Introduction to “Rethinking Business History in Modern China”

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From Backwardness and Exploitation to Interaction

This special issue of Cross-Currents picks up on a contemporary experience that, in one way or another, is familiar to us all: the experience of discovering that what was once “foreign” has become a part of the domestic everyday. While people agitated over foreign goods and colonial conditions of exchange a hundred years ago, few people today can tell which goods are foreign, domestic, or exploitative in relationships of production simply by their places of production. The imported has become indigenized, and manufacturing has become a process involving complex relationships among transnational partners. China today, for example, is an economy of McDonald’s, Starbucks, German cars, Korean soap operas, Japanese cuisine, and American pop culture. It is also the home of Lenovo, Huawei, Alibaba, and other brands that are globalizing beyond the Chinese world.

In business and economic life, transnational connections can be found everywhere. Goods, people, and ideas all cross borders. And we are all implicated in the mediation process. We are, of course, well aware of the fact—and if we are not, there is a rather comprehensive body of literature to remind us—that there are places, regions, and areas in which such transfers are especially intensive, multilateral, and/or transnational. There are also regions where this process is less visible and less influential.

China is often portrayed as belonging into the latter category, as a country that repeatedly refused to join the world in free trade for extended periods. The existing literature identifies at least two such periods, namely during the Qing dynasty (1644–1911) until the mid-nineteenth century and the Maoist years of the Peoples Republic of China (1949–1976). John K. Fairbank, in his seminal work Trade and Diplomacy on the China Coast (1953), traced the Sino-British Opium War (1839–1842) to the clash between the progressive
doctrine of free trade and the restrictive norms of the Qing tributary empire. The Sinocentrism of the Qing confined Chinese attention to matters of ritual and blinded it to the world beyond. Chinese inability to deal with the “barbarians” was ultimately responsible for the decline of its power and the rise of a colonial East Asian order (Fairbank and Ch’en 1968). Following this line of interpretation, Western scholars conveniently dismissed China’s unsuccessful resistance to the West as a result of Chinese refusal to join the modern world of scientific progress and rationality (Feuerwerker 1958).

Such reasoning considered the economic and political strategies pursued by the Manchu court and Chinese officialdom to be traditional reflexes to social change, when they could have been understood as forms of economic and political confrontation against the novel phenomenon of global economic expansion. This influential view therefore downplayed or ignored contemporary contests outside the predetermined conceptual models of tradition and modernity, backwardness and progress, particular and universal, and the like. Influenced by Max Weber, this narrative portrayed Chinese businesses as traditional, backward, undercapitalized, without rationalized management, firmly rooted in family and region, and thus unfit to compete with large Western global competitors (Feuerwerker 1958; Dernberger 1975; Chan 1977; Bian 2011, 425–426).

A second school of interpretation stems from political theories inspired by Marx. Chinese historiography, well into the 1980s, advanced an economic and business history of Chinese modernity as one characterized by exploitation of the Chinese market by foreign—notably Western—businesses (Kwan 1998, 43). By the early 1930s, Mao Zedong had already placed special emphasis on the economic distinction between a “compradore” sector of the bourgeoisie, economically dependent on foreign imperialism, and a “national” bourgeoisie, whose economic interests were domestically oriented and thus opposed to imperialism. Mao generally pictured capitalism in China as insolubly bound up with foreign imperialism. This served to support Mao’s denial that China’s socialist future was dependent on the social and material products of modern capitalism—in other words, that the relative absence of capitalist forces of production was a barrier to the pursuit of revolutionary socialist goals. The “principal contradiction” in Chinese society was thus, as Mao put it in 1937, the contradiction between “imperialism and the Chinese nation,” rather than one created by domestic relationships of production (Mao 1952, 41–42). This was a thesis that satisfied the political needs of a united Communist-Nationalist front in a war against the Japanese. Accordingly, many Chinese intellectuals and historians identified capitalism with foreign imperialism, condemned both as external encroachment, and looked to indigenous sources for the socialist
regeneration of the Chinese nation that would isolate China from the rest of the world and global capitalism in the years after 1949.

Although still dominant in Chinese and Western popular historical writings, the narratives of Chinese “backwardness” and Western “exploitation” have largely been left behind in academic discourse. The timing of this development is not surprising, since what before the end of the Mao era had been seen as a failure, after 1978 very often was turned into a success story demanding a new set of explanations. The first of these explanations came primarily from Western historians (Cochran 1980; Bergère 1989; Rawski 1989). In the 1990s, Chinese historians, too, started to rethink the history of Chinese businesses in the modern period (Lai 1998; Li 2004, 117). These new studies revealed a more nuanced spectrum of relations to, and interaction with, both foreign firms and the Chinese government. The role of the Chinese and other governments—which (by studying state records more than [unavailable] business archives) has been seen as dominating Chinese business networks for most of the twentieth century—is now also being called into question (Cochran 2009, 16–20). Simultaneously, studies on the history of foreign companies in China have shifted to a narrative of multiplayer competition and economic interaction.

Research started to concentrate on the specialists of commercial transactions, on the one hand, and on functional and professional groups or institutions, on the other, and to pinpoint the venues of trade and exchange with great precision. Transfer locations, such as harbors, markets, and trade fairs—and the presence of special facilities that enable transfers—were clearly identified, with researchers cognizant of the fact that such locations naturally also facilitate the levying of transfer fees, such as customs duties or taxes. Identifying the specific mechanics of how local, regional, and supra-regional actors and transfer points connected to one another, such that local as well as more far-reaching imperial and global transfer systems were able to survive in a complex pattern of cooperation and competition, is what makes this new research so exciting. This research also points out, quite rightly, that these specialists and locations did not disappear completely in the course of the twentieth century, but instead mutated and renewed themselves.

At the same time, the maturation of global history as an academic field of study has also spurred renewed interest in economic history on a global scale. Global history invites historians to start thinking of the economic history of the world as one interconnected process, which is more than—and therefore different from—a collection of the economic histories of individual states and regions. Several works based on internationally comparative studies, mainly concerning the early modern period, have tried to compare the economic...
success and failure of different parts of the world—most often Europe versus other (Asian) regions. The view emerging from this literature is that before the Industrial Revolution—taken as an important break in the economic history of Europe—other parts of the world, in particular parts of China, India, and Japan, were quite well developed and experienced similar patterns of Smithian growth as Europe (Pomeranz 2000). For the nineteenth and twentieth centuries, especially the period after 1870, studies have shown how the global integration of commodity and factor markets has driven or at least facilitated the process of globalization on the level of states, societies, and cultures (Osterhammel 2014).

The body of new historical scholarship on the development of Chinese and foreign businesses operating in China and within a global framework has therefore placed much of modern Chinese economic history on a new footing. Today, we certainly are in a better position to draw conclusions about the everyday functioning of enterprises in China than we were seventeen years ago, when Madeleine Zelin (1998) spoke of the lack of in-depth case studies going beyond—or, rather, below—bold assumptions about the nature of the Chinese economy and into the nitty-gritty of day-to-day business instead. Since then, Chinese business history has developed as a lively subfield of general Chinese economic history. Within this field, studies of Chinese foreign interaction rank high. Sherman Cochran (1980, 2000, 2006) was among the first to point out the competitiveness of Chinese businesses vis-à-vis their Western counterparts, and quite a few authors have followed in this vein (Chan 2006; Chang 2005, 448; Meissner 2005; Köll 2004; Cox, Biao, and Metcalfe 2003). The rigidity of the exploitation thesis has been deconstructed not only in the context of semi-colonial China but even in relation to areas under direct imperial control—for example, Hong Kong (Carroll 2005, 2–3).

Studies such as those cited above indicate a revision of business history in China, as Madeleine Zelin (2005, 362) has pointed out before. They make clear that Chinese businesses were much more up to competition with foreign ones than has been previously assumed. They also clarify that there was not one, but many, Chinese business models. And they show that neither was there just one “foreign” business model, nor did foreign businesses remain “foreign,” just as Chinese businesses did not remain “Chinese.”

Rethinking What and How?

In this special issue of Cross-Currents, the contributing authors look at how business linked China and the world from the mid-nineteenth to the mid-twentieth century, and how Chinese and foreign companies interacted with one another, as well as with political power,
long before today. Some authors concentrate on material connections, including shipping, banking, the building of railroads, the spread of the motion picture industry, international treaties, and the formation of knowledge, while others investigate the role of business culture and how entrepreneurship and networks of trust crossed borders. Both of these aspects are set against the backdrop of simultaneous Chinese state-building efforts that became evident in the state creation of a national market and the formation of political borders. All of the authors collected here draw on case studies of individual entrepreneurs or companies, just as they draw on the new historical and theoretical scholarship summarized above to fill out the picture of China’s economic development within global processes.

As the contributions to this issue demonstrate, rethinking Chinese business history also forces us to rethink Chinese urban history more generally. Rhoads Murphey (1977) portrayed the foreign presence in China as skin-deep and unable to engage the local networks of the Chinese. Presumably, foreign communities kept to themselves out of a sense of cultural superiority. While this kind of Western identity has been called into question before (Bickers and Henriot 2000), contributions to this issue suggest that, early on, foreign and Chinese entrepreneurs interacted and cooperated with one another, breaching supposedly clear distinctions (Cochran and Hsieh 2013). This mingling in everyday business practices also had an effect on urban space. Urban sites such as harbors, terminals, offices, and places of leisure and entertainment, too, were coproduced instead of simply being imported into, adapted by, or forced on China’s cities. The new pictures of business practice presented here, in other words, entail a remapping of the spatial dynamics of such activities and thereby a new understanding of the making of urban China.

**Ships, Banks, Coal, Movies, and Silk**

Against the backdrop of French imperialist expansion in South China in the late nineteenth century, Bert Becker explores how French companies doing business in the region became part of their home government’s expansionist policy. The idea that intense backing by an imperialist power was not necessarily to the benefit of foreign business in China is illustrated by Auguste Raphael Marty, owner of the French Tonkin Shipping Company based in Haiphong, French Indochina, whom Becker uses as a case study. Marty’s attempt to monopolize coastal steaming routes prompted his Chinese competitors—who, together with German firms, were the main players in that business and region—to form a syndicate that effectively boycotted Marty’s ships and destroyed his business along the South China coast. The French government succeeded in squeezing the Qing to compensate Marty, but his
business relations in Chinese ports were ruined. What is more, the boycott by Chinese businessmen provided the scene for cooperation between Marty’s rivals, resulting in the creation of the joint Sino-German company of Yuen Cheong Lee & Co. and Jebsen & Co. Based on an intense reading of company as well as national archives, Becker emphasizes that cooperation between these Chinese and German companies was only possible because of their long-standing, mutually successful business relations. Their joining of forces was thus based on mutual trust. Ruthless competition, as displayed by Auguste Raphael Marty, was only one of many possible schemes of Sino-foreign business interaction.

Ghassan Moazzin’s contribution, by contrast, demonstrates how private foreign businesses could be scrunched by geopolitics even against the will of a weak Chinese government during the early years of the Republic of China. Drawing on rich and manifold archival records, Moazzin argues that the liquidation of the Deutsch-Asiatische Bank—at the time, a major provider of credit for both Chinese and foreign companies—was carried out shortly after the First World War under pressure from the British and against the will of the Chinese government. While the British managed to make use of the war as a pretext to eliminate German competition in the Chinese treaty port economy, the Chinese for some years succeeded only in sequestering the bank. Behind both governments stood the interests of their respective national business communities. On the Chinese side, the majority of businessmen were already opposed to the republic’s entry into the war against Germany, rightly fearing that entering the war would further harm the already suffering trade relations. But when their British counterparts began lobbying for a full liquidation of the Deutsch-Asiatische Bank in 1918, it turned out that, as in other respects, China’s entry into the war had fallen far short of realizing the “Chinese dream” of becoming an equal member of the family of nations. The Beijing government once again had to give in to imperialist demands against its own economic interests—and even, as Moazzin stresses, against “the very international law it had put so much value on when entering the war.”

Tsu-yu Chen’s piece directs our attention to the often underrepresented yet—in sheer numbers—immensely important role played by Japanese companies and the Japanese military and state in China’s early twentieth-century business history. More so than the other authors, Chen draws on Chinese and Japanese primary sources and secondary literature. Her contribution offers a focused examination of the Fushun Coal Mine—including capital composition, technology, governance, operation, market, profitability, and more—through the lens of quantitative economic analysis. Fushun is presented as an example of a predominantly state-owned business embedded in the larger colonial enterprise of the...
Southern Manchurian Railway system of the Japanese Empire. Coal production and distribution at Fushun, Chen shows, were responsive to the macroeconomic considerations of the Japanese Empire rather than to those of the local market. Such considerations became even more prominent during the Sino-Japanese War. Importantly, Chen’s paper reminds us that not all modern-style businesses operating inside China were Chinese in governance or ownership. Nor did all such operations aim to achieve commercial profitability by responding to the demands of the local market or society. Many coal mines, steel plants, and railroad and shipping lines in Republican China shared these features. Their operation nonetheless constituted important dimensions in modern Chinese business history through the businesses’ transformation as well as their connection with the world. Such companies therefore merit a rethinking in the context of Chinese business history from a broader perspective, strengthening East Asian regional connections and state capitalism against the often predominantly “Western” and “private” assumptions found in other works.

The motion picture industry presents a different case. As Matthew Johnson shows in his piece on Republican China, imperialist spheres of influence as well as economic spatial disintegration under weak central governments did not hinder Chinese-foreign business interaction. For lack of a truly national market, many enterprises were instead both regional and transnational. At least into the 1920s, the motion picture industry in China was split into several regionally differentiated “Sino-foreign cultural joint ventures,” roughly consisting of Chinese entrepreneurs and actors on the one hand and foreign investors on the other. By looking beyond the better-known centers of early Chinese cinema production—Shanghai and Hong Kong—to places from Manchuria to Yunnan, Johnson illustrates how the distribution of motion pictures and the building of permanent film theaters happened in waves that would reach different parts of China at different times but always emanated from the centers of foreign presence along the coast and the major rivers. Here, the coproduction of urban space through Chinese-foreign interaction becomes evident. Over the course of this process, the initially meager market share of Chinese films—around 20 percent—would increase, and “a notable shift toward Chinese ownership and management” occurred. Still, since the spread of the motion picture industry, like most other economic (and cultural) activity, was dependent on infrastructure, regional cinemas—both as business and culture—continued to dominate Republican China.

The final contribution takes us into the early years of Communist China and thus an era that, as Robert Cliver points out, is usually associated with increasing suppression of private business. In the case of the lower Yangzi silk industry, however, Cliver calls attention...
to the surprising reactions toward the 1950s transition to socialism by supposedly passive “national capitalists.” Again, it takes a local case study to call into question broad assumptions. As Cliver shows, local cadres were far from certain and straightforward in implementing the vague reform agenda emitted from Beijing. Neither was state-contracted silk production a Communist invention; it was, instead, a continuation of Nationalist policies of the 1940s. Lastly, the accelerating speed of the socialist transformation between 1953 and 1956 was not the result of careful planning. Instead, private businessmen, only partially forced, rushed to transform their companies to state-private enterprises in 1955, and their demand caught the government by surprise. This owner demand to socialize, Cliver argues, was borne out of the comprehension of factory owners and managers in agreement with local cadres that the current dual system had proven “unworkable.” Far from simply either stubbornly resisting or enthusiastically welcoming the transformation to socialism, local actors tried to set their own pace and course in an increasingly uncertain and confusing environment.

As a collection, these articles contribute to the rethinking of modern Chinese business history by drawing attention to a few key points. First, they challenge the notion that Chinese business enterprises between the late Qing and the early People’s Republic offered only cases of failure and exploitation, thanks to the broad context of colonialism of this period. Second, they address the question of these enterprises’ adaptability. From the formation of syndicates in 1890s Guangdong to the reluctant sequestration of a German bank in the First World War, and from the localized transnational motion picture industry to private silk factories’ rush toward socialism, it is evident that, circumstances permitting, Chinese businesses were agile and adaptable to the challenges presented by an ever-changing local, national, and international scene over the course of modern Chinese history. Meanwhile, from the other side of the Sino-foreign divide, adaptability was equally significant: successful foreign enterprises in China tended to be those showing a high degree of willingness to adapt and accommodate to their local partners and changing conditions.

The Hanover Workshop

These articles gathered here were first presented at an international workshop, “Rethinking Business History in Modern China” (held in Hanover, Germany, in 2014), that included a total of twenty-four papers.1 The conference proceedings and discussions underscored, first of all, that nations and states mattered greatly in modern Chinese engagement with the world. The Qing, for instance, was a signatory to multiple international agreements.
treaties that set, for a whole century (1843–1943), the terms of Chinese business dealings with foreign entities in China. And the first half of the twentieth century saw steadfast Chinese efforts by the Chinese state to create a national Chinese economy. State action led to the promulgation of rules, laws, and regulations governing the flow of goods and people moving within as well as across Chinese national boundaries. The Nationalist government was the architect, indeed, in the creation of a national system of currency, banking, policing, court, fiscal administration, transportation, communication, and even a national language. The unevenness in the exercise of Chinese state power across the Chinese territory does not erase the fact that citizenship mattered enormously for any individual or enterprise conducting business in pre-1949 China. The border-crossing dimension of modern Chinese economic transactions, including smuggling along China’s borders, was remarkable precisely because it countervailed the growing power and presence of the nation-state.

A second point was that networks cultivated among groups of individuals—rather than mechanisms sustained by formal institutions—provided the most critical means for border-crossing economic alliance. From the case of the leading Canton merchant Howqua (Wu Bingjian, 1769–1843) to that of the Shanghai-based Liu family’s business empire during the first half of the twentieth century, family, school, business, profession, and faith were often bundled together to produce multinational connections of extensive reach and impressive durability. The “ungrounded” business empires of flexible citizenships were often multilingual, multiethnic, and multilocal, cohering on codes and rituals that governed matters of personal or private significance as opposed to those of the nation or the state.

Rethinking the history of modern Chinese business along the twin trajectories of “nation-state” and “networks” alluded to above, we might then find ourselves asking, in the end, questions on the next level concerning modern Chinese production of knowledge, trust, credibility, and legitimacy in the context of economic ethics and rationality. From harbors to railroad lines, mines to factories, and banknotes to films, we find sites, links, products, professions, and careers of networked and border-crossing interactions, the sustained practice of which would not have been possible had there been a breakdown in trust, credibility, or knowledge, whichever form it might have taken.

At the beginning of the twenty-first century, we face a world of intensifying connections that Sino-foreign trade—among other things—has helped to make. The end of European and Japanese colonialism in East Asia does not do away with issues of equity, both global and local. It is evident that a modern Chinese business history derives its significance
precisely from contextualizing business as part of that larger modern Chinese history, a methodological approach that contrasts with case studies of business as history.

The discussion started at the Hanover workshop and the findings presented in this collection of articles thus represent a first attempt at fully rethinking the Sino-foreign experience in the realm of business in modern times. As guest editors, we hope that this special issue of Cross-Currents will help spark further debates on the nature and implications of that historical experience—debates to which we are looking forward.

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Notes

1 The following paragraphs are based on the wrap-up remarks delivered by Wen-hsin Yeh at the Hanover workshop.

References


