

***Explain the Canton system of trade. What were the chief characteristics of the Canton Trade? Why did the system collapse?***

*Between 1759-1842 China's foreign trade was carried through Canton. It was a single port trade, other ports of China were not open to the foreigners. The foreigners were not allowed to enter them. The English merchant James Fleet tried to build up trade relations with the northern ports such as Ningpo, Amoy and Shanghai but failed. Outside the Canton port city the foreign companies built up their 13 colonies on the banks of the Pearl river. The total area covered by the foreign establishment was 21 acres. For this the Hong merchants were paid rent. Here the British, Americans, French, Dutch, Belgian, Swedish, Danish and Spaniards set up their factories. The Chinese called them the abodes of the barbarians. The essence of this Canton system was monopoly coupled with responsibility, with little room left for free private enterprise. The Chinese court permitted thirteen Chinese trade organisations, called Hong, to conduct monopoly trade at Canton. These organisations formed a single unified system called Co-Hong, the members were known as Hong merchants. They got these monopoly trade rights by paying a lump sum amount to the court. The Superintendent of custom at Canton called Hoppo supervised the activities of the Hong merchants. These Hoppo also extorted bribes and gifts from them. At the top of the port administration was the local governor-general.*

*This Canton port to the south of China was very old and geographically important. In the early years of the 16th century the Portuguese came here to trade. These Chinese merchants who were associated with foreign trade were divided into three classes. One group conducted trade with the westerners, the other group was engaged in trade with south-east Asian countries and the third group traded with the northern ports Fukien and Chaocha. J. Chesnaux has observed that a powerful merchant aristocracy emerged in China centering the trade of Canton. The Co-Hong settled the volume and price of commodities and took advance from the foreigners. Their language of communication with the foreigners was Pidgin (a mixed English and Chinese). The comprador (accountant, broker and treasurer), mediator, clerk, shroff and mahajan were associated with this foreign trade. All foreigners were not directly involved in this trade. For example, the English East India Company directly traded with China and allowed country traders, crews and supercargoes to trade with China. The free merchants also had a role in this China trade.*

*Originating from the tribute system the Canton trade system was a form of controlled and regulated trade. China considered herself a self-sufficient country and she had no attraction for foreign goods. New consumer goods produced by new technology could not attract them. The Chinese court never admitted that the trade at Canton was the right of the foreigners, it was a gift of the middle kingdom. If the foreigners obey the rules and regulations of China the emperor had no objection. If they violate the prevailing rules and regulations their right to trade would be cancelled. The foreigners had to pay measurement fee to the Chinese as well as gifts and customs duties. A part of these gifts was presented to the emperor and his high officials. The foreigners who lived here and traded had to submit to several restrictive regulations imposed on them. They were not allowed to go out of their factories, neither were they allowed to communicate directly with the authorities. The foreigners were not permitted to remain in Canton after the trading season. The factories of the foreigners could not appoint women or keep weapons. What was most objectionable was that all foreigners remained subject to the procedures of Chinese criminal law. They were not allowed to move freely in the river of the port. Despite these restrictions the relations between the Hong merchants and foreigners was not bad. The American merchant William Hunter has highly praised the Hong merchants. He wrote that they were respectable people, honest, scrupulously implemented terms of the treaty and liberal minded. The Hong merchants were a body of men honourable and reliable in all their dealings, faithful to their contracts and large-minded. They shared a spirit of comradery with the foreign trader, each helping the other out in times of difficulty and insolvency.*

*Despite these difficulties and objections, by the late 18th century there was a flourishing triangular trade between Canton, India and England. Most of Canton trade was with England.*

*The demand for tea, especially black tea, was rising in England and Europe. Among China's other exportable commodities were raw silk, porcelain vessels, cotton piece goods of Nanking and several other handicrafts products. The Cambridge History of China has mentioned another cause for increasing Indo-China trade. The East India Company continued in business at Canton because the company ruled India, and China was the best medium of remittance for surplus Indian revenue needed to service the £ 28 million in debts engaged in London to pay the cost conquering India in the first place.*

*There is no doubt that the trade at Canton was steadily growing. In 1751 19 foreign ships visited this port, in 1792 the number of foreign ships increased to 57. The foreigners imported to China woollen cloths, zinc, tin, iron, copper, wool, linen and new instruments made in Europe. The English merchants, which included several Indian and Persian merchants, imported from India yarn, ivory, sandal wood, silver and opium. Import of opium was increasing over the years and it created conflict with the Chinese. The English merchants exported to India such articles as Nankin cloths, alum, camphor, pepper, sugar, medicines and Chinese porcelain utensils. The foreigners submitted to this controlled trade of Canton because it was extremely profitable. Generally the relation with Hong merchants was cordial, any trade dispute was amicably settled through discussion. But if the foreigners committed any crime or committed homicide they were rigorously punished according to Chinese law. The balance of trade at Canton tilted in favour of China as her import of foreign goods was very limited. Between 1775 and 1795 the East India Company imported goods worth 31.5 million taels and exported goods worth 46.6 million taels. In unofficial trade, however, the balance of trade was in favour of the foreigners, the surplus was used to meet the deficit of the company trade.*

*The Co-hong's capital came from profit earned by selling tea and textile to monopoly trading organizations like the British East India Company. There was corruption and oppression in this trade. In 1775 the Hong merchants launched the Konsoo fund to which members contributed 10 per cent of their income. It was at first secret, money from this fund was used to meet the demands of the high officials and the court. The court later recognised it. Foreign imported goods were to pay 3 per cent commercial tax. If a Hong merchant became insolvent money from this fund was utilised to bail him out. The foreign creditors were paid from this fund. Indo-China trade increased through Canton but China did not like foreign products. Calcutta alone had fifteen agency houses to conduct its trade with China. They acted as bankers, insurance agents, transport and trade agents. The English could find nothing manufactured in Europe which the Chinese would consume in quantities proportional to the gigantic English demand for tea.*

*Towards the close of the 18th and early years of the 19th century the British nation wanted to put an end to the controlled Canton trade and instead wanted an equal trade relation with the east. It is true it would have been hard to devise a more effective institution to fit under the wing of the ancient Chinese tributary system. But it was not consistent with the new ideas and perceptions of trade that emerged in the post-industrial revolution period of England. The British government took the initiative to remove the restrictions that hampered international trade. They wanted trade relation with China on the basis of international law. The foreigners had three objections-one port trade, restrictions on freedom and extortion. The Chinese government did not allow the foreigners to enter the interior of China for trade purposes. The British government sent three embassies to China to discuss trade issues. In 1787 Colonel Cathcart came to China but he died on his way to Peking. In 1792 Lord Macartney came to China with similar mission. The mission was entrusted with the task of opening the whole East to British trade and of placing relations with China on a regular treaty basis. But this Macartney mission also did not succeed. His proposal for a treaty was rejected by the Chinese emperor Chien Lung. 'We possess all things. We have no use for your*

country's manufactures'. In the meanwhile several other problems cropped up in their relationship. The East India Company attacked Nepal which was a tributary state of China. The American steamer Hunter captured a British warship on the coast of China. The British government held China responsible for this. In 1816 Lord Amherst came as the envoy of the British government but there was no success. The foreigners were not allowed to enter the other ports of China except Canton. They were to trade through the Hong merchants. They were almost confined to a particular area of Canton. In the mid 18th century the Chinese emperor allowed only nine Chinese merchants to trade with the foreigners. They were known as Co-hong. In 1760 the government formally recognised as Co-hong a corporation of nine merchants who monopolised the foreign trade. The government received only a small amount as customs duties on foreign trade. The Co-hong merchants collected commercial tax at higher rate from the foreigners but the government did not share it. The foreigners protested against this trade system time and again but all in vain. The Hong-merchants often took loans from the foreigners which remained outstanding. They could not repay the government money for which the Co-hong was once abolished, later it was brought back. The foreigners could not take their trade problems directly to the government, they were to go through the Hong-merchants.

The westerners did not like this one port oriented monopoly trade, they wanted free trade with China. There was a popular support in Europe in favour of free trade. It is to be mentioned that England's trade with China was increasing. Not only the official trade of the English East India Company, country trade as well as private trade were making brisk progress. The unofficial trade of the English merchants surpassed that of the official trade of the company. The non-English Indian merchants, captains and crews of ships also participated in this China trade. The western merchants started to trade with the non-official Chinese merchants from Hongkong and Lintin. The main item in this non-official trade was opium which was extremely profitable. The non-official foreigners were very eager to trade in China. The English East India Company lost its monopoly trade right since 1834 which made it difficult to conduct foreign trade through Hong-merchants. The British merchants still traded at Canton under several restrictions. They could not move out of their factory, neither could they carry weapons. The English merchants could not appoint women in their factory. They had to leave Canton at the end of the business season. The foreign ships were not allowed to enter Bogue (Humen). The Chinese pilots and compradors could work for the foreigners only with the permission of the government. They could not act freely for the foreigners.

The post-industrial revolution England clashed with China over Canton trade. England wanted modern trade relations, consistent with international law, with China. The Indian agency houses were closely associated with China trade. The British government, in order to protect her trade interests, thought of using power. The Chinese government was not aware of the power and resources of England. They were virtually ignorant of altered world situation. The ruling elite, of China could not realise the significance of foreign trade. The politicians considered China a self-sufficient country, which did not need foreign goods. They just showed favour to the foreigners by allowing them to trade. There was a fundamental difference in their attitude to trade. The Chinese did not trade on the basis of equality. This resulted in the opium war, collapse of the Canton system and its replacement by a treaty system.

The growth of British trade with China was more rapid after the turn of the century. By 1820 the non-official British traders established their supremacy in Canton trade. They demanded the abolition of the monopoly trade right of the company. The import of opium surpassed in volume and value all other import goods. Two features of Canton trade-controlled monopoly trade and increasing import of opium brought about the collapse of the Canton trade.