Asia.21

The third reason was related to land utilization. In the 1880s and 1890s, two important trends in the Chaozhou district could be observed. Firstly, cultivable land was switched over from producing rice to growing sugar cane, and later, when the sugar market was threatened by Java in the global and domestic markets,22 to fruits and vegetables.23 Sugar was always one of the major export items from Chaozhou. While there will be more sugar to export, there will be more rice to import.24 In 1855, when many farmers in Sichuan province used their fields to grow opium, more Chaozhou farmers moved to plant sugar cane. Even in 1889 when the London market for sugar diminished, there was still a high demand locally because sugar was widely used in festivals and rituals in the Chaozhou district. Exports of sugar gradually became insignificant in the late 1880s. However, during the same period there was higher demand for local goods, fruits, vegetables and other foodstuffs needed by overseas populations.25 In other words, the farmers were responding to the changing global market. Hence, land utilization made way first for sugar cane and later for fruits and vegetables. The scarcity of cultivable land for growing rice was perhaps the result of the importation of rice even though no serious natural disasters, except in 1885 and 1886, were reported during this period.

The second trend was that people in Chaozhou started to change their preference in rice from the late 1890s. This was probably because of the dwindling
confidence in the supply and quality of native rice, and the changed eating habits that accompanied returning migrants. The Sino-Japanese War in 1894 forced the closure of Yangtze ports. The price of rice was further elevated by the fact that many local dealers engaged in speculation. In 1897, it was reported that importers from northern ports poured the grain in order to increase weight. 24 As a result, local people lost their trust in native grains. In 1898, importing from Yangtze ports stopped completely, driving local suppliers to look for alternatives from Bangkok and Saigon. 25 It was also during this period when many early migrants, merchants or coolies, returned home after ten to twenty years overseas. These two factors – forced changes in eating habits combined with new tastes brought back by returned members of the community – facilitated the rice trade with Southeast Asia (see Table 3.8).

<table>
<thead>
<tr>
<th>Year</th>
<th>Quantity (pound)</th>
<th>Value (Huang tsai)</th>
<th>Price per pound</th>
<th>Page 193</th>
</tr>
</thead>
<tbody>
<tr>
<td>1865</td>
<td>644,621</td>
<td>1933,863</td>
<td>3</td>
<td>p. 193</td>
</tr>
<tr>
<td>1870</td>
<td>3,654</td>
<td>5,280</td>
<td>1.44</td>
<td>p. 194</td>
</tr>
<tr>
<td>1875</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>p. 195</td>
</tr>
<tr>
<td>1880</td>
<td>22,902</td>
<td>31,437</td>
<td>1.47</td>
<td>p. 196</td>
</tr>
<tr>
<td>1885</td>
<td>80,833</td>
<td>105,903</td>
<td>1.32</td>
<td>p. 197</td>
</tr>
<tr>
<td>1890</td>
<td>128,388</td>
<td>182,314</td>
<td>1.47</td>
<td>p. 198</td>
</tr>
<tr>
<td>1895</td>
<td>248,752</td>
<td>403,589</td>
<td>1.62</td>
<td>p. 199</td>
</tr>
<tr>
<td>1900</td>
<td>72,520</td>
<td>181,202</td>
<td>2.5</td>
<td>p. 200</td>
</tr>
<tr>
<td>1905</td>
<td>8,521</td>
<td>0</td>
<td>0</td>
<td>p. 201</td>
</tr>
<tr>
<td>1910</td>
<td>1,116,956</td>
<td>0</td>
<td>0</td>
<td>p. 202</td>
</tr>
<tr>
<td>1915</td>
<td>491,882</td>
<td>0</td>
<td>0</td>
<td>p. 203</td>
</tr>
<tr>
<td>1920</td>
<td>6,578</td>
<td>0</td>
<td>0</td>
<td>p. 204</td>
</tr>
<tr>
<td>1925</td>
<td>3,36,896</td>
<td>0</td>
<td>0</td>
<td>p. 205</td>
</tr>
<tr>
<td>1930</td>
<td>1,397,972</td>
<td>0</td>
<td>0</td>
<td>p. 206</td>
</tr>
</tbody>
</table>

Source: Chao Haiguan Shiliao Hsueh, pp. 193–204. Note: Information about the value of commodities is given for some years before 1900 and not provided after that year.

In brief, as a subsistence commodity, rice in Chaozhou came from three sources: local production in Chaozhou, central China and Southeast Asia. The increase of grain importation was not necessarily because of rice yield failure. The rapid decrease in local rice production was due to a growing interest in planting sugar cane, vegetables and fruits, which were cheaper to grow, less labor-intensive and more profitable. These changes in land utility worked well with the population landscape where many capable men preferred to seek their fortunes overseas. The supply of rice also changed from central China to Southeast Asia by the end of the nineteenth century. This was probably because of the long-term high price of the former and the decreasing quality and quantity of native rice in the 1890s. It was, however, also related to the altered eating habits introduced by the return of the overseas Chaozhou, who had learned to prefer Southeast Asian fragrant/jasmine rice. 26

Maritime customs in Shantou levied a higher tariff on goods imported through the treaty port, compared with native transit stations at which Chinese vessels could anchor more easily and where it was easier for dealers to have access to consumers. As a result, the rice trade was unstable, high in risk and probably less profitable. Yet, many large transnational Chaozhou merchants in the mid-nineteenth century engaged in the rice import and export business. The following section examines their trading strategy, which was devised in response to the trading environment in Shantou.

The Chaozhou Transnational Rice Merchants and the Structure of their Trade

After 1864, when the Qing court lifted its ban on maritime trade, many villagers from the Chaozhou area engaged in the business of importing rice from and exporting local products to Southeast Asia. 27 Along with the blooming of maritime trade and the loosening of Chinese emigration policy in the mid-nineteenth century, many Chaozhou villagers established trading companies and settled in Hong Kong and Southeast Asia. Kim Tye Lung (hereafter KTL), the oldest existing Chinese import and export company in Hong Kong, was one such example. KTL was founded in the early 1850s by Chen Xuanyi and his brother Xuanming, who came from the Chen lineage of Qianxi village in Raoping county, Chaozhou prefecture. 28 The Chens in Qianxi claim to be descended from the same founding ancestor. In the 1840s, members of the Chen extended family, including Xuanyi, left the village to work as crew on ships owned by the Yuan Fa Sheng company. 29 A few years later, Xuanyi, probably with his brother and cousin, accumulated enough money to set up their own import-export business in Hong Kong. The company, KTL, imported rice from Siam to Hong Kong and Guangdong province and exported local products to Southeast Asia. 30 From rice import-export, the company expanded its operations to Shantou and Southeast Asia 31 and into rice milling, remittance, shipping and banking. The business was very successful, partly because of the demand for local Chinese products by Chinese immigrants; for remittance services for the Chinese labourers in Southeast Asia; and for rice in southern China.

In the last quarter of the nineteenth century, the Chens quickly rose, both socially and economically. The family continued to acquire land in their hometown and in Shantou, 32 joined Chinese high society in Hong Kong and southern China, 33 and established associate companies respectively in Bangkok (Wanglee, 1871), Singapore (Tan Seng Lee, 1885; later renamed Tan Guan Lee), Shantou (Tan Wan Lee) and Saigon (Kien Guan Lee). By the turn of the century, they were
one of the wealthiest families in the Chaozhou region. Members of the family enjoyed high social status in Shantou, Hong Kong, Singapore and Bangkok.\textsuperscript{37}

The expansion of KTL's external business network and internal structure was closely related to the trading environment in Shantou. In the 1870s and 1880s when the two Chen brothers dispatched their sons to open associate companies\textsuperscript{49} in Saigon, Bangkok and Singapore, they were looking to establish a vertical business network, integrating rice production and distribution. As shown in Figure 3.4, unhusked rice was collected by the associate company's agents in Bangkok and Saigon and brought to the rice mills owned by the company. The milled rice was then exported to Singapore and Hong Kong, where part was auctioned by the wholesalers for local consumption, and the remaining part re-exported to Shantou where KTL's associate company redistributed it to local wholesalers. While the importer controlled the source (that is, the physical production of the rice), he/she could not control the wholesale and retail markets. They had to sell the rice on receipt of the goods. It was the wholesalers who benefited more as they could wait for a good buying price before purchasing and a good selling price before putting the goods onto the market. Therefore, many of the staff of the rice importing company also participated in the wholesale business. Usually, the credit term the rice importer gave the wholesaler was one month. Thus, the wholesaler had better flexibility in managing their finances.

For example, in the 1930s, at least three rice wholesalers in Singapore were regular clients of Tan Guan Lee. These three wholesale companies, Wu Rong, Chang Xing and Qian Xing, were owned by staff of the financial section of Tan Guan Lee. Wu Rong was founded by the five major shareholders of Tan Guan Lee; besides Chen Ken'gou, they were Chen Shouzhen, Chen Shouning and Chen Shouhe of the Wangle company in Bangkok and Chen Shouzi of KTL in Hong Kong. Chang Xing was founded by the sons of Chen Liangchen, the treasurer, while Qian Xing was founded by the daughter and son-in-law of Chen Lishi, general manager of Tan Guan Lee. Managers of these companies were professionals who "had good brains and good knowledge of the rice market."\textsuperscript{39} However, like Tan Guan Lee, the respective financial sections of these wholesale companies were controlled by close associates of the managing directors. For instance, Wu Rong's general director was Chen Ken'gou. Its rice manager, though surnamed Chen, was not a member of the Chen lineage in Qianxi, but Wu Rong's treasurer, Chen Chengqiu, was.\textsuperscript{49}

Though these related wholesalers had to compete with other wholesalers at public auctions, they had two advantages: first, they had inside information on the quality and quantity of the rice, and second, they possessed better credit terms, for they could prolong their payment as they were also in control of the accounts of the rice importer, Tan Guan Lee. Moreover, members of the financial department had a special account with their names registered in Tan Guan Lee's account books. For instance, Chen Ken'gou's account name was Guoji, and Chen Lishan's was Shanji and Qiongji. Having internal accounts enabled the members to benefit from the transfer of capital between the importer and the wholesaler.

To reduce transaction costs, KTL, like other transnational import-exporters, engaged in businesses related to rice transaction. For instance Wangle, founded in 1874, expanded within a few years from being a company that provided milled rice to KTL, to having its own import-export business. It also acted as an agent for the Norway BK Steamship Company, transporting cargo and passengers from the ports of Bangkok, Singapore, Haikou (in Hainan), Hong Kong and Shantou.

Figure 3.5 shows the internal structure of Tan Guan Lee, KTL's associate company in Singapore. Before the Japanese occupation, the company employed more than fifty regular employees. The company was headed by a general manager, who was assisted by a managing director. Four managers (Greek, Mandarin, jiaoe, shanghai) managed four respective sections of the company. These were rice, Southeast Asian products, miscellaneous products (from China) and shipping. Rice and shipping were the most important. Under the section managers were four clerks, responsible for writing letters and reports, and four stock keepers, responsible for the company's warehouses. Besides the manager, the shipping section had a separate team of five clerks who handled documents written in English. The company was the agent for more than twenty-five types of rice, salted fish, salt, sugar, spices, tea and dried fruits. It was also the agent for Thore-
sen & Co. Ltd. In the 1930s, KTL and its associate companies ran a fleet of four cargo ships, which plied the waters between Bangkok, Singapore and Malaya, and two cargo and passenger ships, which shuttled between the ports of Xiamen, Shantou, Hong Kong, Haikou, Rangoon and Singapore.

Figure 3.5: Internal structure of Tan Guan Lee. Source: Interview with Mr Chen Songru, 28 December 1995. Songru was the son of Ken'gou, who was Managing Director (‘Tong; Mandarin, 'tong') of the company from the 1920s to 1946. Songru was cashier and treasurer of the company until the 1970s, when he retired.

The associate companies also ran insurance companies in Bangkok and Hong Kong, owned warehouses in all port cities and engaged in remittance as well as native banking in Shantou. As mentioned in the previous section, passenger traffic was one of the most profitable businesses beginning in the late 1870s. The British consul in Shantou pointed out that the Chinese passenger was an important branch of the business of the port. The large quantity and importance of passenger trade was mentioned, without exception, almost every year in the consular trade report. Figures 3.6 and 3.7 show the rapid growth of passengers and vessels entering and departing from the port. For the import-export companies, it was essential to integrate these different sectors of business in Shantou as well as overseas. In Shantou they imported rice and Southeast Asian products; they exported sugar, fruits and vegetables; and they conveyed passengers to and from Shantou. To facilitate these transactions, they founded their own financial establishments and built storage space. To serve the passengers' needs, KTL, like the Chinese herbal medicine company Eu Yan Sang, became involved in remittance.

Figure 3.6: Number of passengers arriving at and departing from the Shantou port, 1873–1933. Source: Chao Hsiaguang Shoffan Hahbun, pp. 238–51 (passengers to and from Hong Kong, the Straits Settlements, Bangkok, Saigon, Sumatra and other places).

Figure 3.7: Number of vessels entering and leaving the Shantou port, 1861–1910. Source: Chao Hsiaguang Shoffan Hahbun, pp. 136–40.
After 1933, many Southeast Asian countries tightened their immigration procedures. Migration from China to Southeast Asia was not as easy as before. For this reason, together with the restriction of rice exportation and the unstable economic situation in southern China, Chinese firms that were headquartered in Hong Kong, Singapore or Bangkok reoriented their business focus. This withdrawal from the Shantou business sector allowed them to survive through the 1934 financial crisis.

Before 1934, small-scale businesses with little capital were established through mutual guarantee and through their affiliation with various associations. They had strong networks with their homestowns and their business included the transportation of passengers, sundries and remittance between inland areas and the treaty port. For them, the damage of the 1934 financial crisis was mitigated because they were able to retreat inland with only a very limited loss. The business environment in Shantou before 1934, including weak political governance, strong factional politics, reliance on overseas financial organizations, the small scale of capital and the freedom to issue paper notes provided a vital means for the economic growth of the city. However, these factors did not provide any roots for development. Therefore, when the economic crisis occurred and when a strong central government stepped in, business firms in Shantou with strong affiliations to either overseas or inland parties could simply retreat from the business arena because they had little to lose.

Conclusion
The Chaohzhou merchants, who were mainly engaged in the transnational rice trade, established a Hong Kong–Singapore–Bangkok–Shantou trading network beginning in the nineteenth century. The grain, which moved from the hands of the producers in Thailand to the stomachs of the consumers in South China, had to go through various commercial and technological systems. From milling to shipping and then to storage, rice merchants needed a well-informed network to contain potential risks and reduce transaction costs. With limited capital, they needed trusted cross-border partners to handle advances and guarantee credits. Under these conditions, a system of lianhou associate companies was founded. These were companies whose shares are cross-owned by close relatives but are financially and administratively independent.

This chapter, using a Chaohzhou family firm and its associate companies as an example, has attempted to demonstrate that it was “rice” and the businesses derived from it that facilitated the success of this trading network in the second half of the nineteenth century to the beginning of the twentieth. Importation of rice from Southeast Asia, particularly Siam, was shaped by (1) the yields in Shantou’s vast hinterland, whose large population produced and consumed rice and (2) the supply of rice from central China. As a subsistence commodity, the price of rice was closely monitored by the government, which meant that the trade alone was not always profitable. To reduce risk and increase trading efficiency, “rice” importers in Shantou engaged in various business activities; they organized shipping agencies; imported and exported other goods and transported passengers; managed godowns and warehouses for temporary storage; and established financial institutions. This integration of business activities required the efficiency of a well-structured trading network. Shantou, before 1934, provided an environment that made this integrated and structured business network possible.

Acknowledgements
The first draft of this paper was presented at the 16th World Economic History Congress, 9–13 July 2012, Stellenbosch University, South Africa. The author is grateful for the support of the Hong Kong Research Grant Council CRF project (C2H4K3SR1F1G) led by Prof. Leung Yuen-shing and the 'Intra-Asian Trade during the "Long 19th Century"' panel led by Prof. Shiroyama Tomoko.

Glossary

huaxiao 阿蛟
Chang Xing 长兴
Chong’an 洞安
Chongyang 从阳
Chaohou 长洲
Chaohoufu 长洲府
Chefoo [Zhuifu] 芝罘
Chen Chenggu 沈成国
Chen Kerong 沈开隆
Chen Liuchang 沈立彰
Chen Liushan 沈立珊
Chen Liyih 沈立得
Chen Shouhe 沈守河
Chen Shouming 沈守明
Chen Shouzheng 沈守正
Chen Shouzhi 沈守智
Chen Songgui 沈松贵
Chen Xianmin 沈宪明
Chen Xianyi 沈宪衣
Chenghai 澄海
Chousha 染纱
Cizong 慈宗
Dai Hsi 迪溪
Du Shi Ji 大事記
Dong Long 東龍