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Professor Michael Szonyi John D. Wong

Global Positioning: Houqua and his China Trade Partners in the Nineteenth Century

Abstract

This study unearths the lost world of early-nineteenth-century Canton. Known today as Guangzhou, this Chinese city witnessed the economic dynamism of global commerce until the demise of the Canton System in 1842. Records of its commercial vitality and global interactions faded only because we have allowed our image of old Canton to be clouded by China's weakness beginning in the mid-1800s. By reviving this story of economic vibrancy, I restore the historical contingency at the juncture at which global commercial equilibrium unraveled with the collapse of the Canton system, and reshape our understanding of China's subsequent economic experience. I explore this story of the China trade that helped shape the modern world through the lens of a single prominent merchant house and its leading figure, Wu Bingjian, known to the West by his trading name of Houqua. I demonstrate that a large measure of Houqua's success stemmed from his ability to maintain an intricate balance between his commercial interests and those of his Western counterparts, all in an era of transnationalism before the imposition of the Western world order.

The story of Houqua is at once local, regional, and global. Houqua's business success certainly amplified the economic vitality in Canton. However, this analysis of his business success is less an examination of the Canton system than a study of the impact of an exceptional operator within this system who, through his personal business endeavors, set in motion changes that had ramifications for China's development and the global system at large. His success in global business illustrates the construction of networks of trust for the purpose of facilitating economic exchange in the advent of an enforceable, unified international system of arbitration.

The experience of his successors tells the story of the diverging economic fortunes of global traders operating formerly on equal footing. This is a story not only of an exceptional individual but also of the dynamic setting of transnational business when regional networks negotiated their connections in the emerging modern world.

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Introduction

Wu Bingjian, whom the West would come to know as Houqua,[1] was born in the thirty fourth year of the reign of the Qing emperor Qianlong, the third of four surviving sons of Wu Guoying.[2] While the Chinese would reckon Houqua's year of birth as the year *jichou* in the sexagenary cycle, according to the Western calendar, Houqua was born in 1769, "the same year [as] Napoleon and Wellington," as a Sino-Western trading partner of his noted in his memoir.[3]

In the century that followed, the fates of these three men born months apart would intertwine. Napoleon's military conquests in continental Europe would alter the balance of international trade while Wellington's accomplishments pushed British power to high heights. In response, Houqua maneuvered strategically and successfully to account for the changing partners arriving at his port of Canton. In fact, Houqua's commercial success owed much to the political realignment at the turn of the nineteenth century in Europe, half a world away from his Canton base. The political realignment in which Napoleon and Wellington played critical roles provided Houqua the opportunity to build his business and to consolidate his commercial power in Canton. Although he did not command military power or transform the political landscape as Napoleon and Wellington did, Houqua proved instrumental in shaping the playing field in international commerce as he steered the flows of goods and capital alike. Houqua's achievement pivoted on his ability to circumvent the ascending power of the British epitomized

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[1] Sometimes written as "Howqua." I have used "Houqua" throughout because Wu Bingjian spelt his name with a "u" in his signatures.

[2] Wu Quancui, ed., *Lingnan Wushi hezu zongpu* (1934), 2a:44a.

[3] William C. Hunter, *The "Fan Kwae" at Canton before Treaty Days, 1825-1844 by an Old Resident* (London: Kegan, Paul, Trench & Co., 1882), 50.

by the Duke of Wellington, Napoleon's archrival at the Battle of Waterloo. As British military might elevated her trading company to a dominant position, Houqua countered by recasting the trading partners in Canton. Long after Wellington had ended Napoleon's ambition of dominance over continental Europe, Houqua remained prominent in the world of international trade, living out the last of his seventy four years holding court at the global emporium of Canton.

Houqua succeeded in navigating the turbulent waters of global commerce as he directed the development of the Canton trade for nearly half a century. His death in 1843 coincided with the beginning of the Treaty Port days. His successors in that era were unable to circumvent British military and commercial hegemony as successfully as Houqua did during the Canton era. In the ensuing power shift of international commerce, the command over the global flow of capital and goods Houqua's family once enjoyed would be eclipsed by the mounting forces of Britain along with those of the Western world. This shift in the power structure has clouded our understanding of this earlier period of global exchange in which Chinese merchants exerted as much control as, if not more than, their Western partners over the flows of goods and capital. Colored by the Western dominance of the later period, any memory of Houqua's criticality (and that of Chinese participants) in international commerce has faded so much so that a century and a half later, people around the world know Napoleon and the Duke of Wellington but almost no one, even in China, recalls Houqua's story of success.

In 1769, however, no one saw this coming. A confluence of global events was brewing that would provide the backdrop to the courses of action charted by these three men, born in the same year but a world apart. In China, as the troubles along the southeastern coast caused by the remnants of the preceding Ming dynasty had subsided, Qing subjects living in the coastal provinces busied themselves with the trading opportunities in China's New World which

stretched from these coastal provinces to the ports of Nanyang or the South China Sea. On the other side of the globe in the New World of the Europeans, fomenting trouble would soon swing British attention towards the East and create another contending power springing from North America.[4] At the turn of the nineteenth century, in the cosmopolitan city of Canton, the colliding forces of these New Worlds would bring together a motley crew of characters whose search for power and wealth would alter the course of development of global politics and economics.

Houqua and the Nineteenth-Century Canton System in Global History

Houqua's business success stemmed from his ability not only to carve out a space for himself in international commerce but to maneuver into a central position in the global network of trade. His success challenges our conventional understanding of the Canton trade in the context of early-nineteenth-century international exchange.[5] That Houqua managed to expand his business enterprise globally defies the notion that the Canton system was a constricting arrangement that confined the Chinese *Hong* merchants and limited their operations to one Chinese city. In addition, in light of Houqua's ability to balance adroitly the powers of his Western partners and his insistence in actively charting his course of trade, we need to revisit the prevailing interpretation of the development of international trade as the unrelenting imposition of Western-style capitalism to which Chinese businessmen and China's economic system succumbed. Without setting foot outside of his base in Canton, Houqua played an instrumental

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[4] On the redirection of British interest, see James R. Fichter, *So Great a Proffit: How the East Indies Trade Transformed Anglo-American Capitalism* (Cambridge, Massachusetts & London, England: Harvard University Press, 2010).

[5] In 1757, Canton became the sole legal port of call for China traders arriving from the West. That system persisted until the conclusion of the Opium War in 1842 which ushered in the era of the Treaty Ports.

role in shaping international commerce and finance as the flows of goods and capital accelerated in the emerging modern world. The process by which he extended his global reach underscores the contribution of this enterprising Chinese merchant in forging international trade as geopolitics transformed the commercial landscape.

The scholarly literature on merchant activities has largely ignored the commercial vitality and global interactions in Canton during this period. Of particular interest is that each generation of scholars has focused on the Qing's decline by interpreting historical issues through the lens of the scholars' own era. For example, in the early part of the twentieth century when China struggled to find its footing on the international scene, Liang Jiabin narrated the stories of the *Hong* merchants by chronicling the rise and fall of the various families without capturing the dynamic international economic exchange in which they participated.[6] Similarly, scholars who wrote before China's recent economic takeoff focused on the cases of insolvency among *Hong* merchants as they reflected in their analyses China's prolonged economic struggle.[7] Reacting against Western imperialism, Jacques M. Downs depicted American traders operating in the Canton system by highlighting their role as traffickers in the illicit and immoral commerce of opium.[8] More recently, Paul A. Van Dyke provided a refreshingly balanced assessment of the

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[6] Liang Jiabin, *Guangdong shisanhang kao* (*An investigation of the Guangzhou Hong merchants*) (1937; reprint, Guangzhou: Guangdong renmin chubanshe, 1999).

[7] See Dilip Kumar Basu, "Asian Merchants and Western Trade: A Comparative Study of Calcutta and Canton 1800-1840" (Ph.D. diss., University of California, Berkeley, 1975) and Ch'en Kuo-Tung Anthony, *The Insolvency of the Chinese Hong merchants, 1760-1843* (Nankang, Taipei: The Institute of Economics, Academia Sinica, 1990).

[8] Jacques M. Downs, *The Golden Ghetto: The American Community at Canton and the Shaping of American China Policy, 1784-1844* (Bethlehem: Lehigh University Press; London: Associated Universities Press, 1997).

Canton system.[9] He viewed the Canton system as a sophisticated arrangement through which the Qing court managed a growing trade and generated significant revenues to the court, succumbing to Western imperialism only with the arrival of Western steamships and gunboats. Extending the analysis into the nineteenth century, my study reflects Van Dyke's more positive evaluation of the Canton system and explore through the individual stories of Houqua and his global partners their dynamic international networks of commerce in the decades prior to the Opium War.

As for writings on Houqua, there has been surprisingly little scholarly coverage of this crucial player in the field of nineteenth-century global commerce. Ch'en Kuo-tung made references to Houqua in his book on the *Hong* merchants but he did not feature prominently this successful merchant in his analysis largely because of his focus on the insolvency of the many other merchants.[10] As for Chinese language materials, until recently, writers had shunned Houqua the politically problematic individual. His connections with the Western traders called into question his political allegiance. His family's financial contribution to the Qing state's suppression of the Taiping movement, which many Communist historians viewed as a harbinger of the peasant revolution spearheaded by the Chinese Communist Party in the mid-twentieth century, made Houqua an enemy of the masses. On the contrary, English language coverage has been celebratory of Houqua's accomplishments, perhaps too much so when written from the romanticized perspective of the Old China Trade.[11]

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[9] Paul A. Van Dyke, *Merchants of Canton and Macao: Politics and Strategies in Eighteenth-Century Chinese Trade* (Hong Kong: Hong Kong University Press, 2011) and Paul A. Van Dyke, *The Canton Trade: Life and enterprise on the China coast, 1700-1845,* (Hong Kong: Hong Kong University Press, 2007).

[10] Ch'en Kuo-Tung Anthony, *The Insolvency of the Chinese Hong merchants.*

[11] W. Cameron Forbes, "Houqua, the Merchant Prince of China, 1769-1843," *Bulletin of the American Asiatic Association*, 6, 6 (1940): 9-18.

This study of Houqua's business success also intervenes in the debate of economic divergence. As I offer a better appreciation of the global commercial networks of Houqua before the Opium War, I also present a clearer picture of how the system unraveled and suggest reasons for China's economic divergence from the West in the subsequent period. Economic historians have debated how the West broke out of stagnation while China lagged behind primarily from the perspective of industrial development.[12] Some studies have linked the issue of economic growth to the role of the Chinese state but few have constructed a comparative analysis for this early period to explore how different configurations of aligning interests of the state and the business sectors led to economic divergence. In the study of the English experience, early scholarship had focused on the role of finance as a facilitating device but more recent analyses have highlighted finance and commerce as an independent activity which contributed to economic growth autonomously from domestic industrial expansion.[13] This realization of the independent contribution of finance and commerce to the British imperial enterprise redirected scholars' attention to the social networks of bankers.[14] It was precisely in the successful redeployment of capital by the "gentlemanly capitalists" towards the generation of healthy

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[12] See, for example, Mark Elvin, *The Pattern of the Chinese Past* (London: Eyre Methuen; and Stanford: Stanford University Press, 1973), Philip Huang, *The Peasant Family and Rural Development in the Yangzi Delta*, *1350-1988* (Stanford, Calif.: Stanford University Press, 1990), R. Bin. Wong, *China Transformed: Historical Change and the Limits of European Experience* (Ithaca: Cornell University Press, 1997), Kenneth Pomeranz, *The Great Divergence: China, Europe, and the Making of the Modern World Economy* (Princeton: Princeton University Press, 2000).

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

[14] See Youssef Cassis, *City bankers, 1890-1914,* trans. Margaret Rocques (1984; reprint, Cambridge and New York: Cambridge University Press, 1994), and P.J. Cain and A.G. Hopkins, *British Imperialism, 1688-2000* (1993; reprint, Harlow, England and New York: Longman, 2002).

investment returns that the financial sector earned its prominent position in the economics of the British Empire. Such a revelation of the contribution of finance and services independent of industries should have invited comparisons with East Asian experiences but thus far, comparative analyses involving East Asia have seldom extended beyond Japan and such comparisons have been limited to the assessment of the role of finance in the successful transformation of Japan into an industrial power.[15]

The story of Houqua cannot be told without exploring the stories of his global trading partners. Many scholars have analyzed trading networks and most have offered cultural explanations which build on the diasporic employment of social devices as the basis for business interactions.[16] The diverse ethnic background of Houqua's trading network challenges these assertions. By examining the process through which Houqua and his partners transcended cultural barriers and established their system of credit to cope with the risks and uncertainties of long-distance trades, this study contributes to our understanding of transnational networks.

As I explore the economic impact of financial configurations and trading systems, I build on the works of scholars who have written on Chinese merchants' relations with the state. In Qing China, the court, preoccupied with its imperial expansion along the northwestern frontier, adopted a continental posture which promoted property rights more actively in the land-bound regions where the state had to open up territories than along the maritime frontier of the coast in

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[15] See, for example, Kozo Yamamura, "Japan 1868-1930: a revised view," in *Banking and Economic Development: Some Lessons of History*, ed., Rondo Cameron, (New York: Oxford University Press, 1972), 186-97.

[16] Avner Greif, "Contract Enforceability and Economic Institutions in Early Trade: The Maghribi Traders' Coalition." *The American Economic Review*, 83, 3 (1993): 525-548, and G. William Skinner, "Creolized Chinese Societies in Southeast Asia," in *Sojourners and Settlers: Histories of Southeast Asia and the Chinese*, ed. Anthony Reid (St Leonard, Australia: Allen and Unwin, 1996), 51-93.

the southwest. Zelin and others demonstrated the clear definition of property rights in China and the state's role in enforcing these rights.[17] However, except in cases where assurance of no state appropriation served the needs of the Qing state in land reclamation along its expanding land-bound frontier,[18] the state safeguarded property rights among its subjects and not between the state and its subjects. While the state had facilitated the use of contracts in the vibrant markets of the southwestern coast, protection of private wealth from the confiscatory state remained weak.[19] The constant pressure from the state and the ill-defined financial obligations to national and local needs engendered among successful traders deep-rooted suspicion of any gains from investing alongside the state. Such misgivings deterred cooperation between the Chinese state and the wealthy merchants in redeploying capital towards economic development in a manner that would generate financial returns to the investors and remain consistent with the Qing's imperial agenda. The reluctance of the *Hong* merchants in redeploying their capital in conjunction with the Qing court's economic initiative lends support to institutional theories of economic divergence.[20]

The biggest issue of the study of Houqua and the Canton trade has been the absence of a global approach, largely a result of the scattered sources.[21] This study expands the analysis of

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[17] Madeleine Zelin, Jonathan K. Ocko, and Robert Gardella, eds., *Contract and Property in Early Modern China* (Stanford: Stanford University Press, 2004).

[18] Anne Osborne, "The status of contracts in nineteenth-century Chinese courts," in *Contract and Property in Early Modern China*, eds. Madeleine Zelin, Jonathan K. Ocko, and Robert Gardella (Stanford: Stanford University Press, 2004), 120-158.

[19] Hill Gates, *China's Motor: Thousand Years of Petty Capitalism* (Ithaca, Cornell University Press, 1996).

[20] Douglass C. North, and Barry R. Weingast, "Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth-Century England." *Journal of Economic History*, 49, 4 (1989): 803–832, and Douglass C. North, *Institutions, Institutional Change and Economic Performance* (Cambridge and New York: Cambridge University Press, 1990).

[21] A notable exception is Van Dyke's command of the various European and American archives. See Paul A. Van Dyke, *The Canton Trade*.

Houqua and his partners beyond the confines of the Canton system without imposing on them the straitjacket of national borders. These may have constituted more of a restriction in later periods than they did during the period of fluid exchange between the *Hong* merchants and their overseas partners. Tracing the global footprint of their trading networks, this study involves archival work in Guangzhou, Hong Kong, Macao, Beijing, Taipei, Singapore, Boston, Providence, England and India. This multilingual investigation covers genres ranging from business records, family papers, personal correspondences, gazetteers, genealogies, government documents, travelogues and anthologies of literary works. By reconnecting the scattered historical records which appear disjointed only because of our contemporary national and linguistic divides, this study demonstrates how Houqua and his trading partners sustained their economic exchange on a global scale long before Western imperialism ushered in the era of globalization in a Eurocentric modern world during the turn of the twentieth century.

I have not set out to write a biography of Houqua. Instead, this study is intended to be a work of business history. It also explores the social and cultural history of the global players in the China trader under the Canton system and traces their changes in the aftermath of the Opium War. I analyze how Houqua fashioned his trading network, a global business enterprise predicated not on production capabilities but connections and affiliations. In tracing the development of Houqua's business, I have three goals. First, I seek to restore the criticality of Houqua and the Canton trade in the web of global commerce during the first half of the nineteenth century. Second, I investigate the means by which Houqua and his partners sustained their system of trust and credit before the advent of an international order dominated by Western powers. Third, I analyze how Houqua's descendants handled the new system of trade in the

Treaty Port era and how the network Houqua constructed unraveled in the second half of the nineteenth century.

Chapter Outline

Each period of global exchange involves its own pattern of connectedness that its participants must negotiate. The China trade centered on early-nineteenth-century Canton was no exception. Chapter 1 explores the structural context which gave rise to the business opportunities and challenges in Canton during that period. This chapter investigates how the Europeans' expansion into the New World and beyond intersected with the movement of diasporic Chinese along the southeastern coast of the Qing empire and the Southeast Asian ports. Houqua's family had moved a century earlier to Canton which, by the mandate of the Qing state, became the nexus where seafaring traders from the West were to interact with the commercially savvy Chinese entrepreneurs of the South China Sea. This study situates Houqua's family's relocation to Canton in the context of the geopolitical situation from which the international port of Canton arose.

Entrepreneurs need to establish themselves within existing institutional frameworks and develop a sufficient power base before altering the rules of the game to their advantage. Chapter 2 examines the important business institutions of the Sino-Western trade in early-nineteenth-century Canton and the business strategy Houqua employed to establish a presence in the China trade, to consolidate his power, and eventually to outsmart the overpowering British merchants. Currents of international trade brought to Canton the commercial impact of the reshuffled political powers in Europe. Around the turn of the nineteenth century as Houqua achieved prominence in the commercial circles in Canton, the French wars, in conjunction with the British

Commutation Act which discouraged smuggling from continental Europe by drastically reducing custom and excise duties on tea in Britain, disrupted China's trade with continental Europe and allowed Britain to garner the lion's share of the trade in Canton. Keenly aware of the ascendancy of Britain, Houqua moved to consolidate his share in the business of the British East India Company (EIC). Although his trade with the EIC provided a solid bedrock to his business, Houqua had to counteract the hegemonic British interests in Canton. Houqua accomplished this feat by redefining the terms of the business. Expanding beyond his role as supplier of Chinese goods, Houqua maneuvered into a pivotal position by becoming a critical source of funds to the British, thereby restructuring the division of economic gains from the trade and thus capturing an increasing share of the profits.

Patterns of global exchange are not static and participants in the exchange actively transform such patterns to their benefits. Chapter 3 examines how Houqua transformed his trading network and charted new courses of trade from his base in Canton. As he explored trading with the newly arriving Americans, Houqua faced a different set of challenges in his international dealings. He confronted these challenges with his pragmatic approach to business. From his home base in Canton, Houqua redirected the flow of his goods and capital and positioned his business for the emerging market of the United States. By allying himself with his trusted American partners, Houqua not only entered the markets in the U.S. but also tapped into investment opportunities in financial centers burgeoning along the British sinews of capitalistic exchange. At a time when Westerners were still struggling to extend beyond their foothold in Canton into the interior of China, Houqua had already managed to access many markets overseas, directing trade traffic from his base in Canton. Such a formidable accomplishment required that

Houqua surmount significant legal and linguistic hurdles and more importantly, assess and balance his risk exposure in the expanded time and space which his business encompassed.

To fashion new patterns of exchange and to extend trading networks require enterprising traders to cultivate trust and credit with their partners. Houqua's strategy in developing mutual trust between himself and his partners forms the crux of the discussion in Chapter 4. Houqua's success depended on his ability to maintain an intricate balance of his business on a global scale. In addition to carefully positioning his capital and goods around the world, Houqua also fashioned an image of himself overseas for the purpose of establishing and securing a delicate network of trust with his international allies. This impressive international network not only allowed Houqua to access many trading centers in the West but also enabled him to protect his assets for his inheritors and to safeguard his capital during the ensuing politically tumultuous periods.

Managing Houqua's elaborate business design required the sagacity of a dynamic entrepreneur. The development of the business subsequent to Houqua's demise in 1843 resulted as much from the ever-shifting geopolitical landscape as from the capabilities of the family members who inherited Houqua's estate. Chapter 5 studies the reconfiguring world of business in the aftermath of the Opium War and the attempt Houqua's son made in reorganizing the family enterprise even as the various components of his elaborate design came apart. Compared to his father who was ever eager to capture additional profits by regulating the currents of commercial traffic, Houqua's son was more interested in shoring up the status of Canton than in partaking in re-charting the family's global business flow. This heightened interest of Houqua's family in local development highlights the centripetal forces of the Sino-centric culture which led to their recoiling from the global reach Houqua had attained.

Withdrawal from active participation in business does not precipitate an immediate dissipation of the assets which continue to require careful management. Despite his descendants' retreat from global trade, the immense capital Houqua had amassed continued to generate profits for his descendants, albeit through investments that served the business needs of the American partners. Chapter 6 highlights the pioneering transnational investment of a portion of Houqua's estate. The most important element of Houqua's legacy was his decision to entrust his American partners with long-term investments overseas, a decision that reflects the unique challenges of a business based not on the productivity of physical assets but on the profitable deployment of liquid assets predicated on information flow. Contrary to our conventional emphasis on Chinese wealth accumulation through investments in physical assets and the weakness of the Chinese capital market, Houqua's strategy forces us to rethink how his far-sighted risk management program and entrepreneurial instinct enabled him not just to overcome political barriers of doing business in late imperial China but also to leverage such boundaries in structuring his investment approach.

In addition to his investments in land and properties, the most significant assets Houqua bequeathed to his descendants were his investments in the capital markets which he had entrusted to his handpicked American partner. This partner continued to remit funds to Houqua's family decades after Houqua's death, in honor of his personal ties to Houqua rather than out of any institutional obligations. From the perspective of the deployment of capital, this American partner became the true inheritor of Houqua's business from which Houqua's family continued to profit. Over time, Houqua's family became merely the financial beneficiaries of his estate as his American partners leveraged Houqua's capital for investments globally. Rather than viewing this subsequent period as a usurpation of Houqua's business enterprise, I interpret this

development as evidence of Houqua's foresight in separating management from ownership of assets to take the most advantage of information flow, a critical factor in the business of trade and finance. Houqua's plan proved effective as the second half of the nineteenth century unfolded. The sustained success of Houqua & Co. in navigating global trade transcended national boundaries and defies simple binaries of the West and the Rest.

Few merchants ever achieved the name recognition of politicians and military commanders and it should not be a surprise that Houqua has not registered in the minds of later generations as much as Napoleon and Wellington have. However, as a central player in the world of commerce and a crucial figure in the geopolitics of the first half of the nineteenth century, Houqua offers a unique perspective on global development at the decisive juncture when China's fortune waned. His story allows us to explore how the divergence of business development on a macroeconomic scale pivoted on the talents and inclinations of particular individuals. Of course, even the most successful entrepreneur had to function within the geopolitical context of his time but the fortunes of empires could be contingent on the strategy of exceptional individuals in charting their course of business.

This study of Houqua's business should shed light on the dynamics of the global exchange configured around nineteenth-century Canton as it explores the structural context within which Houqua operated, his business strategy to establish his business and to transform the institutions of trade, his effort in expanding his trading network and in cultivating trust among partners, as well as the lasting legacy of his heir's reorganization of the family's enterprise, and the enduring impact of Houqua's innovative transnational investments. This pattern of global interconnections, just like any other pattern of global interconnections, assumed its unique configuration that involved both the regional and global economies. Houqua, as well

as his China trade partners, worked within this configuration and forged new ties to transform this configuration as they negotiated the structural and institutional framework for their own benefit. In their search for profits, they fueled the development of linkages around the world in a manner that was distinctive to their times. Their success in configuring their networks in the fluid global context of the early nineteenth century remains instructive to us today as the balance of political powers has rendered the imposition of a West-centric world system increasingly problematic and international traders need to adapt dynamically to a new world order in which China, once again, occupies a position on center stage.

Chapter 1. A Study of the Structural Context: The Worlds Colliding in Canton.

The convergence of the trading parties in Canton involved various currents of geopolitical developments in China and the West. As Europeans' maritime explorations led them to find sustainable channels of exchange in Asia, people residing in the coastal provinces of China extended their reach to the ports of Southeast Asia. The movement of people, goods, and capital along the Chinese coast and Southeast Asia intensified with the political turmoil brought on by the Manchu conquest of 1644. The ensuing conflicts dragged on and it was not until the mid-eighteenth century that conditions became sufficiently stable for the Sino-Western trade to be conducted with regularity. The establishment of Canton as the sole legal port of call for Western traders facilitated a steady flow of goods between China and many Western countries and channeled the various parties to negotiate their interests there. These economic motivations, along with the evolving geopolitical landscape of the period, brought Houqua's family and other China trade participants to Canton from the West and the rest of China. The paths of these China trade participants, however, had been conditioned differently by diverging state agendas towards their migrant-explorers and dissimilar political imperatives towards their respective New Worlds. This was the structural context from which Houqua emerged around the turn of the nineteenth century.

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A Family on the Move

Just as the Europeans departing for the New World found new economic opportunities in the Americas, Houqua's ancestors had relocated to Canton in the second half of the seventeenth century from their native Fujian to capitalize on the reconfiguring networks of trade. Wu

genealogies recorded that Houqua's great-great-grandfather, Wu Chaofeng (1613-1693), relocated to Canton during the reign of Kangxi (reigned from 1661 to 1722), registering in the jurisdiction of Nanhai, one of the counties in the Canton area. To mark the establishment of this branch of the Wu family in Canton, Wu Chaofeng reinterred his father and mother on the Mountain of the Flying Goose in the City of Canton. Since then, Wu Chaofeng's descendants had honored Chaofeng's father as the founding ancestor of the Cantonese branch of the Wu family and resided in the Xiguan area of Canton along the banks of the Pearl River.[1] It was in this area that one could find the foreign factories of the Canton trade, the nexus of the Sino-Western trade over which Houqua would preside in the first half of the nineteenth century.

Genealogical records of Houqua's Wu family grafted their lineage onto ancestral records of the Wus in Fujian.[2] Despite disagreement on generational count,[3] latching their lineage to

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[1] Wu Quancui, ed., *Lingnan Wushi hezu zongpu*, 1:12a; 9:45a; Wu Ziwei, ed., *Wushi ru Yue zupu* (1956), *juan* 1.

[2] Following the genealogies of the Wus in Jinjiang, Fujian, from which Houqua's branch in Canton sprang, the record of the Wu clans in the Lingnan region which encompasses both Guangdong and Guangxi claimed that they had descended from a certain ancestor Can, through his great-grandson, Wu Zixu who was a renowned minister in the late Spring and Autumn Era (circa fifth century BC) (Wu Quancui, ed., *Lingnan Wushi hezu zongpu*, 1:12a; 9:45a; Wu Ziwei, ed., *Wushi ru Yue zupu*, *juan* 1). Can's forty-ninth generation descendant, Shi, was said to have earned the examination degree of "the presented scholar" (*jinshi*) in 1109 and in 1125 relocated to Putian county in Fujian (Wu Quancui, ed., *Lingnan Wushi hezu zongpu,* 2a:25a). The father of Wu Chaofeng who relocated to Canton and initiated a branch of the family there was said to be the thirteenth-generation descendant of Shi (Wu Quancui, ed., *Lingnan Wushi hezu zongpu,* 2a:42a).

[3] The same passage in the aforementioned genealogy that counted Chaofeng's father to be a thirteenth-generation descendant of Shi who flourished in the twelfth century also considered Chaofeng's father to be a fifty-second-generation descendant of the founding ancestor Can who lived around the fifth century BC. This second claim is most likely erroneous; it is more likely that there were thirteen generations between the twelfth-century Shi and the seventeenth-century Chaofeng, not three generations (as indicated by the second claim of Chaofeng being in generation 52 vs. Shi's 49). For the most part, the record in the larger genealogical project undertaken in 1934 to account for the Wus residing in two southern provinces matches the details provided in the 1956 genealogy which focused more specifically on the branch of the Cantonese Wus to which Houqua belonged. This 1956 genealogy was the third edition of the works Houqua's eldest brother, Wu Bingyong (1764-1824), initiated in 1824. The second edition, compiled by Bingyong's third son, Zhaoguang (1814-1887), was printed in 1884 (Wu Jiali's 1956 preface, Wu Ziwei, ed., *Wushi ru Yue zupu*, *juan* 1). This more focused genealogical record asserted that Chaofeng's father whom the Cantonese Wus honored as their founding ancestor was a eleventh-generation (instead of thirteen-generation) descendant of Shi (Genealogical table in Wu Ziwei, ed., *Wushi ru Yue zupu*, *juan* 1). This

their fellow Wus in Canton and their roots in Fujian helped the Wu family residing along the Pearl River construct the story which situated their origins in the initial period of Chinese civilization. Their family in Canton had come from the town of Jinjiang in the province of Fujian. These ancestors in Fujian had in turn, the Wu genealogies claimed, moved from Kaifeng, the capital city of the Northern Song dynasty (960-1127). Tracing the roots back another millennium, the narrative linked the Wus to the genesis of the Sinocentric culture through their ancestors in Wuling in the kingdom of Chu and further to the story of the mythological God of Agriculture in prehistoric times. Acknowledging the lack of evidence for the earlier period, Houqua's brother who compiled the family's genealogy in 1824 expressed his strong conviction in their ancestry in Fujian nonetheless. This genealogical project, which he had undertaken with the help of Houqua and another brother, was a celebration of this heritage and a testimony to the ties between the Wus in Canton and Fujian.[4]

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unresolved dispute probably stemmed from the missing link in the genealogical records in the two generations after Shi, a fact that the more focused genealogy compiled in 1956 duly noted in two instances (Wu Ziwei et. al., 1956 preface, and notes to the record of the second generation, Wu Ziwei, ed., *Wushi ru Yue zupu*, *juan* 1). Unable to trace fully its linkage to Shi the illustrious ancestor, the compilers inferred from the record of another Wu branch in Canton their proper place in their genealogical ranking (Wu Ziwei, ed., *Wushi ru Yue zupu, juan* 1). The disagreement these genealogies revealed indicates that descendants in Houqua's branch maintained their different calculation into the twentieth century.

[4] Wu Bingyong's 1824 preface (Wu Ziwei, ed., *Wushi ru Yue zupu*, *juan* 1).

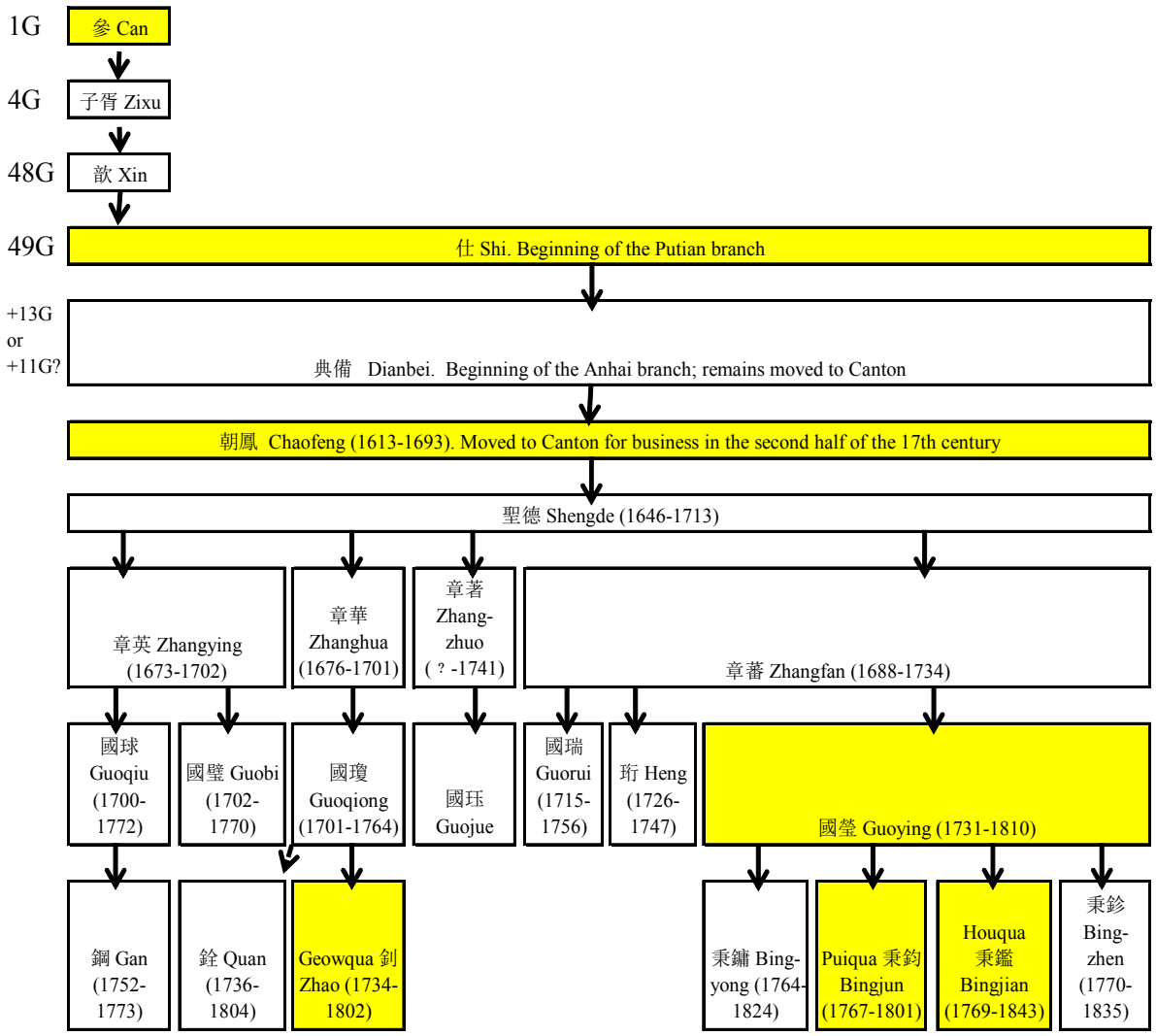


Figure 1.1. Schematic representation of key figures in the genealogical records of the Wu family up to Houqua's generation.

If we follow the genealogical claim asserted in the record prepared by Houqua's branch, Houqua was a sixty-fifth-generation (49+11+5) descendant of Can, the founding ancestor of the entire Wu clan, who lived half a millennium before the Common Era. Calibrated to the family's relocation to Fujian in the twelfth century, Houqua was a sixteenth-generation (11+5) descendant of Shi who moved to Fujian. Focusing on the Wu branch in Canton, Houqua was a fifth-generation resident in the city since the establishment of the branch in the second half of the seventeenth century, not including the generation of Chaofeng's father who was reinterred in the

city.[5] What is important is not the accuracy of this account (in fact, the earlier segment of this genealogical record was most probably fabricated, similar to other cases of genealogical compilation projects of Fujianese and Cantonese families that aimed at positing ties to the Central Plains in China and thus deep-rooted family pedigree within the framework of a Sino-centric culture). Far more important was the socio-political and economic contexts such claims revealed.

The Wus' relocation to Canton took place during a tumultuous period in China's extending reach towards its New World. The genealogy compiled by the Wus in Canton did not indicate the precise timing of their relocation to Canton. Nonetheless, the reference that this relocation took place "during Kangxi's reign" (1661-1722) indicated that the Wus were probably among the families dislocated by the coastal relocation policy of the Qing court.[6] During the opening decades of the Manchu Qing administration which entered Beijing in 1644, the grip of the court was far from certain and its territorial control far from even. Along the southwestern coast, the forces of Koxinga (Zheng Chenggong) who had fought as a Ming loyalist plagued the Qing court newly established in Beijing. Determined to eradicate Zheng's forces, the Qing court escalated restrictions on maritime activities in the 1660s and eventually issued an order of coastal evacuation to cut off supplies to Zheng's troops which had formed a base in Taiwan.[7] These military expeditions and the associated economic embargo devastated the coastal area in

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

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

[7] See Ralph C. Croizier, *Koxinga and Chinese Nationalism: History, Myth, and the Hero* (Cambridge, Mass.: East Asian Research Center, Harvard University, 1977), ch. 2.

southeastern China. Fujian, once a stronghold of the Zhengs, suffered tremendous losses. The Wus residing in Jinjiang, Fujian, lived through this period of turmoil and the relocation of a branch to Canton paralleled the process of reconstruction of the area when the Qing court lifted the evacuation order as it consolidated control in the ensuing decades.

Along with Fujian, the province of Guangdong also suffered from the displacement of residents due to the coastal evacuation order. The 1673 gazetteer of the Nanhai county where Houqua's family would establish their strong foothold chronicled the devastation:

> 1662: … decree of coastal residents to move inland …
> 1663: a garrison was set up along the river to which troops were dispatched...
> 1664: coastal residents deserted their land to create an out-of-bounds zone…
> Spring of 1665: a great famine—evacuees who had drifted from their homes and lost their livelihood had turned into hordes of famine victims by the spring …
> Autumn 1665: drought, earthquake …
> Spring 1666: drought.
> 1667: earthquake in Conghua in the autumn; mudslide on the slope of four mountains after seven days of downpour …
> 1668: in the spring, white and red light filled the skies in the West; floods in the summer…

The displacement of the coastal residents and the abandonment of the farmland resulted in an ecological imbalance and were linked to the difficulties nature inflicted on the people. Instead of portraying the adversity as the direct consequence of the policies the Qing court implemented in its struggle for power, scholars in Canton depicted the calamities as nature's wrath, a classical trope to reflect in the voice of a higher authority the displeasure of the people in the state's maladministration and mishandling of the Heavenly Mandate. The people in the area endured severe hardship for much of the 1660s. By the end of the decade, however, local administration had resumed control and begun the work of reconstruction which bore fruit quickly:

> January 1669: decreed that evacuees return to their homes and resume work.
> 1669: resumption of the eight-legged civil service examination … reestablishment of the county of Xin'an…

1670: … great harvest …
Fall 1671: great harvest.[8]

All was well, at least for the time being. Before long, troubles resumed as Canton along with the rest of the Guangdong and Fujian provinces would become embroiled in the Revolt of the Three Feudatories which lasted from 1673 to 1681. The region saw another period of tremendous social and economic disruptions as the generals of Han-origin whom the Manchu had enfeoffed in the southern provinces in recognition for their early defection to the Qing, rebelled against the Qing court. Relatively, however, Canton provided a more stable refuge than coastal cities in Fujian where the Qing government's combat with the Zheng forces in Taiwan compounded the inland battles with the Feudatories.

The Qing court was able to put an end to the disruptions in Canton earlier than in the rest of the areas of unrest. In June 1677, Shang Zhixin, the revolting general controlling Guangdong, surrendered to the Qing court.[9] Trade around Canton recovered gradually. Fighting continued in the other southern and southeastern areas and the Qing court would not be able to suppress Zheng's forces in Taiwan for another six years. Finally, in October 1683, the Qing forces defeated their Zheng opponents and Taiwan fell into the control of the Qing court.[10] Within months of unifying its control over these coastal areas, the Qing state began the process of economic reconstruction. Noting in his edict that "the livelihood of the people residing along the coast rely on maritime trade and fishery," the Emperor Kangxi admonished his ministers for not

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[8] Wang Yongrui, ed., *Xinxiu Guangzhou fu zhi* (1673), 4:34-35.

[9] Guoshiguan, ed., *Qingshigao jiaozhu* (A Draft of the Dynastic History of the Qing, with annotations) (Taibei: Guoshiguan, 1986-1990), 6:179.

[10] Guoshiguan, ed., *Qingshigao jiaozhu*, 7:201.

petitioning for a resumption of maritime activities. The emperor's admonishment was not purely an expression of his imperial benevolence towards his subject. While he was eager to restart maritime commerce "for the benefit of the people's livelihood," the emperor was also mindful of the significance of commerce to his imperial war chest. It was no surprise then that in the same edict, we find the emperor urging his ministers to regulate the collection of customs, an important revenue stream for the court.[11]

Officially, the maritime ban ended in December 1684 as the Qing court issued an edict lifting the ban.[12] "Now that the entire country is unified and the whole world is at peace, and that the Manchus and the Han people are united in one, people should be ordered to go out to sea and trade so as to manifest the wealth and prosperity of this administration. Receive the order that the seas be open for trade!"[13] With this, the emperor reversed the policy of the previous two decades which devastated the coastal area and encouraged its residents to rebuild this area to exploit the potential of the maritime boundary.

In deliberating over the lifting of the ban, the emperor explained to his ministers, "In opening the seas to trade, we improve the livelihood of the coastal residents in Fujian and Guangdong. If the people in these two provinces have no wants and goods circulate freely, other provinces will also profit from it." The resumption of maritime activities, therefore, was to benefit not just Guangdong and Fujian but the rest of the newly unified empire. "Maritime commerce is not within the capabilities of the poor," the emperor continued. "If we tax lightly

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[11] *Qinggong Yue Gang Ao shangmao dang'an quanji* (Beijing: Zhongguo shudian, 2002), I:62-67.

[12] Guoshiguan, ed., *Qingshigao jiaozhu*, 7:204.

[13] *Qingchao wenxian tongkao* (1958), 33:5155.

the rich merchants, it will not pose a burden to the populace and the tax revenues will pay for the military expenses in Fujian and Guangdong, eliminating the needs of remittances from the inner provinces."[14] In the aftermath of the exhausting warfare against its many rivals in the south, the court in Beijing looked desperately for expedient measures to restore stability to the realm and to prevent trouble spreading to other territories which had seen resources drawn from them to pay for the state's military expeditions in the southeast. By allowing the resumption of maritime activities in Guangdong and Fujian, the Qing court moved to allow the territories over which it had recently consolidated control to develop the financial wherewithal to contribute to the empire. Assured of its military command over the region, the court relaxed the restrictions on the flow of goods and people in the open seas in a bid to integrate both politically and economically the two provinces into the empire.

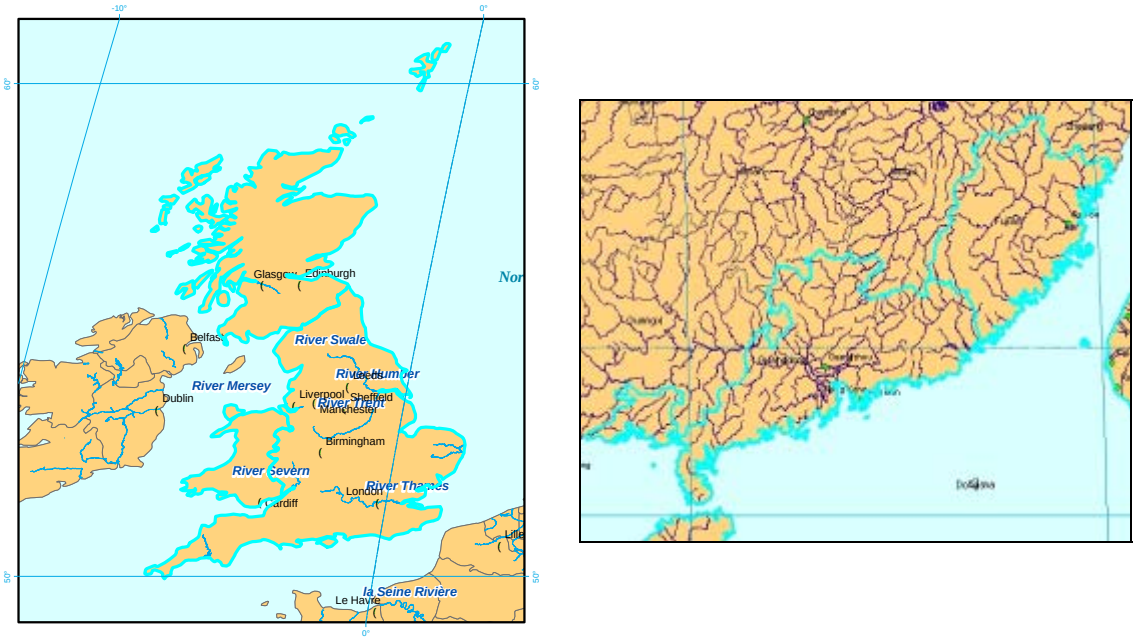
The 1684 lifting of the ban on maritime activities ended two decades of dislocation and destruction in the area. Just as the Qing was anxious to redevelop the economic activities of this region, people residing in the area were eager to participate in the rebuilding of business networks as commercial activities could now be revitalized in the aftermath of warfare, both within China proper and in the ports of the South China Sea. It was in this context that a group of the Wus moved from Fujian to Canton. As plausible as the Wus' claim of their ancestors *re*locating to Canton for economic opportunities is the possibility of Houqua's forefathers having been *dis*located from their home in Fujian by political turmoil.

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[14] *Qing shi lu* (Beijing: Zhonghua shuju, 1985) Kangxi 23/9/1 116:212.

China's New World

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



England, Scotland & Wales

Total Area = 228,918 sq km
Population (1801) = 11 million
Coastline = 12,000 km

Guangdong and Fujian
(excluding Taiwan and Hainan)
Total Area = 299,400 sq km
Population (circa 1800) = 25 million
Coastline = 6,692 km

Figure 1.2. A Comparison of the Geographies of two Sending Communities.

The coastline of China and the open waters of the South China Sea constituted no solid barriers to the movement of these Chinese migrants but presented to these coastal residents a fluid medium of exchange and migration. Chinese imperial policies which oscillated between endorsing maritime activities and restricting movements in the open seas influenced the flows of goods and people along the seaborne routes. Just as important, however, were the economic opportunities along the Chinese coast and at the various Southeast Asian ports, shaped not just by Chinese imperial policies but also the political climate of the ruling regimes abroad. In their pursuit of these economic opportunities, Houqua's fellow-countrymen in Fujian and Guangdong had long frequented the ports in Southeast Asia and this fluid movement of people, sometimes in defiance of imperial maritime bans, resulting in large migrant communities around the South China Sea.

Chinese expansion into Southeast Asia began predominately in the coastal provinces of Fujian and Guangdong. The aggregate area of the two provinces of Guangdong and Fujian (excluding the islands of Taiwan and Hainan which had previously fallen under the jurisdiction of the provinces) totaled 299,400 square kilometers, comparable to the combined area of 228,918 square kilometers for England, Scotland, and Wales, an important sending community for the New World of the West. The population of Guangdong at the turn of the nineteenth century has been estimated to be around 17 million which, along with the population of Fujian that had hovered at about half the level in Guangdong, gives a total of approximately 25 million,[15] over

[15] Robert Marks, *Tigers, Rice, Silk, and Silt: Environment and Economy in Late Imperial South China* (Cambridge, England/New York: Cambridge University Press, 1997), 280.

two times the total population of 11 million in England, Wales, and Scotland in 1801.[16] The coastline of Guangdong measures 3,368 kilometers and along with Fujian's 3,324 kilometers provided a continuous seaboard of 6,692 kilometers. This compares to the aggregate perimeter of England, Scotland and Wales of some 12,000 kilometers although the presence of the many islands inflates the British figure.

From this rough comparison, a general picture emerges: (1) the two provinces of Guangdong and Fujian are slightly larger than England, Scotland, and Wales combined; (2) the population of the two Chinese provinces far exceeded that of the Britain; and (3) both sides enjoyed easy access to water transportation. Furthermore, analogous to the emigration of British people to the New World, Guangdong and Fujian had long adopted the survival strategy of exporting labor abroad. The Fujianese port of Amoy (Xiamen) dominated shipping to the rest of China and had served as a major emigrant-sending community to Southeast Asia. In Guangdong, the provincial capital city of Canton (Guangzhou) had served more as a receiving port and was relatively slower in developing its own outbound shipping network.

Numerically, Southeast Asia overwhelms all others in its capacity as recipient of Chinese migrants. The results of this historical pattern of migration are still evident today. Around the year 1990, of some 37 million people who claimed Chinese ancestry or were classed as Chinese, 70 percent lived in Southeast Asia.[17] A substantial number of refugees had left Canton for Champa, Annam (today's Vietnam), and Cambodia during the mid-seventeenth-century Manchu conquest but the momentum of emigration developed only in the mid-eighteenth century as

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[16] "Abstract of the Answers and Returns Made pursuant to an Act, passed in the Forty-first Year of His Majesty King George III—Enumeration abstract, 1801," www.histpop.org/ohpr, date of access May 6, 2008.

[17] Philip A. Kuhn, *Chinese Among Others: Emigration in Modern Times* (Lanham: Rowman & Littlefield, 2008), 2.

Canton broadened its trading networks in the South China Sea and with that expanded the emigration from the province, overtaking Amoy in exporting labor abroad.[18] Extant records provide only tentative data on Chinese emigration to destinations worldwide. Adam McKeown estimated that more than 19 million Chinese moved to Southeast Asia and other South Pacific Indian Ocean destinations between 1846 and 1940.[19] Sugihara Kaoru calculated that 14.7 million departed from Xiamen, Shantou, and Hong Kong between 1869 and 1939.[20] These figures exceeded the number of emigrants from Britain. According to the statistics published by the Emigration Commissioners in Great Britain, during the 58-year period from 1815 to 1872, 7.6 million people emigrated from Britain, including those who emigrated through England which accounted for 26.76 percent of the total in 1872.[21] The need to seek opportunities abroad must have intensified with the escalated population pressure in eighteenth-century China as land per capita shrank 43 percent nationally. Furthermore, geographic constraints aggravated the pressure in the south and southeast, especially in southern Fujian where the proximity of mountains to the coastline precluded further exploitation of new fields.[22]

China did find its New World in Southeast Asia to the ports of which Houqua's fellow-countrymen from Fujian and Guangdong had migrated for centuries. Wang Gungwu had coined

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[18] Kuhn, *Chinese Among Others,* 7.

[19] Adam McKeown, "Global Migration, 1846–1940," *Journal of World History,* 15, 2 (2004): 157.

[20] Kaoru Sugihara, "Patterns of Chinese emigration to Southeast Asia, 1869–1939," in *Japan, China, and the growth of the Asian international economy, 1850–1949*, edited by Kaoru Sugihara (Oxford: Oxford University Press, 2005), 247-8.

[21] *New York Times*, September 3, 1873.

[22] Kuhn, *Chinese Among Others,* 14.

to the term "merchants without empire" to describe Fujianese sojourners in Southeast Asia.[23] Expanding upon Wang's thesis, James Chin who studied Fujianese merchant communities in Java, Manila and Nagasaki called them "merchants with a virtual empire" to underscore the importance of the enduring ties among these sojourners in their commercial success in maritime Asia.[24]

What makes the two Chinese provinces of Guangdong and Fujian appropriate for comparison to Britain is their shared orientation towards their respective "New Worlds" and their common commercial heritage. What distinguishes the Chinese search for the New World from the case in the West is that unlike the separation of the Old and the New Worlds by the Atlantic Ocean in the West, Chinese migrants observed no clear delineation of the sending community and the receiving community. Transcending jurisdictional boundaries of various political powers in the region, migration patterns of the Wus and other Chinese coastal residents revealed that they consider Canton as but one of the ports dotting the shoreline of China proper and beyond, forming a continuum of possibilities for migrants in search for opportunities sometimes arising precisely because of the enforcement of different policies. As the state mandated that certain businesses be transacted in designated cities, these cities became possible destinations for potential Chinese migrants where they could strategically position themselves to maximize profit potentials for the families. Therefore, the Canton system that Houqua would come to dominate in the first half of the nineteenth century was no exceptional case of China's trading connections

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[23] Wang Gungwu, "Merchants without empires: The Hokkien sojourning communities," in *China and the Chinese Overseas*, ed. *idem* (Singapore: Times Academic Press, 1991), 79-101.

[24]Kong James Chin, "Merchants and Other Sojourners: The Hokkiens Overseas, 1570-1760," Ph.D. diss., The University of Hong Kong, October 1998.

with the world at large; instead, it grew out of the longstanding junk trade which extended along China's coast to the various ports of Southeast Asia.

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

A Different New World Experience

The analogy of China's New World to its Atlantic counterpart can only extend so far, however. The Chinese experience differed considerably from that of the European "explorers" in their mode of entry and the economic configuration these New World encounters engendered. These differences bear significant ramifications for the developments of the two systems in the following century.

Under the Manchu leadership during the Qing dynasty, China did march west and exert political control over vastly expanded territories. However, the Qing state did not sail south. Unlike their European counterparts, the Chinese emigrants to Southeast Asia did not take over their receiving communities through military conquests or epidemiological accidents.[25] Instead,

[25] In a series of papers emanating from a forum reviewing Kenneth Pomeranz's impact ten years since the publication of *The Great Divergence* ("Assessing Kenneth Pomeranz's *The Great Divergence*: A Forum," *Historically Speaking* 12:4 [September 2011], 10-25), some authors also suggested further examination of China's missed opportunity in exploring the use of the resources in Southeast Asia. In response, Pomeranz highlighted the absence of an epidemiological accident and the lack of Chinese state motivation to partner with its merchants. While I agree with Pomeranz on parts of his rebuttal ("Ten Years After: Responses and Reconsiderations,"

these Chinese emigrants became embedded in their receiving communities. These Chinese migrants adeptly leveraged their marginal status in the receiving communities to their economic advantage. The most profitable occupation for these Chinese emigrants was revenue farming for the local state. Even as colonialism spread in Southeast Asia in the late fifteenth century, this service continued to be dominated by Chinese emigrants who served essentially as coadjutors.[26]

Southeast Asia offered Guangdong and Fujian many of the same features of the New World which appealed to Britain. Numerically, Chinese emigration from Guangdong and Fujian afforded the region as much, if not more, of an outlet of Malthusian pressure as British emigration to the New World. Unlike their counterparts in the Americas who dominated the land and exploited local resources with the help of slaves, Chinese emigrants embedded in their adopted homelands partook in the exploitation of the land under the auspices of the governing regimes and derived significant profits in the process. Their economic importance stemmed from their role in the enduring commercial connections between their ancestral homes in China and their adopted domiciles in Southeast Asia. Of course, their political function in their spheres of activities far beyond the pale of China's imperial control could not be compared to the British nationals operating at the edge of the ever-expanding British Empire. However, they performed

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Historically Speaking 12:4 [September 2011], 20-25), I disagree with him on certain points. Pomeranz deposited that Southeast Asia lacked unique products the importation of which into China would yield high tax revenues to subsidize state-led military ventures. In particular, he focused on the prevalent cultivation of sugar in Guangdong and Fujian. Instead of sugar, I pay attention to rice as it was not only cultivated extensively at Southeast Asian ports frequented by Chinese seafarers but also represented a well-established staple in southern China. An institutional framework that fostered the importation of rice could have led to further specialization that enhanced economic growth in China. Moreover, while I agree with Pomeranz that the military-fiscal competition among European states propelled their governments to embark onto mercantilist colonialism, I disagree with his assessment that the Chinese could continue to boast seafaring skills that would otherwise have enabled similar partnership between the Chinese state and its merchants. As the following discussion will show, the gap in navigational knowhow between the Europeans and the Chinese had widened considerably by 1800.

[26] Kuhn, *Chinese Among Others*, 3, 181.

an economic function of great significance although their business dealings in commerce and finance diverged from those their British counterparts undertook.

Although Chinese migrants in Southeast Asia did not exert control over the productive resources of their receiving communities, many structured profitable exchanges with their fellow-migrants in the region and their brethrens in their ancestral homelands. China's trade with its Southeast Asia was founded on "material wants not only of luxuries, but far more so, of the necessities of life," noted the Foreign Office of Great Britain.[27] Among these "necessities" were rice, wood, cotton, and sugar from Siam and chinaware, earthenware, foodstuff and textile from China.[28] The cost differentials of the import items into China, according to the calculation of Jennifer Wayne Cushman who studied the Sino-Siam trade, represented an overwhelming Siamese advantage over China in the cultivation of rice: the average cost of rice in China was 400 percent higher than in Siam! This significant cost advantage did make rice the highest-value import item into China from Siam from 1800 to 1850 but its aggregate trading volume in that half century was merely fifteen percent above that of the second most important item, pepper, which, according to Cushman, cost only 26 percent higher to produce in China than in Siam.[29] Certainly, the cost of transportation might have cut deeply into the profits of importing rice into China, rendering the return on this investment smaller than what is implied by this cost advantage in Siam. However, the prosperous business of pepper import in spite of the much

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[27] FO 17/9 "Trade to all the ports of the Chinese Empire." Great Britain. Foreign Office. Papers in the PRO. Series: Foreign Office 17. China No. 9. 1835. 44, cited in Jennifer Wayne Cushman, *Fields from the Sea: Chinese Junk Trade with Siam during the Late Eighteenth and Early Nineteenth Centuries,* (Ithaca, New York: Southeast Asia Program, Cornell University, 1993), 74.

[28] Cushman, *Fields from the Sea,* 74.

[29] Cushman, *Fields from the Sea,* Appendix A.

lower cost advantage in Siam indicated that the transportation cost was not insurmountable. More importantly, compared to the luxury commodity of pepper, rice, as a bulk commodity, could have generated recurring profits of a much large magnitude.

Why then could rice not become the linchpin for further economic specialization and cooperation between China and Southeast Asia, just as sugar provided the caloric boost to fuel the growth of the European New World and cemented Europe's economic relations with its extended territories in the Americas? What hampered this economic division of labor between China and Southeast Asia was the Qing state's view towards the rice from Southeast Asia not as a perennial import item to ease population pressure but only as a buffer stock to alleviate the risk of famine. As a result, despite the Qing court's sporadic policy encouraging the importation of rice, such intermittent initiatives never blossomed into an economic framework to sustain annual rice import into China.

Grain shortage issues in the southern coastal provinces loomed large in the minds of the policy makers in Beijing. As a result, policies on rice importation appeared often in court documents regulating coastal residents' dealings in Southeast Asia. In order to alleviate rice shortage, the emperor Yongzheng showed a pragmatic stance towards the Nanyang trade in 1725 as he authorized Amoy ships to trade abroad on the condition that they carry back specified quantities of rice which varied based on destination and size. For example, large and medium junks sailing to Siam needed to bring back 300 and 200 piculs of rice respectively. The corresponding requirements were 250 and 200 piculs for Batavia and Luzon, 200 and 100 piculs

for Cambodia and Johore.[30] To further encourage rice importation from Siam, the Qing state promised to award official ranks to Fujianese merchants in 1754 according to the amount of rice imported.[31] Two years later, the state implemented a similar policy in Guangdong and ranks were indeed awarded in the two provinces in the 1750s and 1760s as promised to local merchants who invested their own capital in the importation of rice from Siam, Cambodia, Annam and other ports in the South China Sea.[32]

Rice was the sole import item from Southeast Asia for which the Qing court offered rebates to merchants shipping it regularly to China,[33] underscoring its importance in the minds of the policy makers in Beijing. In 1724, the Qing state offered tax rebates to vessels which included rice in their cargos.[34] In 1742, the exemption of rice from customs induced a significant increase in rice import from Siam and other Southeast Asian ports where, according to the Governor of Guangdong, "rice was plentiful and prices low," lessening "the ever-increasing prices in Guangdong where the paucity of farmland against its hilly landscape rendered the region incapable of satisfying the food requirements of the local people."[35] Similar policies were also enacted in the neighboring province of Fujian which shared Guangdong's

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[30] Liu Jianshao, *Fujian tongzhi zhengshi lue* (n.d), 14:29a-b; Sarasin Viraphol. *Tribute and Profit: Sino-Siamese Trade, 1652-1853* (Cambridge, Massachusetts and London, England: Harvard University Press, 1977), 72-73.

[31] Feng Liutang, *Zhongguo Lidai minshi zhengce shi* (1934; reprint, Beijing: Shangwu yinshuguan, 1993), 226-227; Viraphol, *Tribute and Profit*, 99.

[32] *Qinggong Yue Gang Ao shangmao dang'an quanji,* IV:1976-1979, IV:1995-1997, IV:2155-2156; Academia Sinica, ed., *Mingqing shiliu* (Taibei, 1960), VII (*geng*), 6:526b-527a, 8:736b-738b; Viraphol, *Tribute and Profit*, 100, 104.

[33] Cushman, *Fields from the Sea*, 89.

[34] *Qing shi lu*, (Beijing: Zhonghua shuju, 1985), Yongzheng 88:28a; Cushman, *Fields from the Sea*, 91.

[35] *Qinggong Yue Gang Ao shangmao dang'an quanji,* II:792-796. This exemption lasted seven years (see Liang Tingnan, ed., *Yue haiguan zhi* (Taibei: Wenhai chubanshe, 1976), 11:3a).

problem of food shortage. Pleased with the effects of tax exemption in stimulating rice supplies to Fujian from Siam during the previous year, the court issued a formal decree in 1743 which specified that that vessels bringing to China 10,000 piculs or more of rice would have their duty assessment reduced by half and those carrying 5,000 piculs or more by three tenths. In order to ensure consistent profits for the traders bringing rice from abroad, the court ordered the local officials to stock up on rice for the granaries and for the needs of the military once the residents had their fill.[36] These generous offers led Cushman to conclude that the Chinese sought no other product through the legal channels as actively as they did rice.[37]

The Qing state regulated this trade with Southeast Asian countries as a category separate from the Sino-Western trade which, as we shall see, was administered by the court differently and came to be confined to the port of Canton. Cushman has argued that the China's trade with Southeast Asia, in particular Siam, owed its success to the Qing court's perception and justification of this trade with Southeast Asia as an extension of the domestic coastal junk trade, distinct from the tribute missions. This framework of situating the Sino-Siamese trade within the framework of China's indigenous economic activity necessitated the reliance on Chinese merchants as agents and Chinese vessels as the carriers of this business.[38] The court's pragmatic administration of this trade and its preoccupation with the importation of rice reflected the pressing needs to alleviate the risk of famine along the southeastern coast.

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[36] *Qinggong Yue Gang Ao shangmao dang'an quanji,* II:871; Cushman, *Fields from the Sea*, 91.

[37] Cushman, *Fields from the Sea*, 94.

[38] Ibid., 3.

Unlike the importation of sugar into Europe, however, China's import of rice represented not a substitute to food production in the "Old World" of China proper but a complement to production in China proper. Although the structure of China's trade with Southeast Asia and the critical role of the Chinese traders reflected the mounting influence of Chinese migrants in the economic activities of Southeast Asia, the importation of rice to augment but not to replace domestic production to any extent subjected the volume of rice import to the fluctuations in crop yields in China. This arrangement did not provide a stable platform from which economic specializations between China proper and the Southeast Asian countries could generate growth year after year.[39]

The apparent irony of China's low level of import relative to its cost disadvantage was the result of the fact that cost advantages calculated based on averages did not account for the extreme cost variations in years of crop failure in China which, after all, was the major concern of the court. During years of regular crop yields, Siamese rice import served just as a minor cushion to respond to Chinese domestic requirements. In other words, the trade between China proper and the Southeast Asia ports did not develop into an outsourcing strategy for China to rely heavily on its partners for supplies of rice. A heavier reliance on rice import would have allowed China to leverage the lower production cost of rice in Southeast Asia, thereby allowing Chinese coastal residents to engage in other productive economic activities in more than a marginal manner. As a mere buffer against shortfalls in domestic production, the importation of rice into

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[39] My views that economic specialization did not intensify as a result of the variability and unpredictability of the rice demand of the southeastern coastal provinces in China from Southeast Asia parallels Siu-Wai Cheung's observation of similar dynamics between the Yangzi delta and the middle Yangzi region. See Sui-Wai Cheung, *The Price of Rice: Market Integration in Eighteenth-Century Chin* (Bellingham, WA: Center for East Asian Studies, Western Washington University, 2008), 134-135.

China might have allowed Fujian and other coastal areas in China to devote on the margin more resources to other productions but the volume was not reliable enough for Siam to exploit its abundant farmland and no rice was cultivated in Siam specifically for the export market until after 1855.[40] With rice serving only as a domestic substitute in times of shortfalls, merchants would not devote as much of their resources to facilitate its trade as they would if rice was a large-scale, perennial import into China.

The fact remains that as an import to supplement domestic production the yield of which varied widely, rice did not present a reliable profit opportunity to the merchants linking China proper to Southeast Asia. In the end, despite the Qing court's preoccupation with rice import as a buffer and the phenomenal cost differential, rice was but one of many import items of significance into China. While the New World of the West provided the caloric windfall for Europe, rice never blossomed into important enough a foodstuff that could nurture a lasting economic partnership between China and Southeast Asia.

It is important to situate China's trade with the West in this larger context which included its commercial ties with Southeast Asia. The configurations of these networks had significant ramifications on subsequent economic developments and conditioned the positioning of the merchants participating in different segments of China's trade with partners operating from beyond the realm of the Qing empire. Economically, the relegation of imported rice to the role of a buffer against crop shortfall in China failed to structure China's trade with Southeast Asia to allow for further economic diversification. Indeed, the Chinese junk trade continued throughout the nineteenth century with rice as but one of the important items of exchange, and this junk

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[40] Cushman, *Fields from the Sea,* 89, 92.

trade remained an important economic activity between merchants residing in Qing China and their partners in Southeast Asia. However, the Chinese junk trade itself was quickly relegated to a less profitable endeavor with the takeoff of Sino-Western trade and the advent of navigational breakthroughs.

That the Chinese migrants did not take over Southeast Asian ports through military subjugation as in the case of the West but embedded themselves in the local communities holds momentous implications for their diverging approaches to technological developments. As the Western adventurers continued to explore and expand their empires, they needed to improve constantly their navigational techniques. In the meantime, the Chinese migrants remained dependent on their junks which had served them well only because of their knowledge of the local terrain and waterways. By the early nineteenth century, advances in Western navigational techniques allowed the Western adventurers to penetrate the waterways of Southeast Asia, a region over which the Chinese migrants had held sway.

As early as in 1794, a book was published in London under the title *The Oriental Navigator, or New Directions for Sailing to and from the East Indies.* According to the subtitle, the book was also intended "for the use of ships trading in the Indian and China Seas to new Holland, &c &c" and the information included therein was "[c]ollected from the Manuscripts, journals, memoirs and observations of the most experienced officers in the Hon. East India company's service, and from the last edition of the French Neptune Oriental."[41] In seven years,

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[41] *The oriental navigator, or new directions for sailing to and from the East Indies: Also for the use of ships trading in the Indian and China Seas to new Holland, &c &c Collected from the Manuscripts, journals, memoirs and observations of the most experienced officers in the Hon. East India company's service, and from the last edition of the French Neptune Oriental* (London: Robert Laurie and James Whittle, 1794).

this book would be reprinted in Philadelphia under the same title.[42] The circulation of and advances in navigational knowhow was evident as these publications were by no means unique. Sitting alongside the Philadelphia version of this book in the Mystic Seaport collection of manuals was another entitled *China coaster's tide book and nautical pocket manual: containing matters concerning tides and tidal streams, and a mass of miscellaneous information for the coast of China, etc.*[43]

Local information was only important to navigators who traveled around the South China Sea up to the southern provinces of China by hugging the coast. As the first half of the nineteenth century unfolded, navigators from the West would make technological advances that allowed them to chart new courses and steer clear of the coastline, aiming their vessels straight towards the ports of economic interest. By 1840, this sense of the differences in navigational approaches was made abundantly clear in a journal for seafarers:

> The whole coast of China is very well known to the Chinese themselves. As their navigation is only coasting, they discover at a great distance, promontories and islands, and are seldom wrong in their conjectures. They have a directory, which, being the result of centuries of experience, is pretty correct in pointing out the shoals, the entrances of harbours, rocks, &c. As they keep no dead reckoning, nor take observations, they judge of the distance they have made by the promontories they have passed.[44]

When the navigators from the West were in the early stages of developing cartographical knowledge of this part of the world and their navigational techniques had yet to mature, they had

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[42] *The oriental navigator, or new directions for sailing to and from the East Indies: Also for the use of ships trading in the Indian and China Seas to new Holland, &c &c Collected from the Manuscripts, journals, memoirs and observations of the most experienced officers in the Hon. East India company's service, and from the last edition of the French Neptune Oriental* (1794; reprint, Philadelphia: James Humphreys, 1801).

[43] *China coaster's tide book and nautical pocket manual: containing matters concerning tides and tidal streams, and a mass of miscellaneous information for the coast of China, etc.* (N.p.: n.p., n.d.).

[44] *The Nautical Magazine and Naval Chronicle, A Journal of Papers on subjects connected with Maritime Affairs*, Enlarged Series, No. 8 (London: Simpkin, Marshall, and Co., 1840).

to rely on the experience of the Chinese sailors in order to avoid the shoals and reefs along the coast. However, as these Western seafarers grew confident in their location at sea, even in the absence of landmarks nearby, they outgrew the needs to learn from their Chinese counterparts. By 1840, the European sailors considered the maneuvering of the Chinese junks, "performed without the aid of charts; or any other help, except the compass" as "mere coasting."

Although such conviction of Western superiority in navigation escalated only by the mid-nineteenth century, the fundamental difference in the traffic pattern of Chinese junks and Western vessels was already fueling the development of two dissimilar business models. The Chinese junk trade remained a vibrant activity along the southern Chinese coast and the South China Sea. The routes of these junks strung together important ports along the coastline stretching from Fujian, Guangdong, to Annam, Siam, Malay and Batavia. To and from ports at these locations, Chinese junks carried local produce such as sea cucumber, betel nut, birds' nest and other items found to be of interest at other locales within the network. These Chinese junks, however, were missing out on a business opportunity that was developing quickly.

The closing decades of the eighteenth century witnessed the explosive growth in Western demands of Chinese products, in particular, tea, the transportation of which surpassed the capabilities of the Chinese junks. Not only were the Chinese junks not equipped to traverse the oceans to carry these goods to their destinations, but the need to ship to the Western markets tea, the Chinese product most desired by Western consumers, in the freshest condition possible precluded the use of Chinese junks, even for the stretch of the shipment in the South China Sea. In the search for profits deriving from the long-distance shipment of products that were perishable, there was no place for the slower coasting of Chinese junks. In the race for the fastest sea clipper that ensued in the nineteenth century, Chinese vessels played no part.

Evolving on the map of global trade was no camel-paced, caravan-speed maritime silk road; it was to be the maritime tea express, emanating from the port Canton, in search for the speediest route to the Western markets.

To Houqua and the other Chinese merchants trading with the West, this dominance of Western vessels in the transportation of Chinese goods to the markets in the West curbed the potential for economic expansion of the Chinese merchants into Southeast Asia. Situated at the crossroad of China and the West in Canton, Houqua and his fellow-*Hong* merchants stood to benefit from the economic exchange between China and the West. However, Western control of the sea routes relevant to their trade segregated their business from China's junk trade in the burgeoning Southeast Asia. Chinese junks would continue to play a major role in coastal trade but Chinese carriers had lost the market for the delivery of tea, the bulk commodity which required express shipment to the Western markets. In Houqua's world of the early-nineteenth century, Western powers had yet to usurp the role of the Chinese in Southeast Asia. However, before their assertion of territorial dominance, Western navigators had already taken over the fast lanes of the seas, a reality that Houqua had to contend with from his base in Canton.

This was the conundrum Houqua faced at the turn of the nineteenth century in Canton. He was situated at a port which afforded China a key interface with Southeast Asia. However, endogenous issues within this system encompassing China and Southeast Asia had not allowed rice to come forth and serve as the binding element to sustainable commercial exchange and fuel economic growth. Exogenous to China's involvement in the economic system in Southeast Asia was the growth of a market for Chinese tea in the West. The problem to this pleasant surprise of Western demand was the inability of Chinese junks to provide speedy transportation of Chinese tea to the Western markets. Other Chinese merchants in Canton and cities along the southeastern

Chinese coast would continue to pursue the junk trade with partners in Southeast Asian ports but from his base in Canton, Houqua would come to specialize in the lucrative Sino-Western trade. He faced the challenge of breaking free from the control of sea routes by his Western partners as he leveraged his centrality in Canton, the nexus in the global flow of goods in and out of China.

Forming the Nexus of International Trade in Canton

For the Wus and other enterprising Chinese migrant families, the appeal of Canton as a trading port grew with the tightening policy of the court which favored Canton as the port of call for foreign traders. Initially, when the court lifted the maritime trading ban in 1684, customs offices were set up at the port of Macao in Guangdong and at the port of Zhangzhou in Fujian. The following year, two additional customs offices were established in the city of Ningbo in Zhejiang and Yuntaishan.[45] Reporting directly to the Board of Revenue in Beijing, each of these customs offices regulated foreign trade at its port and implemented customs collections independently from each other. Among these customs offices, however, the office in Canton received the greatest imperial attention.

Headed by the "Imperially Commissioned Superintendent of revenues in charge of the trade and customs collection along the coast of Guangdong" (*Qinming duli Guangdong yanhai dengchu maoyi shuiwu Hubu fensi*), commonly known to the Western traders as "Hoppo," this Customs Superintendent was an imperial bondservant, dispatched directly by the emperor.[46]

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[45] Wang Zhichun, comp., *Guochao tongshang shimo ji* (Taibei: Wenhai chubanshe, 1967), 2:9b; Kun Gang et. al., eds., *Qinding Da Qing huidian shili* (1899; reprint, Shanghai: Shanghai guji chubanshe, 1995), *juan* 239, Board of Revenues.

[46] Ch'en Kuo-tung , "Yue haiguan (1684-1842) de xingzheng tixi," *Shihuo yuekan*, 11, 4 (1981.7), 40.

Unlike the customs officers at the other locations who had to function within the regular hierarchy of the provincial administration, the imperially commissioned Canton Customs Superintendent served as the personal official for the emperor. Yet, this personalistic structure alone could not provide the emperors with sufficient assurance over the control of this revenue stream. Under the emperors Yongzheng and Qianlong, the state frequently reassigned officials to this post, sometimes with concurrent appointment to local offices. Through the eighteenth century, the structure developed into an overlapping system of checks and balances whereby the emperor required that local officials perform surveillance functions over the collections of the Customs Superintendent. Although the Superintendent did not have to report to the two local authorities, the Governor General of Guangdong and Guangxi and the Governor of Guangdong, the latter had to tally up monthly ship counts and report on the quality of goods. These reports, compiled by the local officials who belonged to the bureaucratic hierarchy, allowed the authorities in Beijing to detect any potential issue in the collections of the Superintendent in Canton.[47] This involved and elaborate structure underscores the importance of customs duties to the imperial coffers.

Revenues from customs constituted an important and reliable annual contribution for both the emperor's purse under the institution of the Imperial Household and the state revenues collected by the bureaucratic body of the Board of Revenue. The Imperial Household and the Board of Revenue were the coffers of the imperial family and the state respectively, and the emperor was the master of both. Both of these treasuries received annual contributions from

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[47] Kun et. al., eds., *Qinding Da Qing Huidian shili*, *juan* 237, Board of Revenues; Liang, ed., *Yue haiguan zhi*, 7:2a-2b; Ch'en Kuo-tung, "Qingdai qianqi Yue haiguan de liyi fenpei (1684-1842): Yue haiguan jiandu de juese yu gongneng (1684-1842)," *Shihuo yuekan* 12,1 (1982.4), 19-33.

maritime customs in Canton.[48] The court issued customs quotas for each area which added up to a total of 2.26 million taels per year for the period between 1798 and 1821. Of this total, maritime customs from Canton alone accounted for 855,500 taels per year, or some forty percent, making it the single largest contributor to customs collection and a material portion of the total proceeds to the imperial coffers.[49] The importance of this income stream was already noticeable in the mid-eighteenth century. Maritime Customs revenues collected at Canton had grown steadily in the 1740s and 1750s. From just over 410,000 taels in 1745, this revenue stream had increased at an impressive pace to over 515,000 taels in 1754.[50] More remarkable than this respectable growth of over twenty-four percent in the span of a decade was the stable and gradual year-to-year increase in revenues the remittance of which attracted intensifying imperial attention.[51] However, as the imperial attention was focused on collecting customs in Canton and the other locations enjoyed more latitude in their practices, foreign trade naturally gravitated towards ports where the duties were the lightest.

The court had feared of its not being able to confine foreign trade to Canton as it saw fit. This fear was heightened as results tallied up for 1755 showed a six percent drop in customs

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

[49]Chang Te-Ch'ang, "The Economic Role of the Imperial Household in the Ch`ing Dynasty," 258.

[50] *Qinggong Yue Gang Ao shangmao dang'an quanji,* II:1006, III:1238-1240.

[51]Ibid., III:1238-1257.

revenues from Canton as twenty two foreign vessels called at the port, a noticeable drop from twenty seven the year before.[52] In the following year, the court's concerns intensified as Canton customs fell another seventeen percent and the number of foreign vessels calling at the port plummeted to fifteen.[53] By 1757, the court appeared helpless in arresting the decline in this important revenue stream: customs collected took another twenty-one percent plunge as a measly total of seven ships called at Canton, fewer than half the already reduced count in the previous year.[54] In three short years since its peak in 1754, Canton customs revenue had fallen nearly forty percent. Mere manipulation of customs levels to entice foreign traders to aggregate their business in Canton just would not work.

Nonetheless, the court did not yield to foreign traders' insistence on transacting in ports outside of Canton. The strategic location at Canton allowed for tighter control over the movement of trading vessels and hence more reliable surveillance and customs collection.[55] Canton is located on the bank of the Pearl River which empties itself into a broad bay thirty two miles downstream. Where this bay opens to the South China Sea is another fifty miles from the entrance of the bay. In this region are a number of small islands. Macao is located on the side of this bay. Ships approaching Canton would enter around Macao into the bay. At the entrance of the bay which points towards Canton, ships would need to clear the "mouth" of the Pearl River, a strait formed by a protrusion of land from either side set "little more than a musket-shot apart,"

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[52] Ibid., III:1597-1601.

[53] Ibid., III:1597-1648-1653.

[54] Ibid., IV:1702-1703.

[55] Ibid.

as a nineteenth-century British observer noted.[56] Known as Bocca Tigris ("Tiger's Mouth") to the Europeans, and Humen ("Tiger's Gate") to the Chinese, this formation afforded the Qing government a natural strategic stronghold. Foreign vessels would be allowed to proceed another twenty miles upriver and anchor at Whampoa, the "road" of Canton. These vessels would be banned from proceeding further towards Canton and needed to rely on boats to cover the remaining tens miles upstream to the city.[57] The narrow strait of Bocca Tigris and the officers stationed at Whampoa provided the Qing court with a reliable mechanism to regulate the traffic of foreigners, a tool it would not easily give up.

To make it economically unappealing to trade at other ports, the court ordered in 1757 that duties be raised at other locations to the levels in Canton so that "as the foreign traders see no profit [in going through the other checkpoints], they will inevitably return to Canton."[58] At the port of Ningpo, duties were set at a level slightly higher than those in Canton in accordance with an imperial decree with the intent of driving foreign traders to Canton so as to facilitate tighter control over trading activities and the movement of the foreigners.[59]

These measures, however, proved ineffective as goods in Canton continued to be more expensive than those in the north and foreign traders often circumvented Canton to evade the tighter surveillance at that port.[60] To demonstrate its resolve in aggregating foreign trade in

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[56] "Some Account of the City of Canton, Part I" *The Saturday Magazine,* Vol. X (London: John William Parker West Strand, April 1837), 310:162.

[57] Ibid., Liang, ed., *Yue haiguan zhi*, 5:1a.

[58] *Qing shi lu*, Qianlong 549:1010.

[59] *Qinggong Yue Gang Ao shangmao dang'an quanji,* III:1596.

[60] Wang Zhichun, comp., *Guochao tongshang shimoji* 5:4a.

Canton, the court issued an order in December 1757 to the Governor General of Fujian and Zhejiang to promulgate an imperial decree to forbid any foreign vessels from calling at the northern ports. This imperial mandate made Canton the sole port of call for Sino-foreign merchants. Henceforth, foreign merchants could "only dock and transact in Canton and would no longer be allowed to proceed to Ningbo. Those who proceed [north] will, without exception, be ordered to return to Canton with its original [cargo]."[61] This edict, issued in the name of the Governor General of Fujian and Zhejiang on December 20, 1757, turned Canton into the nexus of international trade and commerce for nearly a century.

This more drastic stance taken by the Qing court finally managed to stabilize its customs collections at Canton. However, the recovery would take almost a decade. Canton welcomed sixteen foreign vessels in 1758, more than double the level in 1757 and customs collected rebounded some fifteen percent.[62] Ship count grew to twenty three in the following year but that uptick proved to be a false start as the number plummeted again to the very low double digits in the next few years.[63]

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[61] *Qinggong Yue Gang Ao shangmao dang'an quanji,* III:1654-1661.

[62] Ibid., IV:2018.

[63] Ibid., IV:2141-2142, 2166, 2318-2319.

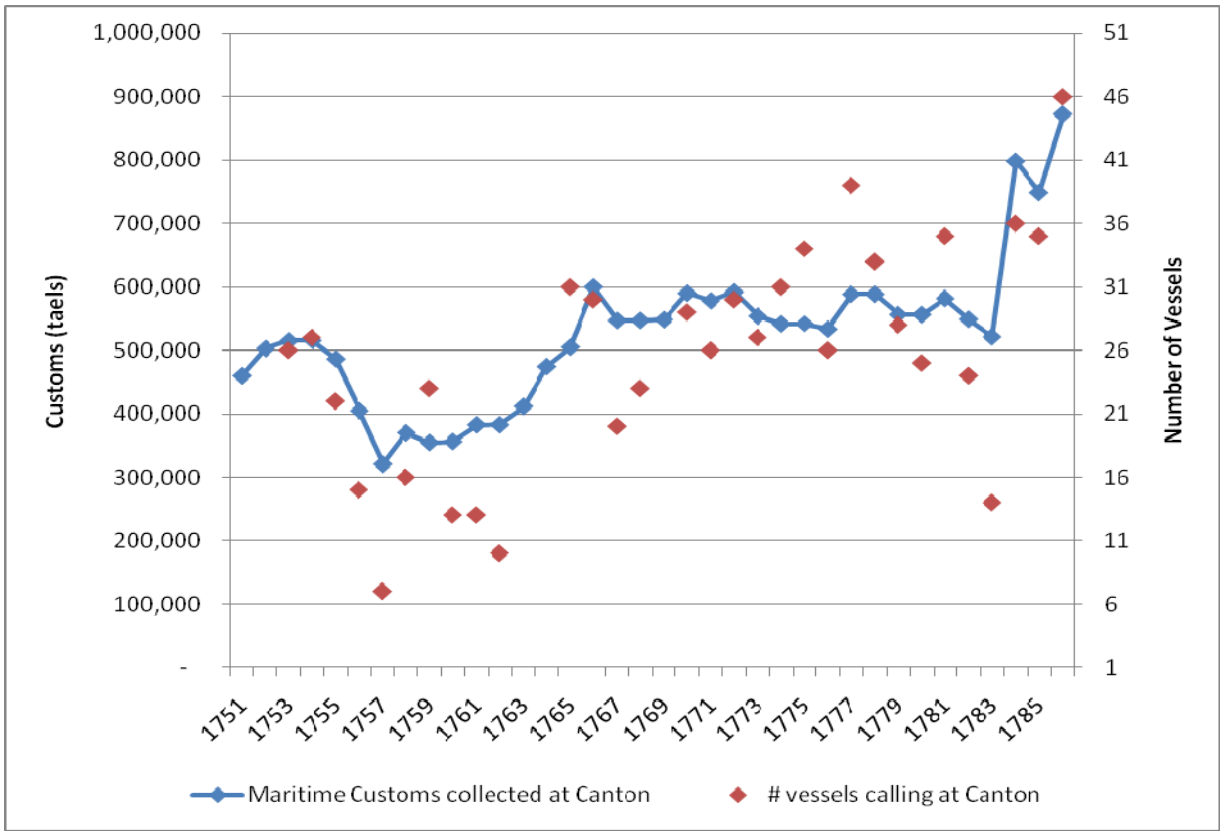


Figure 1.3. Maritime Customs revenues collected at Canton and the Number of Vessels calling at the port. For issues with year-to-year comparisons because of the intercalary month, see Ch'en Kuo-tung, "*Qingdai qianqi Yue haiguan de liyi fenpei (1684-1842): Yue haiguan jiandu de juese yu gongneng*," 31-32. Source: *Qinggong Yue Gang Ao shangmao dang'an quanji* (A complete collection of the archival documents on the trade in Canton, Hong Kong and Macao from the Qing Palace). (Beijing: Zhongguo shudian, 2002), *passim*; Liang Tingnan, ed. *Yue haiguan zhi* (Gazetteer of the Maritime Customs in Canton). Reprint, Taibei: Wenhai chubanshe, 1976), *juan* 10:7b-16b.

Foreign traders kept testing the resolve of the Qing court in enforcing its policy of confining trade to Canton. From 1755 to 1757, an English vessel had sailed north, allegedly because business in Canton was wanting and the ship had departed for Ningbo to explore commercial opportunities up the coast. In a bid to eradicate any such foreign ventures, Qing officials banished back to their native places the foreigners' Chinese agents in Fujian and Ningbo who were to furnish the ship with tea and silk. The officials' response, along with the formal ban on trade outside of Canton issued in December 1757, kept the English ship away for a year. However, in 1759, the foreign trader dispatched a smaller boat north to Zhejiang to test how

strictly the officials were implementing the ban. Within days, the Qing officials escorted the English ship back to Canton. In addition, the officials posted in the coastal provinces in the southeast coordinated their surveillance effort at sea and prosecuted locals who worked with foreigners to evade the ban. The news of this English vessel being driven back to Canton was also widely publicized in Canton "so that foreign traders would know that they would not profit from proceeding to Zhejiang as all foreign vessels destined for Zhejiang would be driven back under escort."[64] The official decree making Canton the sole port of call carried more weight than the enticement of a lower duty in Canton. Yet, the lure of profit beyond Canton continued to be too tempting for the traders. In the end, the advances motivated by such impressions of profit opportunities could only be averted by the court's repeated demonstration of its determination to enforce the ban on trade outside of Canton.

The court's efforts paid off. Over the next few years, collections of maritime customs recovered at Canton, testing the previous high set in the early 1750s as collections surpassed the half-a-million-tael mark in 1765. This recovery came about largely thanks to the re-aggregation of foreign traders in Canton in deference to the court's enforcement of the ban on foreign trade outside of Canton. In 1765, thirty one foreign vessels called at the port of Canton, a record high since the court began to tally ship count in the early 1750s.[65] Trading volume at Canton continued to grow and the ship count reached thirty nine in 1777. In that year, maritime customs at Canton contributed 588,408 taels to the imperial coffers.[66] Although impressive in its sheer

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[64] Ibid., IV:1718-1722.

[65] Ibid., V:2360, 2369, 3268.

[66] Ibid., V:2620, 2686.

amount, the growth of this revenue stream of 16.5 percent from the 1765 level was not commensurate with the 25.8 percent increase in ship count during the same period. In the ensuing decade and a half, customs revenues stagnated as year after year, officials dispensed with their collection responsibilities by merely reporting revenues comparable to the level reported in the year before. While it acknowledged that the number of vessels calling at Canton was beyond the control of the Customs officer there, the court was nonetheless eager to extract more revenues from the trading volume at Canton which was registering respectable, though erratic, growth. To that end, the court shifted its focus internally to its policy on customs collection.

By 1781, in its bid to regulate maritime customs collection at Canton, the court had issued an imperial decree to impose further control on its officials:

> In the past, maritime customs at Canton has always assessed duties based on the number of ships and the quality of goods, unlike the assessment of duties on goods passing through the checkpoints in the inner regions. The [recent] shortfall … was attributed to smaller boat sizes and a decline in the quality of goods and [the emperor] has benevolently exempted the official from making good on the shortfalls [with his personal funds]. From now on, the Board [of Revenue] should audit maritime customs at Canton based on the number of ships visiting the port and the quality of goods sold in any particular year. ... [67]

Recognizing that it would have been infeasible to demand a comprehensive audit of the goods flowing through Canton and to require that officials justify their customs collection based on those variables, the court settled for stricter supervision on ship count, an item that was already reported on a regular basis, and an assessment of the quality of goods. [68] In addition, the court set as the benchmark the ship counts and customs collected for 1776 and 1777. For the

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[67] Ibid., V:2784, 2785; also in Kun Gang et. al., eds., *Qinding Da Qing huidian shili*, *juan* 237, Board of Revenues.

[68] Ch'en Kuo-tung, "Yue haiguan(1684-1842) de xingzheng tixi," 43.

next couple of decades after the promulgation of this new decree, the court challenged regularly officials in Canton and imperial commissioners dispatched to ascertain proper collections on precisely the two variables the court deemed important in determining collections: ship count and a general description on the quality of goods. It took a while for this new policy to bear fruit because the number of ships calling at Canton fell for a couple of years. However, as the ship count reached thirty six in 1784, customs collections leapt to nearly 800,000 taels and hovered around that higher plateau in subsequent years.[69] By the mid-1780s, the court finally succeeded in aggregating foreign trade traffic in Canton and in defining its collections expectations for its officials. In 1789, customs revenues in Canton even surpassed the million tael mark, double the peak annual collection before the court orchestrated a concerted effort to derive economic benefits from the Sino-Western trade. During that period, total state income was in the range of 40 million taels.[70] By the closing decades of the nineteenth century, maritime customs revenue had become an important and stable income stream for the court in Beijing.

The International Port Took Shape

Around this time, Houqua came of age and embarked on his career in international commerce at the port of Canton. This vital international port which served also as the provincial capital was a sprawling city. The expanding roles of the city had resulted in an ever-growing footprint of enclosed territories dotted with government presence. With each phase of the expansion, the city did not metamorphose to assume a new shape. Instead of shedding its

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[69] *Qinggong Yue Gang Ao shangmao dang'an quanji,* V:2785.

[70] Guoshiguan, ed., *Qingshigao jiaozhu*, 132:3618-3619.

previous rings of protective city walls, the city grew into an organic formation of inner and outer walls flanked by additions in the east and the west. A late-nineteenth-century gazetteer traced the inner wall of the city to the 1380 reconstruction efforts during the early years of the Ming dynasty. The outer wall, dating from 1563, extended from the southern side of the inner wall and ran a perimeter of 3,786 *zhang* (12,620 meters). At the top, this outer wall was ten meters thick and at the base, measured over eleven and a half meters in thickness. Eight gates punctuated the continuous stretch of the outer wall: one each in the east, the west, the south and the southeast and four in the southwest.[71] The concentration of these city gates in the southwest pointed to the commercial heart of Canton which fueled the circulation of Chinese merchandise in the international marketplace. During his youth, Houqua witnessed how Canton became not just an indispensable contributor to the finances of the imperial court in Beijing but also a vital engine in the flow of global commerce. In due time, Houqua would direct this flow of goods and capital around the world from his seat here in Canton.

In the eyes of a Westerner stopping by Canton, the city at the turn of the nineteenth century was an exciting cosmopolitan city located at the intersection of China and the West. In his account of the 1793 Macartney Embassy to China, George Staunton reported that "Canton, like a sea-port or a frontier town, bears many marks of the mixture of foreigners with natives." Traders from the West had established themselves in this frontier city and traders from the different countries had set up shops in the designated area outside the walled city which marked the seat of the Qing government. These "handsome factories of the different nations of Europe trading to [Canton]" lined up neatly along the Pearl River which year after year carried Western

[71] Dai Zhaochen et. al., eds., *Guangxu Guangzhou fu zhi* (1879; reprint, Shanghai: Shanghai shu dian, 2003), 64:1-4.

vessels in and out of the city which formed one of the end points in their arduous journeys across the oceans. Though the Chinese *Hong* merchants might have only recognized each of these "factories" as the bureau of a European trading company or the office of an entrepreneurial trader from the West, Staunton saw a distinctive national identity in these factories, "each with its national flag flying over it." Yet, these marks of clear European nationalities to Staunton did not yet seem to stand in conflict with Chinese interests as the foreign factories, "contrast with the Chinese buildings, and are an ornament to the whole."[72] By this last decade of the eighteenth century, the Europeans had firmly established their presence in this seaport on the coastal border of Qing China and this area where the foreign factories were located saw the transaction of large-scale international trade on a regular basis.

Westerners like Staunton were not allowed into the walled city. Often, they defied this prohibition. Through their visits and their vivid imagination, they saw the energy of commerce permeating the immense city of Canton, inside and outside the city wall. "Canton, if we may judge by the Chinese maps, or by the suburbs, must be a city of great extent," said an officer who traveled onboard a British trading vessel to Canton in 1804. He noted that in his interminable wandering around the suburbs of Canton, a Westerner would be required by Chinese laws to turn back when coming upon a city gate. However, from the long perspective these gates afforded the Westerner into the streets of the city proper, he noticed little difference between the scenes on either side of the gate where one could see "the same bustle, the same kind of shops, and the same general appearance." To this British officer, the narrow streets of Canton were paved with

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[72] George Staunton, *An Authentic Account of an Embassy from the King of Great Britain to the Emperor of China, including cursory observations made, and information obtained, in travelling through that ancient empire, and a small part of Chinese Tartary* (London: printed for G. Nicol, Bookseller to his Majesty, 1797), 3:365-366.

little round stones, "like those of *North Yarmouth.*" These streets in Canton were comparable in width to the rows and lanes of English towns, "*Market-row in North Yarmouth*, bearing striking similitude to the generality of the streets in this city, with respect to dimensions, the height of the houses excepted." Hardly could a visitor fail to notice the vitality in this commercial city. Along these narrow alleyways in Canton, the great volume of foot traffic made it difficult to negotiate around town even during the day-time.[73]

One could not see many dwelling areas from the streets in Canton because spaces opening to the street held precious commercial value. Buildings were often two stories high with the lower or ground floor serving as the shop and the rest of the house storage space. In the middle of the shop was the door with a window on each side. Near one of the windows one would find a counter with some writing materials. The rest of the space was crammed with specimens of whatever the store had got to sell. The person sitting at the counter was always busy writing, or calculating with his abacus, "on which instrument a Chinese will perform any operation in numbers, with as much, or more celerity, than the most expert European arithmetician," observed our British reporter in 1804.[74]

In the area where Westerners operated, foreign factories were arrayed along a considerable stretch along the banks of the Pearl River. These factories were set back about two hundred feet from the water's edge. In the eyes of the British officer, that was a row of "very elegant houses." This 1804 reporter and Staunton who portrayed the scene a few years before

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[73] James Johnson, *An Account of a Voyage to India, China &c. in His Majesty's ship Caroline performed in the years 1803-4-5, interspersed with descriptive sketches and cursory remarks by an officer of the Caroline* (London: Printed fro Richard Phillips by J.G. Barnard, 1806), 66-67, 69.

[74] Ibid.

him both mentioned the national flags hoisted opposite the gate of each factory, from sunrise until sunset.[75] It was a scene of activities and prosperity with "strangers to be seen in the suburbs, … their ships are unloading and loading in the river." To the discerning European such as Staunton, these strangers' "various languages, dresses, and characteristic deportment, would leave it almost a doubt, if a judgment were to be formed from that part of the own, to what nation it was belonging." In Canton, each factory flaunted the national colors of its homeland on the other side of the earth and the traders revealed traits of their sending communities that Europeans would have no problem identifying. To Staunton, these foreign elements did not disrupt the peace at this interface of China and the West but formed a picture of harmony in the kaleidoscope of international commerce.[76] However, not all Western observers would agree with Staunton. The rising power of the British at the expense of their continental European rivals was palpable by the turn of the nineteenth century and this shift in the power dynamics would soon bring new challenges to Houqua and his *Hong* merchant brethrens.

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In this bustling cosmopolitan city of Canton, Houqua and his family established their home and grew their business into a formidable factor in global trade. In 1803, the family secured land on the banks of the river in the area of Henan where Houqua's father, as the elder in the family, erected for the Wus an ancestral temple, [77] just as his great grandfather, Chaofeng, had constructed a new tomb for his parents. In this new ancestral temple, the deceased

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[75] Ibid., 65.

[76] Staunton, *An Authentic Account of an Embassy from the King of Great Britain to the Emperor of China*, 3:365-366.

[77] Houqua's 1835 inscription in the Wu ancestral temple (Wu Ziwei, ed., *Wushi ru Yue zupu, juan* 1).

Cantonese Wus received the incense and offerings their descendants presented to them on a regular basis, forming in Canton an integral branch of the Wu family with a view towards a prosperous future in this city which they had adopted as their hometown a century and a half ago.

The journey of the Wus to Canton, in particular the later part which was narrated with less of an artistic license in the genealogies, followed the heritage of opportunistic migration of the coastal people in southeastern China. Just as their fellow-countrymen who had dispersed and would continue to disperse to other Chinese cities as well as ports in Southeast Asia, Houqua's family had moved to Canton in search of commercial opportunities. Their migratory paths knew no political boundaries. In fact, they were often attracted to frontier regions where they could exploit their intermediary function to the fullest. Nevertheless, they maintained their ties to the cultural center in the north, asserting in their textual records their roots in China's central plains. Hence, the centrifugal forces which drew them for economic reasons into the pales of civilization as they knew it were balanced by the centripetal power of a Sino-centric culture. This set of countervailing forces conditioned the commercial orientation of these enterprising merchants and influenced how they positioned themselves in the global network of trade.

By ensconcing themselves in Canton, Houqua and his family situated their business at the interface of China and the West. To serve its dual needs of containment and revenue generation, the Qing court had confined China's trade with the West in this city at the southern tip of the empire. The series of official policies which finally made Canton the sole port of call for Western traders, intertwined with the unsettling military struggle in southeastern China in the seventeenth and early eighteenth centuries, threw into disarray the preexisting trading networks which linked the coastal cities in China to Southeast Asia and beyond. To Houqua's family and other resourceful merchants, however, this reconfiguration also spelt opportunities. In the

seventeenth century, the Cantonese Wus might have moved from Fujian to flee from political turmoil. Around the turn of the nineteenth century, however, it was a deliberate decision that the Wus made to establish themselves firmly in Canton because that city was the center of international commerce.

The clash of the East and the West would erupt in this city in southern China but it would not happen for another four decades. In the meantime, the meeting of the New Worlds engendered a dynamic commercial environment where fortunes were made and lost many times over. By the turn of the nineteenth century, it was already evident that the New Worlds colliding in Canton had developed along different paths. While commercial ties bound together China and Southeast Asia, these ties did not flourish into the economic specialization of Europe and its New World in the Americas, a critical step in the enhancement of productivity. More importantly for Houqua and his fellow *Hong* merchants in Canton, navigational advancements in the West had by 1800 enabled Western vessels to chart new courses around the South China Sea, bypassing in the long-haul trade Chinese junks that continued to hug the coast. Although the Chinese *Hong* merchants held the monopoly over the supply of Chinese tea, they could not deliver the products to the markets in the West except through their Western trading partners who owned the sea routes. These were the business opportunities in Canton and the challenges with which Houqua had to contend around 1800.

In Canton, strangers were at the gate but they too were busy establishing a foothold in this nexus of trade. Houqua and other Chinese merchants were eager to work with them and even the court, despite its resistance to deepening foreign interactions, welcomed the economic benefits of this international exchange. Together in Canton, the international trading partners

fostered a vibrant international trading network that would generate tremendous profits for the participants year after year.

By 1800, the volatile military situation in southern China had long subsided to allow Houqua and his fellow Chinese merchants a stable environment in Canton in which to build their businesses. Half a world away, however, political upheaval in Europe and the birth of an aspiring power in America were tilting the tides and making new waves in the sea of commerce in Canton.

Chapter 2. Ingratiating Himself into an Existing Institution just to Subvert it: Taming the Lion at Home.

Houqua's emergence on the scene of global trade in Canton coincided with the beginning of British ascendancy in the world of commerce. Political upheavals in Europe transformed the trading conditions in Canton as the increasing share of British purchases at the expense of its continental European rivals allowed the British East India Company to dictate the terms of the trade to the Chinese *Hong* merchants. To Houqua's budding business enterprise in the closing years of the eighteenth century, this reshuffling of Western buyers in Canton spelt opportunity. However, the mounting power of the British also presented challenges to the profitability of Houqua's business. How did Houqua establish himself among existing institutions to ride the rising wave of the British and manage to prosper in the face of a difficult partner? The ingenuity of Houqua's business strategy lies in his patiently consolidating and developing a formidable capital base and a critical mass of market share after he had gained traction with the established British institution of trade, and his dexterity in changing the rules of the game when the time was ripe.

The Rising Tide of the British Empire

Participants on both sides of the Canton trade were concerned about any potential imbalance resulting from concentration of power in the hands of buyers and sellers. The Co-hong (or the merchants' guild) which operated from 1760 to 1771 was often seen by foreign traders as a strategy on the part of the Chinese sellers to form a cartel arrangement to control prices. However, intervention by the Qing government which was eager to foster foreign trade at Canton made it difficult to sustain any concentration of market share in a single Chinese

merchant. As for the Western traders, competition among the various European trading companies also served to diffuse the threat of excessive bargaining power on their part throughout much of the eighteenth century. By 1800, however, escalated market share of the British in tea export had developed into a near monopoly on the trade. As a result, the British East India Company became the dominant institution of the China trade. Keeping in checking this concentrated buying power of the British EIC, however, was the structure of the tea sellers' network. Therefore, the configuration of the tea sellers in Canton held significant implications on the market dynamics of the China trade in the nineteenth century.

This shift in the market dynamics was palpable in Canton and noticeable in the attitudes of Western visitors. Westerners visiting the port of Canton around 1800 would have found it difficult to deny the economic vibrancy of the city. Their perception of the source of this commercial vitality in Canton, however, was starting to shift with the reordering of the political powers of Europe. From this reordering, the emergence of the Britain commercial powerhouse, backed by the country's military might, was keenly felt in Britain's growing share of the China trade in Canton. Britain's mounting commercial interest in the trade altered the power dynamics between China and its Western trading partners, fostering a new attitude among certain Westerners towards China.

Henry Ellis, a commissioner of a British embassy in the opening decades of the nineteenth century, was impressed by the prosperity of the port of Canton:

> Canton, from the number and size of the vessels, the variety and decorations of the boats, the superior architecture of the European factories, and the general buzz and diffusion of a busy population, had, on approaching, a more imposing appearance than any Chinese city visited by the present embassy; nor do I believe that in the wealth of the inhabitants at large, the skill of the artificers, and the variety of the manufactures, it yields, with the exception of the capital, to any city in the empire.

To this British observer, the vibrancy of the port of Canton, fueled largely by the seaborne traffic, was second to none in all of China save perhaps the capital of Beijing. This remarkable city, in his mind, was an exception to the general economic condition in China nonetheless. In fact, "[t]he traveler who only sees Canton will be liable to form an exaggerated opinion of the population and wealth of China." To Ellis, the phenomenal trade at Canton did not necessarily result from the sheer achievements of the Chinese.

Ellis was quick to point out the indispensability of foreign involvement to the economic activities of Canton: "The whole effect of foreign commerce is here concentrated and displayed." The Qing court did succeed in aggregating China's trade with the West in Canton and the impact was readily observable. The Chinese government had specified the location of this international exchange but according to Ellis, it was the Western traders who were responsible for the prosperity of Canton. To the traffic generated by the European merchants, the residents of Canton should owe their gratitude, Ellis asserted: "the employment which the European trade affords to all classes of the inhabitants diffuses an air of general prosperity, not to be expected where this powerful stimulus does not operate."[1] Ellis asserted that the residents in Canton were indebted to international commerce for their prosperity. Moreover, they should be grateful not to the European trade in general but to the trading volume generated by his fellow British merchants whose ascendancy in global commerce was palpable even in the opening years of the nineteenth century.

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[1] Henry Ellis, *Journal of the Proceedings of the Late Embassy to China, comprising a correct narrative of the public transactions of the embassy, of the voyage to and from china, and of the journey from the mouth of the Pei-ho to the return to Canton* (London: John Murray, Albermarle-Street, 1818), I:174-175.

In these early years of the nineteenth century when Houqua was just beginning to build his trading empire, it was already noticeable among the changing cast of Western merchants arriving at this center of global trade that the powers in the West were shifting. Already in 1804, a British officer depicting the scene in Canton had noted that with the only exception of the French, the national colors flying in front of the factories in Canton represented European maritime powers. Among these powers, "the English factory, or rather series of warehouses, exceeds all the others both in elegance and extent." To the proud British trader, the grander British factory was but a manifestation that in Canton, "this great and remote commercial city, the mart of European trade seems to be fixed at the British factory." Such representation behooved him to describe at length the expanse of the compound of the British factory which extended "nearly down to the water's edge," comprising an "elegant verandah" "raised on handsome pillars, flagged with square marble slabs." Such was the evidence not just of the British wealth but also of the ostentatious display thereof. The site of this British factory was fittingly imposing as it commanded "an extensive view of the river, east and west, the Dutch and French Follies, the suburbs, the southern bank of the Tigris, and a considerable scope of the country in that direction." From this verandah and the panoramic view it commanded, the officers of the British East India Company could retreat to the long room where they could not only enjoy their king's supper at the Company's table but also plot its commercial exchange with the *Hong* merchants in Canton.[2]

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[2] James Johnson, *An Account of a Voyage to India, China &c.*, 65.



Figure 2.1. View of the foreign factories at Canton, circa 1805. Reverse painting on glass. Courtesy of the Peabody Essex Museum, Salem, Massachusetts.

Upheavals in continental Europe proved to be highly disruptive to the aggregate volume of the tea trade. These disruptions can be seen readily in the saw-toothed shape of the overall chart in Figure 2.2. The early period covered in the chart shows that the British Commutation Act of 1784 which reduced the tax on tea from over a hundred percent to 12.5 percent not only removed the incentive of smuggling tea from continental Europe into Britain but also stimulated a general increase in tea consumption. Continental European representation persisted through much of the 1780s until the general upward trend in the trade volume came to be interrupted by the several freefalls following political upheavals in Europe. The unsettling impact of the French Revolution is evident in the sharp drop around 1790 and from that point on, continental

European shippers' market share dwindled to negligible levels with mounting political turmoils back home. As political episodes in Europe eliminated many continental trading powers and reconfigured the order on the continent, the currents of global trade carried to the port of Canton on the other side of the earth the effects of these changes in Europe, bringing to the Chinese *Hong* merchants a new structure of relative importance among the European buyers of tea in Canton.

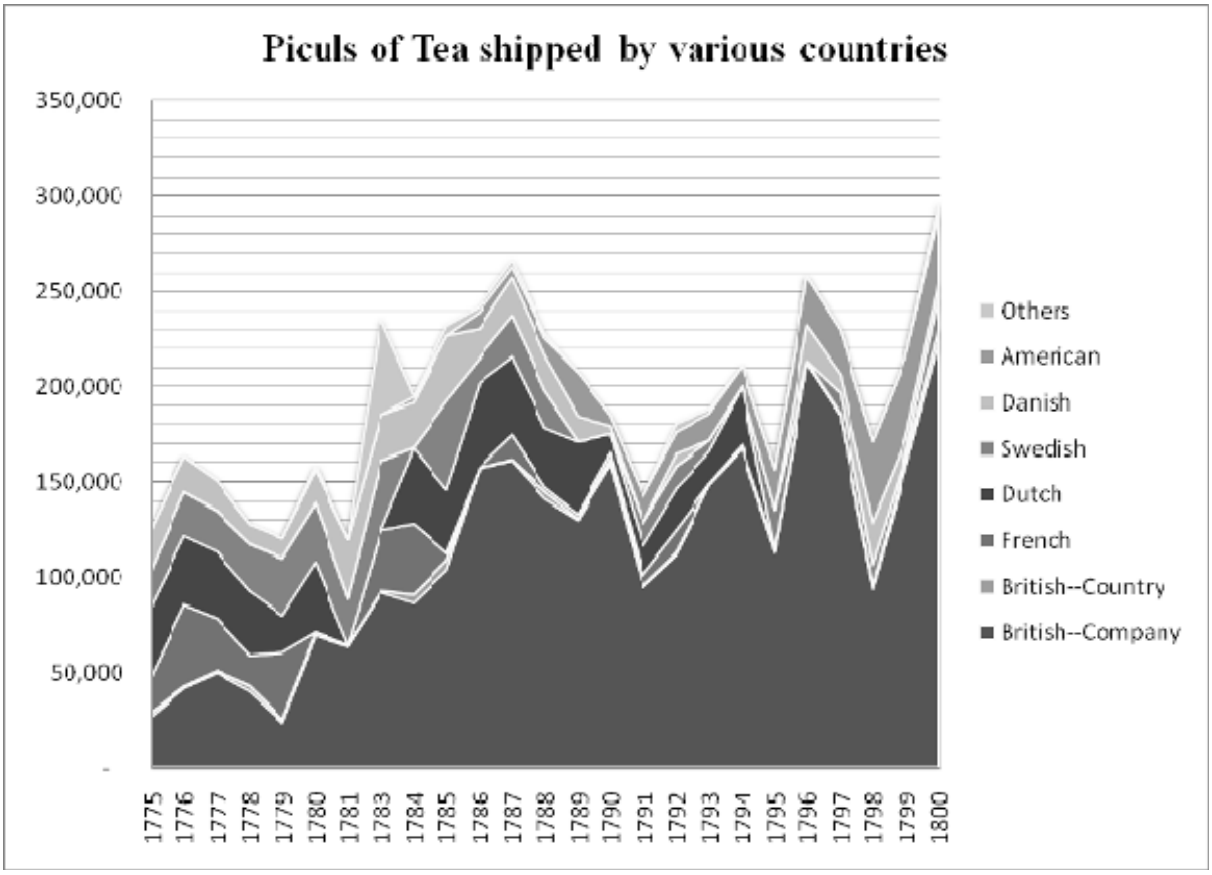


Figure 2.2. Market size and market shares of tea export from China through 1800 (data missing for 1782). Source: Hosea Ballou Morse, *The Chronicles of the East India Company, Trading to China, 1635-1834* (Oxford: Clarendon Press, 1926-1929), *passim*.

In the last quarter of the eighteenth century, the volume of the British East India Company's tea purchases at Canton registered a five-fold increase from 26,918 piculs in 1775 to

148,250 piculs, or from 3.6 million pounds to 19.8 million pounds in 1793.[3] In the same period, total tea export from Canton had also increased, but only by some 50 percent. In other words, the tremendous growth of the British East India Company's business, fueled partly by an increase in British demand for tea, resulted also from its gains in market share, at the expense of the French, the Dutch, the Danes and the Swedes. In 1775, the British East India Company only accounted for 21.5 percent of total tea export from Canton, behind the Dutch which handled 29.5percent of the trade and not substantially ahead of the Danes (17.0 percent). By 1793, however, the British East India Company had expanded to lead the market with an overwhelming 78.8 percent share of the total tea export from Canton, as the Dutch dwindled to a mere 9.1 percent share and the Danes reduced to a non-factor.[4] The balance of the last decade in the eighteenth century would witness the continued dominance of the British East Indian Company as it held onto a steady seventy to eighty percent of the tea export from Canton while continental trading companies struggled even to maintain a foothold in the market, let alone reestablishing themselves as major tea exporters. Political turmoil in Europe had wrecked havoc to the trading system of continental Europe and provided the conditions of British ascendancy in international trade, as evidenced by the escalating market share of the British in the trade volume at Canton.[5]

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[3] 1 picul=100 catties=133 1/3 pounds.

[4] Hosea Ballou Morse, *The Chronicles of the East India Company, Trading to China, 1635-1834* (Oxford: Clarendon Press, 1926-1929), I:11, II: 205.

[5] For a discussion on the impact of the French Wars on Europe's trade, see Fichter, *So Great a Proffit,* ch. 3.

The British EIC Flexing its Muscles

Qing officials had already noted the dominance of British representation among European vessels calling at Canton in 1808.[6] Their observation proved astute. Shortly thereafter, the British occupied Portugal-governed Macao after Napoleon took over Portugal. This crisis was only averted as the Portuguese court relocated to Brazil and remained an ally of Britain. The British occupation of Macao was short-lived but the impact of the political reconfiguration of Europe on the Canton trade endured.

The enduring impact of British ascendancy was most evident in the power dynamics between the British EIC and the Chinese *Hong* merchants in what amounted to a barter trade. The EIC had long searched for a commodity of appeal to the Chinese market to no avail. For the lack of a better option, the British Company kept sending to Canton woolens, a commodity that the Chinese *Hong* merchants would not have taken had it not been bundled with the Company's promise to buy tea from them. Therefore, the British EIC, together with Puankhequa whose financial stability and ability to handle Chinese officials made him the most trusted merchant of the Company in the closing decades of the eighteenth century,[7] devised a system of exchange that linked the allocation of the EIC's tea purchase to the purchases of woolen products of each Chinese *Hong* merchant.

The British Company had long paid for its tea purchases partly with the woolens it exported into China. As the Company experienced a period of difficulty in generating liquidity to fund its purchases in the 1785, its managers in Canton worked out a solution with Puankhequa

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[6] *Qinggong Yue Gang Ao shangmao dang'an quanji,* VII:3715.

[7] Morse*, The Chronicles of the East India Company*, II:45, III:38.

who headed the *Hong* merchants to divide the woolens in proportion to the Company's indebtedness to each merchant. Two years later, Puankhequa engineered an agreement among the *Hong* merchants tying their respective woolen intake to the amount of tea each merchant was to deliver to the EIC.[8]

The agreement to take woolen products from the EIC often entailed a financial loss but the loss was more than offset by profits from the Chinese merchants' sales of tea which they procured from Fujian, one province up the coast from Guangdong (more on the calculation of profitability below). Keenly aware of this economic *quid pro quo*, Puankhequa served as the middleman between the EIC and the Chinese *Hong* merchants and formalized the arrangement whereby the British Company would contract a designated proportion of their annual tea purchases according to the share of British woolens each *Hong* merchant agreed to buy from the Company.

It should come as no surprise that the allotment of the coming season's tea contract was the means by which the Company calibrated its relations with the various merchants. After all, tea accounted for the preponderance of the Company's business with the Chinese merchants. Of the Company's exports from Canton it had planned to ship in twenty vessels in 1792, black tea alone accounted for three quarters of the total export value of 4.6 million taels, and green tea another 14 percent. Nankeen cloth and raw silk amounted to 11 percent of the total while chinaware, rhubarb, cassia, and sugar did not add up to any appreciable significance in the value of the goods shipped out of Canton.[9] The importance of tea to the Company is even more

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[8] EIC R/10/21.

[9] The situation was similar for traders from the other countries exporting from Canton. In the aggregate, these non-English traders comprising of the French, Swedish, Danish, Dutch, American, Genoa and Tuscan traders sent from

apparent from the broader perspective of the overall operations of the British East India Company. By the turn of the nineteenth century, tea sales represented half of company-wide sales. For the period between March 1, 1800 and March 1, 1801, the Company recorded total sales of Company Goods in the amount of £7.6 million, of which tea accounted for £3.5 million or 46 percent. Sales of silks and nankeen cloth only represented 6 percent of the total with the majority of the rest representing sales of piece goods from Bengal and Surat. The situation was similar in the following year as tea accounted for 51 percent of total sales of Company Goods, piece goods from Bengal and Surat 28 percent, and silks and nankeen cloth 9 percent.[10] These overwhelming portions of tea sales did not even fully reflect the profit contribution of tea to the operations of the Company. The end market for tea provided a receptive customer base which exhibited consistently high demand of the commodity year after year, thereby generating healthy margins for the Company in its sales of tea.

Compared to Chinese tea, other products did not enjoy similar reception. The woolens the *Hong* merchants received from the Company could at best generate modest margins at times for the *Hong* merchant who would consider himself lucky to be able to dispose of the import without incurring heavy losses. In 1792, the *Hong* merchants complained that the swelling volumes of British imported woolens had flooded the market and they could not dispose of the shipments from the Company. The *Hong* merchants then requested deviations from the standard prices for woolens and the advances they received from the British to alleviate their losses.[11] In

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Canton goods valued at close to 2 million taels of which teas accounted for two thirds. See Morse*, The Chronicles of the East India Company*, II:203-204.

[10] EIC IOR/l/F/5/1-53, Paper No. 64 of 1801, Paper No. 126 of 1801-02.

[11] Morse*, The Chronicles of the East India Company*, II:198.

1794 the market for woolens was even worse as the Yellow River flooded. The Company had to renegotiate import prices with the *Hong* merchants so that they would share equally in the prospective losses over woolens.[12] Evidently, these products did not provide healthy returns to the trade partners who were forced to accept this import item from the British, the near-monopoly in the purchase of Chinese tea. To the *Hong* merchant, any loss on the woolens was a cost of doing business with the EIC, akin to a licensing fee.

As a result, even though the economic exchange between the British East India Company and the *Hong* merchants entailed payments in the Chinese currency of silver taels, this exchange was far from a free flow of goods lubricated by the use of a standard unit of account. In fact, it remained a system of barter the terms of which the British managed to dictate to the *Hong* merchants because of their growing dominance as the exporter of Chinese tea by the end of the eighteenth century. The centrality of the allotments of British imported woolens and the associated quantities of tea to be contracted underscored the barter nature of this trade. In fact, the *Hong* merchants would discuss prices with the Company only after the two groups had settled on the percentage of the British business each *Hong* merchant would take on in the following season.

The British East India Company made this its explicit policy which it stated plainly to its Court in the final report of 1792: "Agreeably to our Plan of proportioning the Woollens to the Tea Contract 1/16 share of the former will be entitled to 540 chests of Bohea and about 6,000 chests of Congo." The Company had divided its trade for that year into sixteen fractional shares of its volumes of imports and exports, with some merchants receiving multiple shares while

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[12] Ibid., II:257.

others received a share of one sixteenth each (or 6.25 percent of the Company's business for the year).[13] As the Select Committee stated repeatedly, with the exceptions of special varietal which represented but a minor portion of the Company's tea purchases, the Company's tea contracts with the *Hong* merchants were "exactly regulated … by the division of our woollens [allotted]."[14]

By the Company's own admission, this system of barter persisted at least until 1820. Rejoicing over the pending arrival of specie from Bengal, the Company noted on May 20, 1820 that the sum their Canton office was to receive would enable them to settle many of their liabilities "without bringing into calculation the Long Ells which remain[ed] unsold" and that they were "no longer under the anxiety of considering those Long Ells as forming a part of [the Company's] financial resources and therefore [were] relieved from the obnoxious measure of bartering" for tea.[15] The lack of liquid financial assets to pay for the purchases in Canton was a chronic problem for the EIC. The Company had to rely on the suboptimal solution which entailed the forced exchange of woolens goods for tea, causing much anxiety not just for the *Hong* merchants who had to accept an import not sufficiently welcomed in the Chinese markets but also for the EIC officers in Canton who knew full well that the markets could not digest the annual shipment forced into China.

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[13] In 1793, the Company allocated four sixteenths or 25 percent of the total business each to Puankhequa and Shy Kinqua; two sixteenths or 12.5 percent each to Geowqua, Mowqua and Munqua; and a share of one sixteenth or 6.25 percent of the Company's business for the year to Puiqua and Yanqua. See EIC G/12/103, 241; G/12/105, 6-7; G/12/110, 20-25; Morse*, The Chronicles of the East India Company*, II:198.

[14] EIC G/12/122, 62.

[15] EIC G/12/220, 24.

Yet, as long as the Chinese market (or more specifically, the *Hong* merchants) could tolerate the woolen imports, albeit at depressed prices, this bartering arrangement provided the trading partners the advantage that each side could plan ahead for the following season according to the specified quantities and together these partners could establish a system of repeated exchange recalibrated on an annual basis. So precise was the Company's calculation in this system of bartering that the prescribed allotments posed practical challenges at times. In the same report in 1792, the Company observed that while each one-sixteenth share of its business entitled the *Hong* merchants to supply 540 chests of Bohea, such allotments did not correspond to the usual packing arrangement. As a compromise, the EIC had to modify the arrangement so that a share of one-sixteenth could supply 600 chests while two shares 1,000.[16]

Houqua's Family Enters the Stage

Genealogical documents do not provide much information on the origins of Houqua's immense business enterprise but array the many imperial honors his family received for his financial contributions to the imperial treasuries. In the section on merchants in the 1934 genealogy for the extended Wu clan in Guangdong, Houqua's name came first. A sixth-generation resident in Canton (including the ancestor who had been reinterred in the city) and the third of fourth sons of Guoying, Houqua served as the sole director of the Yihe Company, "the nexus of all trade" between China and the West with "tens of millions in turnover." According to this biography of Houqua, the Wus were the richest in the Canton region and contributed often to the financial needs of the state. The family supplied 260,000 taels in 1841 to the military

[16] Morse, *The Chronicles of the East India Company*, II:198.

needs of the state and donated an American ship worth over eighteen thousand taels.[17] For that Houqua received the honorary title of Provincial Administration Commissioner (*buzhengshi* 布政使司). Similar honors were also bestowed on many of his seven sons.[18] Another Wu genealogy would only add that Houqua had started to accumulate such honorary titles by 1804.[19] Not unlike other Chinese genealogies, the Wus' family documents touted the social distinction of their members. The documents made reference to their business accomplishments largely in the context of how Houqua and his sons translated their financial success into social capital within the cultural framework of official titles. For details on their business dealings, we need to turn to the records of their trading partners.

The Wus were featured prominently in the records of European trading companies operating in Canton, especially those of the British East India Company. However, Houqua did not figure in the arrangement of woolen/tea exchange until 1792 even though he had traded for a few years casually with the EIC. In fact, even in that year, his family's business operated under the name of his brother Puiqua who had just obtained his formal license to be a *Hong* merchant.

Westerners referred to most of these *Hong* merchants with a suffix of "qua," which corresponded to the Chinese reference to each individual merchant with *guan* as a suffix attached

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[17] Towards the end of the eighteenth century, a manual laborer could earn 200 *wen* per day, or some 70 taels per year. For basic subsistence, food expenditure alone cost some 13 taels per head per year (fish and vegetables but no meat). I base my calculation on the information compiled by Kishimoto Mio (*Shindai Chūgoku no bukka to keizai hendō* [Tōkyō: Kenbun Shuppan, 1997], 161).

[18] Wu Quancui, ed., *Lingnan Wushi hezu zongpu*, 8.6a-8.7a.

[19] Wu Ziwei, ed., *Wushi ru Yue zupu, juan* 1.

to the surname and a personal name of the merchant.[20] The Western names of these *Hong* merchants differed from their names in Chinese records in that the Western versions did not include their surnames. Therefore, Houqua who adopted the Chinese name of 伍浩官 (Wu Haoguan) came to be known among Westerners as Houqua, a rendition of only the last two characters of his Chinese name and not the first which was his surname.

As researchers attempted to identify the roots of Houqua's family business, some have attributed erroneously the origin of Houqua's business to another *Hong* merchant (as these Chinese merchants dealing in the Sino-Western trade were called) who traded under a similar name.[21] This earlier merchant called Howqua had no family relations with Houqua. The rise of Houqua owed nothing to this earlier Howqua. However, a Wu cousin of Houqua did indeed predate Houqua in his participation in the Canton trade. As the following discussion will make clear, except for this cousin who failed in his business, the record shows no evidence of earlier participation of Houqua's family in the trade. Instead, what would become Houqua's vast network of global trade began as Houqua's partnership with his brother, Puiqua.[22]

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[20] Although *guan* also carries the meaning of "an official," the use of its other transliterated form of *qua* did not connote any reference to the weight of any official capacity but conformed to the usage of the Chinese character as a salutation similar to the use of Mister or Esquire in English. See also Samuel Couling and George Lanning, *The History of Shanghai* (1921; reprint, London: School of Oriental and African Studies; Reproduced from London Missionary Society/Council for World Mission Archives, n.d.), 132.

[21] See, for example, Morse*, The Chronicles of the East India Company*, III:35, Michael Greenberg, *British trade and the opening of China, 1800-42* (1951; reprint, Cambridge [Eng.]: University Press, 1969), 51, Louis Dermigny, *La Chine et l'occident: le commerce à Canton au 18e siècle, 1719-1833* (Paris, S.E.V.P.E.N., 1964), II:914n6. Ch'en Kuo-tung was the first to note this erroneous attribution; see Kuo-Tung Anthony Ch'en, *The Insolvency of the Chinese Hong merchants*, 279-283.

[22] The British India Company traded with a certain Howqua (spelt with a "w" and not a "u") in the 1770s and 1780s. References to the company's business connections with this Howqua stretched from 1772 to 1792 when his business operations were finally wounded up (EIC R/10/9, R/10/34; G/12/58-59, 62, 64-66, 70, 72-73, 76-89, 102). The EIC had stated that this Howqua served as the clerk or purser for Puankhequa, another successful *Hong* Merchant who accumulated his fortune in the decades leading up to the rise of Wu Bingjian, the later Houqua (EIC G/12/72, 76). There is indeed a record of this Howqua having arrived at the British factory in Canton to deliver a message from

Belying the erroneous attribution of Houqua's roots in an earlier business establishment was a desperate desire of scholars to explain the sudden emergence of this *Hong* merchant who would quickly orchestrate a reconfiguration of global commerce and position himself in a pivotal position in the flow of goods and capital around the world. So then, when and how did Houqua arrive at the scene of the international trade centered on Canton?

Houqua did indeed start early in his trade with the EIC. By 1788, at the tender age of nineteen, Houqua had started trading with the EIC and made it into the Company's records which spelt his name as "Hooqua." He was already selling to the EIC various descriptions of teas,

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Puankhequa to the EIC (EIC G/12/72). The formal registration of this Howqua as a *Hong* Merchant did not take place until 1783 and not after some initial resistance on his part. In 1782, five new merchants received their license (their "Chops") but this Howqua was not one of them. The Governor General in charge of Guangdong and Guangxi was determined to put this Howqua in a position of responsibility and he absconded, observed the EIC in June 1782. He could not escape for long and was made a salt merchant after six months of opposition. In 1783, he was released from his duties in the salt trade and became a *Hong* Merchant (EIC G/12/76-77, Morse, *The Chronicles of the East India Company*, II:82, II:89). The economic fortune afforded Howqua by this office of the *Hong* Merchant did not last. By 1788, he was running into financial troubles and was reported to have fallen in arrears in his payment of duties to the Hoppo (EIC R/10/21, Morse*, The Chronicles of the East India Company*, II:153).

That this Howqua was not related to Wu Bingjian, the later Houqua, was evident in the manner in which the EIC recorded the Qing state's conferral of an official status on this Howqua in 1784, two years after the Wu-surnamed Geowqua received his license and became a *Hong* Merchant. The EIC observed that Geowqua, who they claimed to have served as the purser of another *Hong* Merchant Yngshaw, was a welcomed addition to the lineup of *Hong* Merchants because of the esteem in which the Europeans and his fellow-countrymen held him and the solid credit he had developed for his business. As for the Howqua who finally succumbed to the Governor General's demand of his acquiring an official license, the EIC thought that his joining the other *Hong* Merchants would prove useful to the Company (EIC G/12/76-77). Despite the EIC's interest in discovering the background of the new *Hong* Merchants, nowhere did the EIC records mention any relationship between Geowqua and this Howqua, a strong indication of the lack of any family connection between the two. And as the Wu family records indicate clearly that Geowqua was related to the later Houqua, Wu Bingjian (see Figure 1.1), it can be confidently established that Houqua was not related to this earlier Howqua.

A comparison of the Chinese court records with the EIC's documents provides further reassurance of the lack of any connection between Houqua and this earlier Howqua. A memorial to the throne in which the Emperor Qianlong issued his vermillion rescript listed nine *Hong* Merchants in 1786 who corresponded to those listed in the records of the EIC (FHA 04-01-01-0418-038 [Apr 18, 1786] EIC G/12/82 [entry for September 6, 1786]). As there was only one *Hong* Merchant with the surname Wu listed in the Chinese court document and this merchant's Chinese name matches that of Geowqua in the genealogical records, one can be certain that no other relatives of Houqua served as a licensed *Hong* Merchant at the time, discrediting any claims that Houqua had inherited the seat of his father (thought to be the earlier Howqua) in the *Hong* business.

Congo, Congo Campoi, and Singlo.[23] Records of Houqua's business dealings with the EIC (registered as "Hooqua" throughout this period) populate the documents of the EIC from 1788 to 1792.[24] The paper trail of this promising young merchant under this early rendition of his name ended in 1793, however, as his second eldest brother, known to the European merchants as Puiqua, was named a *Hong* merchant.

Despite the genealogical seniority of Puiqua, his emergence on the scene of international trade as recorded by the British EIC record was preceded by that of his younger brother, Houqua, the third son in this branch of the family and two years Puiqua's junior.[25] The disappearance of Houqua's name (or Hooqua as the EIC had called him) once Puiqua became a licensed trader with the EIC indicates that Houqua folded his operations under the rubrics of his brother's business. The two brothers of this branch of the Wu family would maintain their operations of foreign trade as a collective endeavor, distinct, however, from the business of that of their cousin, Geowqua.[26] Therefore, for a few years in the closing decade of the eighteenth century, three members of the Wu family were actively involved in the China trade. From the perspective of

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[23] EIC G/12/87. Records of Houqua's tea sales to the EIC entered the EIC records side by side with those of Howqua, sometimes with entry for both on the same page (EIC G/12/87 [February 14 and 15, 1788]), clearly indicating that they represented distinct accounts in the records of the company. However, the EIC made no mention of any relationship between the two.

[24] EIC G/12/89, 94, 97-102.

[25] Wu Quancui, ed., *Lingnan Wushi hezu zongpu*, 2a:44a.

[26] Ch'en Kuo-Tung identified Geowqua as the uncle of Puiqua and Houqua because the middle character of Geowqua's Chinese name was Guo, the character used in the formal appellation of members of the Wu family one generation ahead of Puiqua and Houqua (Ch'en, *The Insolvency of the Chinese Hong merchants,* 154, 217, 312). However, my work on the genealogies indicates that the records rendered Geowqua's Chinese name either as Guozhao or simply Zhao and the "Guo," suggesting perhaps that the optional middle character was an honor conferred upon him as the only son of his father and the only grandson of his grandfather. In fact, the Wu genealogies state clearly that Geowqua was a second cousin to Puiqua and Houqua (i.e., same great-grandparents, but not the same grandparents).

the British East India Company, there were two business enterprises, one formed by the brotherly alliance of Puiqua and Houqua and the other represented by their cousin, Geowqua. This view of the EIC which considered the two Wu teams to be distinct and separate paralleled the record of the Qing administration. In April 1792, local officials in Canton listed in a memorial to the throne Geowqua and Puiqua separately. Geowqua whose name was recorded as Wu Guozhao 伍國釗 in official documents, ranked sixth out of a group of ten *Hong* merchants while Puiqua, called Wu Zhongcheng 伍忠誠 in court documents, ranked last on the list.[27] These official records of the British EIC and the Qing government suggest that the two Wu business enterprises operated independently, each responsible for identifying its own business prospect and liable for its individual obligations to the Qing state.

The British East India Company seemed not to have paid attention to the sudden appearance of this second eldest brother of Houqua as his trading business begun under the name Puiqua. It was not until September 21, 1792 that the Canton operations of the East India Company observed in their report that a new *Hong* merchant had begun to stand surety for the Company's ships, thereby providing his guarantee over the business of the ships and the conduct of their crewmen while in Canton in exchange for a more important role in the ships' trading activities. In that year, several new *Hong* merchants were created. As the EIC had little knowledge of many of them and understood that there were doubtful characters among the newly admitted members, the Company was to proceed cautiously in allowing these new *Hong* merchants to provide securities for its ships. On the new *Hong* merchant, Puiqua, the EIC report noted that he was "supposed to have some capital but hitherto we know little of him, except

[27] *Qinggong Yue Gang Ao shangmao dang'an quanji,* VI:3126.

occasionally purchasing a few Chops of Tea." As the Company assessed its options of partners among the *Hong* merchants, the traders believed that "Puiqua … might safely be trusted with a ship but exclusive of his not being any desirous of it."[28]

Puiqua proved that the Select Committee's apprehension over his interest level was unfounded. In fact, Puiqua was very desirous of increasing his business with the EIC even in exchange of taking on more of woolens. In 1792, the EIC had purchased from Puiqua 3,396 chests of Congo at 26 to 28 taels per picul.[29] Then on February 9, 1793, as the Company interviewed *Hong* merchants to negotiate with them contracts for the coming season, it received Puiqua after many established merchants had paraded in front of the Company's Select Committee. This new potential partner appeared before the Company and expressed his willingness "to take any proportion of the business" the Company desired to send his way. In response, the Company informed him that it had allocated him 1/16 share of the woolens the Company expected to receive in Canton in the coming season. His acceptance of woolens from the EIC admitted him into the *quid pro quo* with the EIC. In exchange for his agreeing to accept this portion of the Company's import, the Company was ready to contract with him for 600 chests of Bohea and 6,000 chests of Congo, nearly double the business Puiqua had handled for them in the previous year.

Puiqua was not content with this doubling of business volume the EIC had allotted him. He "begged [that the Company] would permit him to add 4,000 chests more of Congo & 1,000 chests of Hyson," even if he had to take an additional quantity of woolens. As Puiqua was one

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[28] EIC G/12/103, 39.

[29] EIC G/12/103, 191.

of the later merchants to appear before the Company, he was told that the Company had already distributed all the woolens and that it was too late to make any alterations. In appreciation of Puiqua's eagerness to work with the Company, the British traders assured him that the Company would consider him next year. "[I]n reward for his willingness we agreed to allow him the 4,000 additional chests of Congo & 1,000 chests of Hyson," noted the report.[30] This additional allocation was no trifling increment to Puiqua's business. Just for Congo alone, from his original allocation of some 5 percent of the East India Company's business, this additional allotment propelled him into a meaningful representation of some 10 percent of the Company's purchase of this single largest varietal of tea in 1793.[31]

The eagerness of Houqua's brother to establish himself with the British East India Company had paid off. His readiness to work under the terms dictated by the Company and his enthusiasm to take on additional business by receiving more than his allotted portion of the Company's imports just about doubled his share of business with the Company. This additional allocation made him a significant contender in the Company's annual procurement process, all without the expense of his having to assume the responsibility of selling more woolens for the Company that year. In the following years, Puiqua continued to maintain this aggressive posture as he built his business with the EIC, at times assuring his dedication to the EIC by providing quality tea which he claimed to have sold to the Company at a loss.[32]

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[30] EIC G/12/103, 238-241.

[31] Assuming 74 to 78 pounds of tea per chest (Morse, *The Chronicles of the East India Company*, I:185), Puiqua's total allocation would have been 740,000 to 780,000 pounds of Congo, out of the EIC's requirement of 8,600,000 pounds of Congo that season (Morse, *The Chronicles of the East India Company*, II:257).

[32] EIC G/12/105.

Puiqua's expanding role in the British East India Company's tea business could not have come at a more opportune time as the British trading concern was just experiencing a rapid increase in market share at the expense of its rivals in continental Europe. As the rise of the British East India Company became evident, Houqua's brother threw in his lot with the leading contender from amongst the European purchasers by agreeing to play the game according to the rules the British had dictated. Selling British woolens was not a money-making proposition for the *Hong* merchant but the contract for tea he could earn from the exchange guaranteed for him an escalating portion of the British tea business which would be more than adequate to compensate him for his trouble dispensing with the imported British woolens.

Losses over woolens plagued the Chinese *Hong* merchants who vied for a bigger portion of the British business.[33] Falling victim to this temptation of overextension was Geowqua, the cousin of Houqua and Puiqua. In February 1798, when the British learned of the financial difficulties of Geowqua who was "almost constantly beset by the Persees and Moormen," Puiqua quickly distanced himself from Geowqua, assuring the Company that the interest of the Company would be his first priority. Expressing "every reason to be satisfied with Puiqua," the Company "did not hesitate to give him an explicit promise" of its support. The Company did not object to Puiqua taking over the contracted portion that Geowqua had become unable to deliver but on the condition that Puiqua be answerable to Geowqua's liabilities. Puiqua negotiated a twenty-percent abatement on Geowqua's debt to Europeans and Moormen which totaled 200,000 dollars. For his part in this rescue plan to restore stability to the trade, Puiqua requested an

[33] The closing decade of the eighteenth century saw the varying fortunes of these merchants and a changing cast of characters in the group. The old share leader Shy Kinqua ran into financial difficulties, due largely to his aggressive purchase of the EIC's woolens, and lost his 35 percent of the Company's tea contracts. Similar fate befell Munqua (Morse*, The Chronicles of the East India Company*, II:261-264).

advance from the British East India Company for relief "from the embarrassment his unfortunate connection & relationship with Geowqua exposed him to" and for the assurance that he could depend on "the protection & favor of the English House as to that alone he could look for retrieving his present losses."[34]

The British lent their support to Puiqua who averted the embarrassment his financially troubled relative had brought upon him, turning it into an opportunity to expand further his partnership with the British. In 1798, Puiqua received a three-seventeenth (18 percent) allocation of the Company's business, second only to Puankhequa.[35] This allocation represented a three-fold increase in Puiqua's portion of the Company's business over a five-year period. Again in 1799, the British East India Company reassured Puiqua of his elevated position as it awarded him 19 percent of the Company's contract. Accordingly, Puiqua's allocation of woolens and camlets also went up in the same period from 1/16 to 3/17, or from 6.25 percent to 17.6 percent, an eleven-percentage-point increase.[36]

Houqua Coming to the Fore

The increased allocation was a huge coup for the Yihe Company (怡和行), the business concern Puiqua headed.[37] Yihe was the Chinese name of the business concern through which Puiqua and Houqua transacted their business. It was a family business in which specific

[34] EIC G/12/119, 96-97, 120-121, 126-127.

[35] EIC G/12/122, 62.

[36] EIC G/12/103, 241, G/12/121, 62; G/12/122, 6.

[37] The earliest reference to the use of this name, Yihe, is found in the Dutch records (OIC 196) dated JQ1/2/6 or March 14, 1796. I am grateful to Paul van Dyke for this reference.

branches of the Wus could claim ownership shares. In this regard, the naming of the firm and the ownership configuration followed the prevailing Chinese practices of the time. From the standpoint of the EIC, the British company was transacting business with the merchant called Puiqua and the officers of the EIC evaluated their business opportunities and risks associated with these transactions based on their assessment of the merchant himself. As such, the EIC regarded its business associate in the form of neither a family firm configured in the Chinese manner nor a company in the configuration of which the EIC had obtained its charter of incorporation. This was the fluid yet ambiguous situation in early-nineteenth-century Canton where business entities were pragmatic in their search for profit opportunities and not dogmatic in their definitions of corporate forms. Such loose arrangements required that the partners improvise strategies to ensure business continuity in the event of a succession, as in the case of the demise of Puiqua and his succession by Houqua.[38]

Puiqua fell sick in 1800 and his brother Houqua who had been operating behind the scenes in Puiqua's business stepped forward and dealt directly with the Western traders.[39] During this period, Houqua attended the EIC meetings on Puiqua's behalf as the third of the three leading merchants of 1801, behind Puankhequa and Mouqua. EIC records of these meetings spelt out explicitly his name and capacity as "Hooqua, Puiqua's brother,"[40] in keeping

[38]I will elaborate on the implications of this fluid understanding of business configurations in Chapter 5 in my discussion of Houqua's succession plan and the lawsuit between Jardine Matheson and Houqua's family.

[39] EIC G/12/128-133; for specific reference to Puiqua's confinement by sickness, see EIC G/12/131, 141.

[40] EIC G/12/133, 26, 33.

with the earlier spelling in EIC records of Houqua's name, confirming Houqua's business dealings with the EIC at an earlier stage than his brother Puiqua's.[41]

In 1801 alone during the months leading up to Puiqua's death, Houqua kept himself busy running the business: he made nine deliveries of Congo tea to the EIC, three of Bohea, two each of Souchon and Congo Campoi, and one each of Singlo, Twankay and Hyson skins. In addition to all these tea sales, he reimbursed the EIC for the subpar "Rubbish tea" returned to Canton. In addition to tea, he also made two deliveries to the EIC of nankeen cloth, an item over which Houqua was developing a niche market. As for purchases from the EIC, Houqua took deliveries of the contracted woolens products of broad cloth, long ells, camlets and embossed cloth, as well as cotton, sandalwood and lead.[42] All these transactions he completed under the account of Puiqua which not only ensured the continuity of the business concern but also preserved Puiqua's hard-earned shares in the EIC's business.

In this emerging environment of international exchange, the succession of family business did not simply follow the established rules of any given geographical area but involved tricky negotiations across culture and tactful maneuvers to ensure the continuity of economic interests. Houqua needed to safeguard the business he and Puiqua had built. From the perspective of the EIC, the business relationship had been conducted under Puiqua's name. For the sake of commercial stability and continuity in its communication with the Company's Court in London, the EIC desired no disruption and preferred to maintain the status quo. In its handling of such cases, the EIC maintained the use of the deceased name in the recording of

[41] The use of this spelling also confirms Houqua's business dealings with the EIC not just at an earlier stage than his brother Puiqua's but also concurrent with that of the earlier Howqua with whom no family connection was noted.

[42] EIC G/12/135.

transactions even after the successor was firmly in place.[43] In terms of the choice of successor between the partner's son and brother, the Company handled in Canton retirements and death on an *ad hoc* basis. It would take a few more years before the Company, under the directions of the Court in London, began to articulate a policy on family succession based on precedents.[44] In this fluid frontier of international trade, neither Chinese family customs nor British corporate governance figured into the calculation of the EIC officers based in Canton.

To ensure that the Company registered reliable, stable profits from its operations in Canton, the officers on the ground did not care much whether the son, the brother, or the brother-in-law of the deceased or retired trader assumed his responsibilities so long as the successor seemed credit-worthy and capable of delivering the contracted quantities of goods. Houqua's ongoing involvement in his partnership with Puiqua helped and his assurance of a seamless transition for their EIC partners was instrumental to the Wu family's perpetuation of commercial dealings with the Company. That the Company insisted on calling him by his brother's name in their business dealings was a small price for Houqua to pay to preserve the family's interest in this network of international exchange.

Puiqua did not live to reap personally the benefits of his work with the EIC. On July 23, 1801, he succumbed to his illness at the young age of thirty-four. To the British merchants, Houqua sent a note, in Chinese, informing them of the demise of Puiqua: "My second oldest brother, Puiqua, passed away on the thirteenth day of the sixth moon." Three days later, this

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[43] In 1790, Shy Kinqua died and was succeeded by his son Gonqua. The EIC continued to record transactions under the name of Shy Kinqua (Morse*, The Chronicles of the East India Company*, II:181). With another death in 1796, the EIC lost its partner Munqua. Initially, the Company allocated Munqua's share to his brother Seequa but then expressed concern over the surviving brother's credit (EIC G/12/113).

[44] EIC R/10/38.

news of Puiqua's death reached the EIC factory which had moved to Macao for the off-season. Expressing no astonishment or concern for any impact on their business relations, the Company noted that Puiqua's family had prepared for this event which was apparently anticipated by all who knew Puiqua. Once the paper work and fee payment had been processed with the Qing authorities, Houqua would assume leadership of the firm, the EIC assured its London headquarters. As Houqua had conducted the business "during a great part of the last season" and "from his regularity and talent," the EIC harbored "no doubt of his maintaining the credit of the House."[45]

Business between Houqua and the EIC continued without a hitch as the EIC continued to trade with Houqua and allotted him the shares of the Company's business promised Puiqua.[46] So smooth was the transition in the minds of the EIC officers that their records readily referred to Houqua as Puiqua as evidenced in their report dated December 3, 1801 in which they recorded the meeting with the three top *Hong* merchants, "Puankhequa, Mowqua, Hooqua (now called Puiqua)."[47] This ranking of the top three *Hong* merchants also matches that presented to the throne by the Governor General of Guangdong and Guangxi in March 1801.[48] The ease of the EIC with Houqua, as well as the uneventful handover in the eyes of the Qing official, stemmed not just from their dealings with Houqua during Puiqua's illness but also their understanding of Houqua being the businessman behind Puiqua's concern long before Puiqua's death. "[I]t is well

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[45] EIC G/12/134, 108-109.

[46] EIC G/12/136, 9.

[47] EIC G/12/136, 105.

[48] *Qinggong Yue Gang Ao shangmao dang'an quanji,* VI:3519.

known that Hoequa [Houqua spelt yet another way], even during the lifetime of his brother, had the principal management of the concern of the house," observed the EIC as it commended Houqua in its report on the attentive service of his firm and noted that the officers "perceive[d] no just cause for withdrawing their confidence from [Houqua] on the present season."[49] The EIC records suggest that instead of Puiqua having taken Houqua under his wings as the older brother obtained his license as a *Hong* merchant, Houqua had provided Puiqua with his business acumen which he had evinced in his earlier business start and remained the mastermind behind the business operating under the umbrella of Puiqua's name.

As he held onto the share of the EIC business his firm had earned during Puiqua's time, Houqua consolidated his relationship with the EIC. His effort is most evident as he furthered the Company's dependence on him on his niche product, nankeen cloth. The EIC had been eager to build up its shares in the market for nankeen where the American buyers had already developed a formidable presence. Even before Puiqua's death, the Company had inquired into the possibility of sourcing nankeen cloth from Puiqua. Because the EIC was less entrenched in this market, it was more willing to negotiate on prices in order to secure the desired quantity.[50] As the Company began to take shipments from Puiqua, Puiqua had already fallen ill and Houqua proved himself to be capable in stepping in for his ailing brother. He was effective in assuring the EIC which was still learning about the nankeen products that the Company's concerns over the quality of the products delivered was unfounded and that his products were nothing short of the

[49] EIC G/12/138, 124.

[50] EIC G/12/116, 249.

specifications. To assuage the Company's anxiety, Houqua provided the EIC readily with indemnities against product defects.[51]

Not only did his sale of the nankeen cloth consolidate his relationship with the EIC, it also provided Houqua with the platform to showcase his posture towards the EIC that was to be more aggressive than his brother's. After Puiqua's death, Houqua expanded his supply of nankeen cloth to the EIC, demanding an upward revision in prices from the EIC on grounds of the increased demand of the Americans for the product. He also required of the EIC more advance notice lest he should fail to procure nankeen cloth in sufficient quantities for the Company.[52] When pressed in 1803 to renew his engagements for the nankeen cloth on the terms of the previous season, Houqua refused and showed a determination to walk away from the business if the Company insisted on the terms. This move on Houqua's part early on in his career of dealing with the EIC revealed his marked departure from his brother's acquiescing posture towards the EIC, as evidenced by Puiqua's persistent requests for unprofitable woolens allocation in exchange for a larger share of tea.

In the next few years, Houqua managed not to allow the EIC to grow out of its dependence on him over these products. Houqua resisted the Company's demand of rejecting pieces it found to be of deficient in color or texture, stating that the selection "at the pleasure of the Committee … was never customary when similar purchases were made at Canton." For this additional quality assurance, the Company had to pay extra. The Company relented. "Having no materials on which we can ground a calculation of the comparative value of the Company's

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[51] EIC G/12/131, 235-237.

[52] EIC G/12/133, 172, 183; G/12/138, 123.

nankeen, and that carried home in private trade, we are at a loss to decide," the Company admitted. Houqua had successfully led the EIC to explore a profitable business opportunity in which the Company could only rely on Houqua's expertise because of their want of experience. Thus, the Company concluded, "under every circumstance and the difficulties we have to encounter we cannot but consider that by acceding to [Houqua's] proposal, greater benefit will be derived than by trusting to casual purchases in the market." In the following years, Houqua continued to handle the Company's nankeen purchases, "very much to the satisfaction of the Committee." By 1804, because the EIC's "supply of [this] article … had been so long entrusted to his management," Houqua successfully required repeated price increase and even prepayment in full from the Company.[53] By involving the Company in markets away from the products the EIC had customarily traded, Houqua prevailed in tilting the playing field and seized from the EIC the power to dictate the terms of the trade. In his handling of this niche commodity, we can already see Houqua's efforts to project to the British not just his ability to supply them with choice merchandise but also the alternative outlet of an American market for his goods.

Thus, at the age of thirty two, at the time of Puiqua's death in 1801, Houqua reemerged from under his brother's business umbrella to strike out on his own once again. He began to chart his own course in global business which over the next forty two years he would weave into an intricate network by situating himself in the nexus in Canton. Such an illustrious business record began humbly in 1801 when Houqua reassured the British that his *Hong* would conduct its various business matters in the same manner as before under his brother Puiqua. That was the

[53] EIC G/12/142, 215-217; G/12/145, 230-231.

beginning of the career of the signatory of Puiqua's death notice to the British Company, "Wu Houqua of the Yihe Company."[54]

Configuring the Market to Deal with an Overpowering Buyer

Foreign traders had been wary of any coordination among the *Hong* merchant that would have reduced competition among themselves, thereby controlling the supplies of tea and inflating their prices. The Qing government, eager to maintain the Canton trade for its customs revenues, shared the foreigners' concern. Therefore, since the abolition of the Co-hong in 1771, there was no such formal organization of a guild of the *Hong* merchants.[55] Judging from the strategy with which Houqua and his fellow leading *Hong* merchants handled the EIC, the EIC was confronted with what was in essence an oligopolistic configuration of *Hong* merchants during the opening decades of the nineteenth century. The EIC strove to diversify its vendor base but in vain, for want of sufficient merchants with capital and experience. The delicate maneuver on the part of Houqua and his *Hong* merchant brethren in engineering their oligopoly kept in check the growing power of the EIC in whose hands the purchase of Chinese tea came to be concentrated.

During the first decade of the nineteenth century, the ranks of the *Hong* merchants continued to swell as the British East India Company worked to diversify its base of suppliers and nurtured relations with new *Hong* merchants, just as it did with Puiqua in the 1790s. Houqua was content to hold steadily onto Puiqua's allotment of the Company's tea contracts and his share of the EIC's business fluctuated little, hovering in the high teens, the same level to

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[54] *Dazhongji* (1928; reprint. Hong Kong: Longmen, 1969), 171-2.

[55] See Paul A. Van Dyke, *Merchants of Canton and Macao: Politics and Strategies in Eighteenth-Century Chinese Trade* (Hong Kong: Hong Kong University Press, 2011), intro. and ch. 3.

which Puiqua had built the *Hong*'s business by his death in 1801.[56] Houqua carried on the brothers' business with the British East India Company seamlessly which the EIC continued to record under the name "Puiqua," paying no attention to Houqua's own trading name in which he signed the letter he had sent to the Company notifying their trading partners of Puiqua's death. Ranking among the top vendors for the EIC, Houqua enjoyed his sizable size of the EIC's business without assuming the responsibility of the Senior *Hong* Merchant who had to handle the administrative, financial, and diplomatic aspects of the EIC business. Within this arrangement, Houqua remained content with playing second fiddle to Puankhequa and the ascending Mouqua.

Though dissatisfied with any concentration of power in any single *Hong* merchant, the EIC had to rely on the Senior Merchant to serve as its interface in official dealings with the Qing state and as the coordinator in its interactions with the *Hong* merchants. Even though the Senior Merchant (also referred to as the First Merchant) wielded much power in his capacity as the main interface between the *Hong* merchants and the EIC as well as Chinese officials, he also had to answer to both the Westerners and the local officials whenever conflicts arose, be it as little as a minor skirmish or as serious as a diplomatic breakdown. Recognizing that such burdens were onerous, the EIC awarded additional business on the Senior Merchant for his service. Compared to Mouqua and Houqua, the Senior Merchant Puankhequa had enjoyed but one additional share of the Company's business which translated into some five percent of the Company's total business in Canton,[57] a rather small compensation for the onerous tasks of being the chief interface between the British and the Chinese officials especially in times of conflicts. As the

[56] The *Hong* merchants Exchin and Manhop joined the group in the middle of the decade. Poonequa and Lyqua were added in 1807 and Tinqua in 1808.

[57] EIC G/12/156, 252.

additional business did not always promise sufficient profits to keep the Senior Merchant in the post, the *Hong* merchants often made this an avenue to impress upon the EIC of the indispensability of leading vendors with solid credentials.

Puankhequa had long expressed to the British East India Company his intention to retire on account of his ill health and the increasing demands of the position of Senior Merchant. He had insisted that his intention be officially communicated to the Court of Directors of the East India Company but the Select Committee remained dismissive of his retirement plan, considering it "almost impracticable for him to succeed in it" because the Committee thought it "by no means probable" that the Chinese officials would allow Puankhequa to retire.[58] For a *Hong* merchant, especially the Senior Merchant, to retire from the trade, it was necessary not just to give notification to the EIC but also to secure permission from the Hoppo, the Qing customs official, and the application for this permission entailed the payment of a substantial sum. In 1807, however, Puankhequa re-presented his intention, articulating his determination to retire by citing "family considerations."

Puankhequa claimed that his obligation to the Company and the demands of the business had rendered him incapable of fulfilling his filial duties of providing a proper burial of his parents in their native Fujian, a duty he felt could be no longer delayed. He feared that in the event of his death, this and various family arrangements to which he had not had the leisure to attend would cause innumerable difficulties to his children. Although the EIC had no rights to keep any merchant from exiting the business, in his capacity as the biggest trading partner with the EIC, Puankhequa's exit would greatly upset the balance of the allocation of EIC business.

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[58] EIC G/12/153, 21-22.

Out of courtesy rather than obligation, Puankhequa requested that the Company allow him to retire in order to "pass his latter days in tranquility," expressing at the same time his family's gratitude to the Company in the service of which his father and he himself had been employed for over fifty years. The Select Committee could not but accede to Puankhequa's request as it "could not consider they had any right positively to object to his acting in the manner he appeared to think so necessary to the welfare of himself and family."[59]

It is noteworthy that the Pan family of Puankhequa, just as the Wu family of Houqua, had moved from Fujian to Canton, the sole legal port of call for Westerners, to participate in the China trade. The Wus had considered it necessary to reinter their ancestors in order to establish the family firmly in Canton as it began its engagement in the trade. As the Pans were ready to retreat from the business, they employed the strategy of reversing the process, claiming stronger ties to the native place from which the family had relocated more than half a century before. Perhaps as sojourners themselves in Canton, members of the Select Committee could empathize with Puankhequa and registered in their records no suspicion of any peculiarity, cultural or otherwise, of this claim of Puankhequa as he ultimately exited from the business.

In fact, although both the Pans and the Wus claimed to have hailed from Fujian, ongoing ties between their ancestral brethrens in the tea-growing province of Fujian and their business location in Canton were tenuous at best for either family. Contrary to the impression that residents in the adopted home would maintain their ties to the family in their ancestral homeland, the claims of ties as the excuse for business entries and exits might well be fictive, as in the case of the Pan family of Puankhequa and the Wu family of Houqua. Both the Pans and the Wus had

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[59] EIC G/12/156, 165-166.

hailed from coastal Fujian before their establishment of a branch in Canton. However, there is not a single trace in the ancestral temple of the Wus in Anhai, Fujian, of enduring linkages between the family in Canton and the one in Anhai.[60] A telling sign of the lack of sustained business connection is an 1818 stone inscription found in the Pan ancestral temple in Baijiao. This stone inscription commemorated an isolated financial contribution from Puankhequa's branch in Canton of merely 1,600 dollars, a not-so-significant amount given the size of the tea trade. On the stone inscription was also written regulation governing precisely the management of this amount. Such fanfare and celebration accompanying a single contribution implied the isolated nature of this event and the lack of ongoing business dealings between the Pan branches. The absence of any hint of links between Houqua's branch in Canton and the family with the ancestral temple in Anhai indicates a business model of these migrants which did not necessarily include continued ties to the ancestral town. The Pans and the Wus certainly had business dealings in Fujian where they had to source their tea for the China trade but they did not necessarily have to rely on their kinsmen in their ancestral homes to procure the tea for them. Nonetheless, explanations pertaining to one's ties to his ancestral roots resonated among the sojourning merchants in this community of global traders. Geographic mobility was a prerequisite to the participation of global trade as the various states imposed restrictions on locations at which merchants could interact.[61]

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[60] Even as early as the first compilation of the Wu genealogy by Houqua's eldest brother in 1824, the compilers had difficulty tracing their genealogical roots and had to resort latching their lineage to another Wu family in Canton (Wu Ziwei, ed., *Wushi ru Yue zupu, juan* 1). The extant Wu genealogies and local gazetteers from their ancestral town of Jinjiang in Fujian do not suggest any prominence of the Wu family prior to the establishment of the branch in Canton.

[61] Though his ties to his ancestral homes might not have been as strong as he would like the EIC to believe, Puankhequa's explanation for his retirement plan rested on a cultural feeling that resonated with the EIC's officers in Canton nonetheless. Cultural expressions of ties to different places provided the means by which merchant

The issue of Puankhequa's imminent retirement was complicated by Mouqua's rumbling of his similar intention. In April 1807, Mouqua promised the Company that he would stay on for another season for he thought it improper to execute "in the hasty manner he proposed to relinquish his extensive concerns with the Company."[62] Regardless of Mouqua's reasons, the Select Committee took delight in his desire to stay, for the simultaneous retirement of two merchants who had "in the most satisfactory and creditable manner transacted so large a portion" of the Company's business would be a "serious inconvenience" to the Company. Mouqua was adamant, however, that the postponement of his retirement plan was to be temporary on account of his advanced age and his reluctance to continue to be exposed to serious liabilities.

Houqua too declared to the Select Committee that he was incapable of undertaking "the labourious and responsible situation of first merchant [Senior Merchant]" due to his "delicate health."[63] Ill health was often the excuse to retire and elude continuing responsibilities but Houqua employed the same reasoning to evade assuming the responsibility in the first place. The slight frame of Houqua as depicted in his many portraits would not make one question his claim of "delicate health" but he could well be economically motivated in his reluctance to take on the leading position of Senior Merchant.

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families could justify their entry and exit from their businesses. The Pan family of Puankhequa had proven themselves adroit in articulating their business repositioning in cultural terms. It remained to be seen how the British East India Company and the Wu family of Houqua repositioned themselves in the evolving world of international commerce.

[62] Instead of the "impropriety of his conduct" he noted apologetically to the Select Company, Mouqua's decision to postpone his retirement for a year might have stemmed more from his financial troubles arising out of the *Neptune* affair, a skirmish between the sailors of the British ship and local Chinese in which a Chinese was said to have lost his life. Mowqua was believed to have made financial "contributions" to the local officials to settle the case which necessitated his staying in the trade (Morse*, The Chronicles of the East India Company*, III:40-49).

[63] EIC G/12/148, 153.

Together with Mouqua, Houqua requested that the Select Committee restore Puankhequa's share of the Company's business taken from him in December 1806 as an enticement to retain Puankhequa.[64] Puankhequa was insistent, however, stating that he would not "under any circumstances forgo his resolution of retiring from business with a view to the adjustment to his family concerns" and declined to renew his contracts with the Company for the following season, formally or otherwise.[65] The Company could not but proceed without Puankhequa. Considering themselves fortunate that Mouqua had to postpone his retirement, the Select Committee appointed Mouqua to succeed Puankhequa as Senior Merchant which entitled him to an increase in his share of the Company's business "to the extent enjoyed by his predecessor, as a compensation for the additional labour and anxiety to which he will be unavoidably exposed by that office."[66] Judging from the anxiety of the EIC officers in installing a solid partner in the leadership position, Houqua and his leading *Hong* brethren had clearly impressed upon the EIC their indispensability.

The Select Committee was concerned about Mouqua's advanced age and the impossibility of counting on him beyond the immediate future. Although the Committee dismissed Houqua as a possible successor because of his "indifferent health" and his "unwillingness to take the lead in [the Company's] affairs with the [Chinese] Government … in former occasions," it kept Houqua as its key partner second only to Mouqua while nurturing new partners from amongst the rising commercial talents in Canton. Accordingly, the Select

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[64] EIC G/12/156, 252.

[65] EIC G/12/157, 44.

[66] Ibid.

Committee awarded an additional share to one merchant and recognized four new *Hong* entrants by adding them to its list of partners.[67] In this manner, Houqua and Mouqua once again reconstituted the oligopoly, despite the exit of Puankhequa from their partnership.

Before any of these newly admitted merchants was ready, however, the succession issue came up again in 1809. As Mouqua requested retirement once again, the EIC informed Houqua that "it would shortly be necessary for him to take upon himself the duties of Senior Merchant." Houqua reiterated his long-expressed doubts of his "inability to discharge the troublesome duties" of the office and threatened to retire along with Mouqua. The concerns of the EIC at this juncture were telling: the Company's fear of two principal merchants quitting at the same time stemmed from its fears over the structural integrity of the entire trade. The EIC was less concerned about the sourcing of tea which the EIC thought could be "obtained without difficulty." Its greater fear lay in the sales of their imports of woolens and other products which "would then be in the hands of men whose circumstances will not permit their keeping them however unfavorable the markets may be at the moment." The leading merchants had to provide financing and warehousing for the EIC's import into China even though the sale of the woolens and other British imports was far more difficult and unprofitable than the sale of Chinese tea in the Western markets. At stake at this juncture for the EIC was not only its ability to set the rules of the game but also the liquidity and stability of the overall structure of its trade in Canton. Houqua and Mouqua had once again demonstrated that they were crucial to the overall structure of the Sino-Western exchange.

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[67] Chunqua received an additional share (one seventeenth or six percent) of the Company's business. Exchin, Manhop, Poonequa and Lyqua entered the Company's list of partners (EIC G/12/157, 44-45).

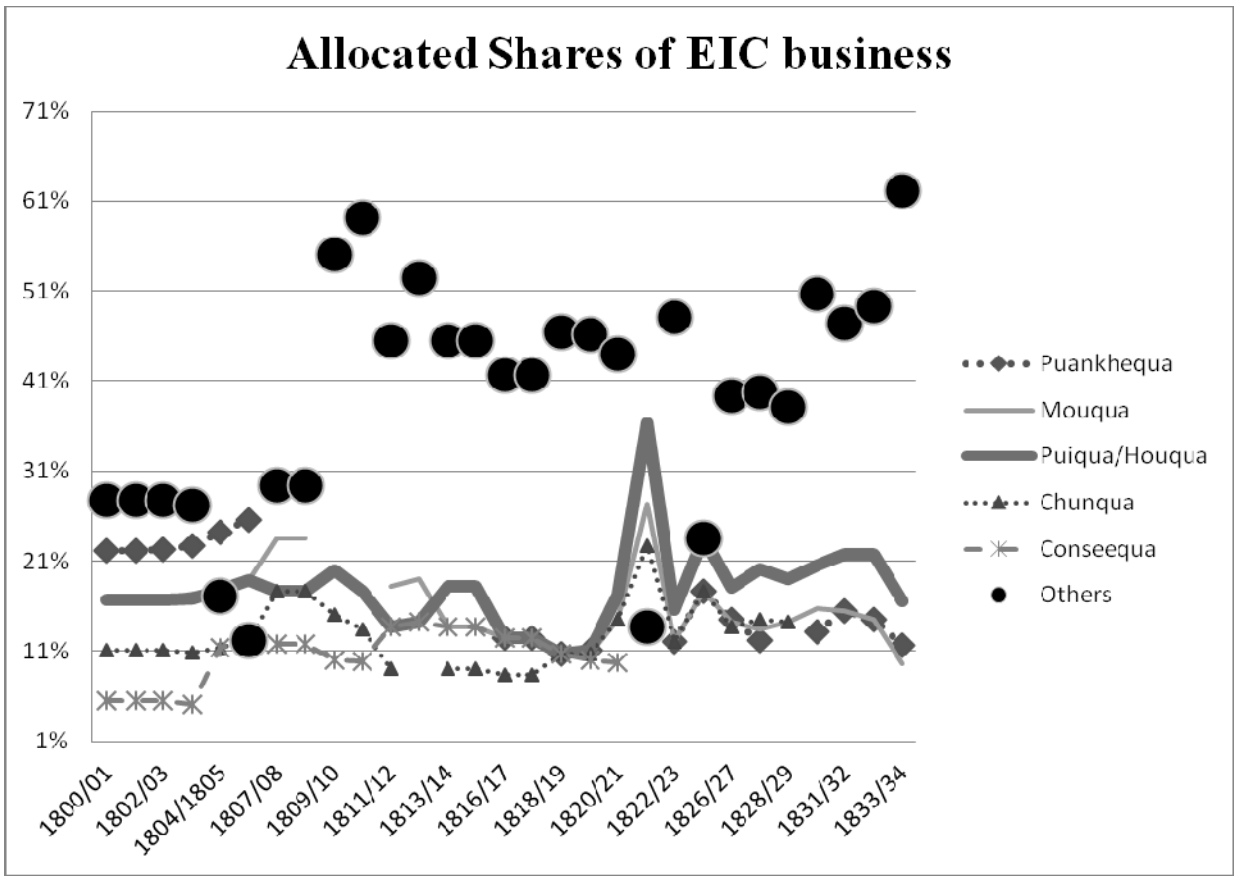


Figure 2.3. The British EIC's allocation of shares among the *Hong* merchants. Note that the involvement of Mouqua lingered on and that Puankhequa would reemerge, albeit at a reduced scale. Puankhequa was compelled by the Qing government to return from retirement; it was ironic that the motive of the Qing state in securing a larger group of qualified traders coincided that the interest of the EIC and ran contrary to the interests of the Chinese merchants. Source: EIC G/12, R/10; Hosea Ballou Morse, *The Chronicles of the East India Company, Trading to China, 1635-1834* (Oxford: Clarendon Press, 1926-1929), *passim*.

Figure 2.3 illustrates the strategy of the EIC in striving for a stable but diversified vendor base. As the chart shows, the EIC allocated its shares primarily around a handful of vendors throughout this period, Puankhequa, Mouqua, Puiqua/Houqua, Chunqua, and for a while, Conseequa. Even among these anchoring vendors, only Puiqua/Houqua persistently worked with the EIC from the turn of the century to the conclusion of the EIC's business in Canton in 1834. Some failed during this period while others retired from the trade intermittently. At any time, however, at least three of these vendors worked with the EIC, accounting for a large share of the Company's business. In addition to these key partners, the EIC also allocated shares to a

group that I have aggregated in my calculation as "Others." In certain years, these partners could also account for a substantial share of the EIC's business, reflecting the Company's intention to diversify away from the key vendors. Equally noteworthy, however, is that this category included twenty such Chinese merchants during the period under analysis even though in any given year, only one to eight of them received any share of the Company's business. In other words, the drop-out rate was high with many cases of failed vendors but the EIC insisted on cultivating new *Hong* merchants nonetheless.

The EIC had devised this system to ensure the stability of their business at Canton and to avoid the overconcentration of power in any of its vendors. The allotted shares, communicated to the merchants at the conclusion of the previous season, allowed them to procure for the Company the appropriate amount of tea and to prepare for the British imports of woolens and other merchandise that would arrive in Canton in the coming season. This system allowed the EIC to take comfort in the predictability of the export and import markets the rules of which it had come to dictate. The merchants would supply the exact quantity of tea in the varietals prescribed, making it necessary for the EIC only to adjust for market deviations from their plans during the season. The system also assured the Company of a reliable outlet for its imports into China which the Company coerced its trading partners to accept.

Despite the EIC's insistence in diversifying its vendor base, the critical role of Houqua and his fellow leading merchants was clear. Insolvency was a recurring problem that plagued the new entrants the EIC had nurtured. The unreliability of the new entrants can be seen from the broken record of the category "Others." The cautious officers of the EIC had striven to cultivate new relations with Chinese merchants so as to avoid what it deemed to be excessive concentration of business in the hands of the leading merchant. However, in the end, it had to

rely on certain select vendors and Houqua proved to be the only partner who worked with the EIC year in and year out in all of its thirty four years of operation in Canton in the nineteenth century.

After both Puankhequa and Mouqua had served in the capacity of the Senior Merchant, Houqua finally had to take his turn in heading up the oligopoly. By the end of the first decade of the nineteenth century, the EIC put Houqua's name first among the merchants in exchange for which Houqua ended up with an extra share of the Company's business. This extra share could generate an annual profit of some 30,000 dollars during this period.[68] Despite this two percent increase in the Company's business, Houqua managed to pull in Chunqua to share in his responsibilities and the EIC called the pair "really efficient merchants." Even Mouqua was recruited to continue his assistance with the EIC officers who continued to be waited upon by "[t]he senior merchants Mowqua, Puiqua [Houqua] & Chunqua" in December 1810.[69] Mouqua continued to serve as the intermediary between the merchants and the EIC and Houqua would once again avoid official engagements in 1811 on account of his mother's death.[70] In this manner, Houqua managed to reconstitute an oligopolistic team of merchants, consisting primarily of Mouqua and himself, and in the earlier period, Chunqua, to service the EIC without assuming all the responsibilities total leadership would have entailed.

By 1812, the EIC could sense the threat of this concentration of power among the Chinese merchants. As reported in the Secret Consultation of the EIC, "there are but two

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[68] Ch'en, *The Insolvency of the Chinese Hong merchants,* 154, 217, 48.

[69] EIC G/12/171, 26; G/12/174, 184.

[70] EIC R/10/26, 24.

merchants at present of established credit[,] … Mowqua & Puiqua … it is therefore extremely desirable that some of the other *Hong's* should be sufficiently established to admit of their taking a share in the general trade. Otherwise the effects of a monopoly in the hands of the two Senior Merchants may be severely felt." As the survivor among the European trading monopolies, the EIC knew all too well how the concentration of trading power could allow the dominant player to flex its muscles. Nonetheless, the Company simply could not groom enough competent trading partners to check the powerful duo of Mouqua and Houqua. While the Company believed that Mouqua was "little inclined to take advantage of his situation," they were "not altogether so confident of the views" of Houqua.

The delicate balance of these conflicting interests hinged upon Mouqua who shielded Houqua from some responsibilities of the Senior Merchant and in whom the EIC placed more trust. Mouqua's advanced age was a source of concern for the EIC and their fear was realized in 1813 with the death of Mouqua. "The liberal manner in which he had long conducted a large proportion of the foreign trade at Canton will cause his loss to be severely felt," the Company lamented. His death forced the business of the family concern to devolve upon his three sons who, according to the EIC's assessment, were "young, inexperienced and unacquainted with Europeans."[71] Mouqua's death thus crystallized the inevitable ascension of Houqua as the primary partner of the EIC in Canton upon whom "the situation of head *Hong* Merchant [had] fallen."[72]

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[71] EIC R/10/26, 93-94, 10.

[72] EIC R/10/26, 10, 26.

The timing of Houqua's assumption of the position of head *Hong* merchant in the EIC's books also matched the record of his ascension in the documents of the Qing administration. In their memorial to the throne dated January 3, 1814, the Governor General of Guangdong and Guangxi and the Hoppo listed Houqua's name at the top of the list of *Hong* merchants.[73] The Qing court summoned Puankhequa back to service as a *Hong* merchant in 1814 and requested that he serve alongside Houqua.[74] The Qing court shared with the EIC the objective of maintaining several financially sound merchants in the upper echelon of the *Hong* merchants. However, Puankhequa did not maintain a high profile after he returned from retirement and took his lead from Houqua. While the court's summon nominally re-introduced competition among the leading *Hong* merchants, this revolving cast of characters continued to constitute the oligopolistic partners in previous rounds.

In contrast with the strategy of his brother, Puiqua, who aggressively built the family's business with the EIC, Houqua allowed his portion of the business with the Company to remain steady to satisfy the desire of the EIC of avoiding excessive concentration of market share in any single merchant. However, Houqua's alliance with Mouqua, as well as Puankhequa and others during the thirty-four years of EIC operations in Canton in the nineteenth century, allowed him to consolidate his trading business and build his capital base, turning him into a stable and indispensable partner of the EIC. Despite the EIC's impression of its having groomed competitors to counterbalance Houqua's rising power, Houqua, along with his fellow leading

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[73] *Qinggong Yue Gang Ao shangmao dang'an quanji,* VII:3924.

[74] Ibid., VII:3949.

Hong merchants maintained an oligopolistic configuration in Canton sufficient to offset the EIC's command over the trade when the Company's continental rivals were all but eliminated.

Taming an Important but Difficult Trading Partner

Houqua did not stop with his effort with the leading *Hong* merchants to counterbalance the ascendancy of the EIC. Far from stagnating in a defense-only posture, Houqua managed to extract from the EIC profits through channels outside of the formal exchange of tea and woolens all the while eschewing direct confrontation with the British concern. And for that, Houqua leveraged the capital base he had amassed.

From 1813 until the conclusion of the EIC monopoly, Houqua remained the most important partner for the Company. Houqua's allocation would fluctuate, at times spiking to extraordinary levels when other merchants failed to supply the appropriate level of tea to the EIC. However, the EIC was always vigilant in guarding against any sustained expansion of Houqua's representation in their trading volume. Basing my calculation on the average piculs per chest of tea for the various varietals and the price levels during those years, Houqua transacted with the EIC in 1813 around 600,000 taels in tea sales alone. Such scale of business transactions year after year cemented the relationship between the two parties. However, the tea trade did not accrue equal profits to the two sides; the significantly higher margins of the EIC required that Houqua seek additional profits outside of the tea transactions to redress the imbalance.

The EIC recorded the sale price of Chinese tea in the London market. For example, the Company sold from March 1817 to March 1818 10.6 million pounds of Congo in four auctions with average sales prices in each auction ranging from 2s.4.4d. to 2s. 6.9d. Weighted for the sale volume of each auction, Congo commanded an average price of £0.153 per pound that year.

That average sales price translated to £20.35 or 61 taels per picul. At the cost of around 28 taels per picul in Canton, the tea trade yielded for the EIC 33 taels per picul, or a profit margin of 54 percent before accounting for costs of shipment and other expenses.[75] This profit margin is comparable to those generated by the sales of other varietals of tea during the year, which varied from 55 to 69 percent.[76] Of course, from these profit margins one needs to subtract freight, customs and other charges. Of these charges, "Freight & Demorage" represented the largest cost item, averaging about 20 percent of sales. According to the figures recorded on the books of the Company, from 1801 through 1806, the sales of all articles from China yield a profit of 22 percent of sales.[77]

Profit margins for the Chinese *Hong* merchants, however, paled in comparison. No extant record allows us to calculate precisely the margins on Houqua's own sales of tea to the EIC but we can estimate the profits based on the occasional revelation in the EIC records of the profitability of the business it allotted certain merchants. In the cases of defunct or dysfunctional merchants, the Company often allowed the more solid merchants to take over their shares and repay the debt obligations to the EIC on the behalf of the failed merchants with the profits generated from the business assumed.

In April 1823, Houqua had to assume Exchin's allotment as the latter ran into financial difficulties. For a chop of 390 piculs of Congo tea, the Company had offered a contract price of 26 taels per picul. The cost of the tea, along with duties to the emperor, shipping expenses, and

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[75] EIC R/10/49,33a-b.

[76] EIC R/10/52, 40.

[77] EIC H/72, 187.

such allocated expenses as the proportion of debt repayment for bankrupted merchants which totaled 3 taels, came to 20.9 taels per picul. This would have produced a respectable gross margin of 19.6 percent; however, it did not include the losses from the allocation of woolen imports that the British company had bundled with this tea contract.

For this chop of Congo, the EIC forced upon the seller 350 pieces of Long Ells at 6.7 taels per piece. Along with the charge for duties and other expenses, the Company had calculated the prime cost to the merchant to be 8.2 taels per piece. The sale of this product in the Chinese market only yielded for the *Hong* merchant 7.5 taels. As a result, the merchant had to incur a loss of 0.7 tael per piece, or 245 taels for the entire batch. This translated into a loss of 0.628 tael per picul of tea (loss over Long Ells of 245 taels divided by associated 390 piculs of Congo for this chop). Taking into account the losses over the coerced acceptance of the Long Ells, the profit margin decreased from 19.6 percent to 17.2 percent. This level of profitability was at the high end among bailout situations which involved Houqua rescuing his troubled brethrens. In one of these cases, after accounting for the loss over the associated purchase of woolens, margins ran as low as 9.4 percent.[78]

Such losses over the sale of Long Ells were hardly surprising; as early as in 1803, the Company had reported to London that "these goods were almost unsaleable" and the acceptance of this article had continued to be weak.[79] Merchants with less financial resources at their disposal were known to have exchanged the woolens with tea suppliers who then dumping the British imports in the market: "when the Long ells are received, everyone will be striving to sell

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[78] EIC R/10/28, 175-177; see also Ch'en, *The Insolvency of the Chinese Hong merchants,* 67.

[79] EIC G/12/142, 211-213; G/12/189, 116.

first, and perhaps lose by each piece, from five to six, or from seven to eight mace."[80] In the two intervening decades since this latter case, losses over woolens could have deepened as a result of the cumulative stuffing of this unwelcomed product into the Chinese marketplace and the predictability of more unwanted products in the ensuing seasons. The British insisted on shipping more woolens to China for the lack of an alternative and managed to overstock the Chinese market only because of its overwhelming share in the purchase of Chinese tea.

After subtracting the losses on woolens, the *Hong* merchants should have profit margins in the high single digits or in the teens. However, these calculations still have not taken into account the usual costs of capital on the advances to the tea merchants which, for Houqua's loans to the junior merchants arranged by the EIC in 1817 (more on that below), ran anywhere between 10 percent per annum to 1 percent per month at the time.[81] From these cases in the EIC, one can conclude that the contracted sale of tea to the Company was only marginally profitable, with gross margin in the single digits for the more successful cases after the deduction of interest charges!

This was the risk/return tradeoff that the average *Hong* merchant faced. Net profit margins in the single digits should have been respectable; however, taking into consideration the risks involved, the returns were only modest. Prices specified by the EIC for the various types of tea contracted the Company contracted provided the *Hong* merchants with some measure of stability in this international exchange. However, the *Hong* merchants operated in an environment that was far from secure. They had to come up with the substantial advances the tea

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[80] EIC G/12/220, 22-23.

[81] EIC G/12/206, 19.

suppliers demanded, a difficult situation aggravated by the dearth of willing and able leaders which led to the high cost of capital. In addition, they had to withstand the capriciousness of the market for woolens which was not favorable to the seller in the first place. These challenges explain the numerous instances of insolvency among the *Hong* merchants and the rarity of successful cases among these players in the Canton-based international trade.[82]

Comparing the profit margins of the EIC in excess of twenty percent and those of the *Hong* merchants in the low single digit (if they managed to withstand business fluctuations), it is evident that playing field of the Sino-Western trade in Canton was tilted in favor of the British EIC and against the Chinese *Hong* merchants. However, the multitude of aspiring *Hong* merchants who were eager to cater to the needs of the EIC indicates that the low profitability nature of this business was not transparent to new entrants. Lured by the high margins on the tea sale alone, these new *Hong* merchants were probably inexperienced and not fully cognizant of the undesirability of the woolen contracts. Nor did they fully appreciate the capital intensive nature of the tea business which required investments in advances to the tea growers.

How then did Houqua manage to capture a respectable share of the profits from the business in Canton? To respond to this challenge of the ascending British trading power that was all too happy to flex its muscles, Houqua could not just rely on his niche in nankeen cloth and other products which did not fall under the auspices of the scheme the EIC had created. Such products, though effective in helping him avoid the calculating limits the Company had placed on the exchange of goods, were but a small fraction of the size of the tea market and did not generate sufficient trading volume. The secret to Houqua's success lies in his ability to redefine

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[82] For an elaborate analysis of their failures, see Ch'en, *The Insolvency of the Chinese Hong merchants*.

the playing fields as he expanded his business beyond the mere commercial transactions of tea into the financial arena of lending.

Through his long involvement in the tea trade, Houqua had built up a formidable capital base. In addition to providing his business with the financial power to withstand market variability in woolens and other product, his capital afforded him leverage with the EIC which faced the perennial problem of cash shortage as the profits from the trade at Canton rarely stayed in its treasury there. To ensure a balanced base of tea suppliers, the Company made the strategic decision to groom junior merchants. This strategy required that the Company finance these upstarts. That presented an opening for Houqua who could then deploy his capital through the EIC to finance the Company's effort and generate from this arrangement a handsome profit. Houqua spotted the opportunity and stepped up with his capital, making himself the linchpin to the EIC's implementation of its agenda.

The opportunity afforded Houqua in extending credit to the junior merchants through the Company resulted from the requirements of tea merchants inland for an advance in exchange for their promise of tea to the *Hong* merchants. The leading merchants, Houqua, Puankhequa and Mouqua, had no problem in producing this advance from their own coffers and their financial muscle allowed them to extract a discount from the tea supplier. In 1817, the three leading merchants settled their contracts with the suppliers for 16.8 taels per picul with an advance of 4,200 taels per chop of tea. With only the ability to offer only an advance of 3,000 taels, the junior merchants had to agree to a price of 17.5 taels per picul. The EIC calculated at 12 percent interest that the junior merchants' total cost was 18.25 taels per picul, versus the senior merchants' 17.85.

This cost disadvantage of the junior merchants versus their capital-rich seniors formed a high barrier for them to establish themselves in the trade. The EIC desired to rectify the problem and to demonstrate their "determination to uphold" the junior merchants by financing their advances to the tea suppliers. However, the Company's treasury did not have sufficient resources to support such a measure.[83] Despite its stated intention, the EIC lacked the financial power to execute its plans.

The capital requirements proved too arduous for the junior merchants but the EIC was not in a position to offer help from its own coffers.[84] To solve this problem of capital shortage, the EIC turned to Houqua. By the end of the 1810s, the EIC, acknowledging its own insufficiency of funds to aid the junior merchants, had come to see Houqua as a source of capital and requested that he assist his lesser brethrens in times of financial difficulties.[85] By 1819, all active merchants, with the exception of Mouqua, owed Houqua money and the total came to around half a million taels.[86]

This structure became so ingrained in the network in Canton that the Company repeatedly pled to Houqua for the aid of the junior merchants, and Houqua proved to be capable of coming up with sizable amounts of money on short order. One of these cash requirements of the EIC came up on May 18, 1821. On that day, the Company requested of Houqua a loan of 100,000 dollars. This amount would put the EIC in a position of being able to assisting the junior

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[83] EIC G/12/207, 85-86.

[84] To the demands of advances by the tea suppliers, the occasional requirements to present "gifts" to the emperor added to the financial burden of the up-and-coming merchants.

[85] EIC G/12/216, 35.

[86] EIC G/12/214, 110.

merchants even if the money for its Bengal bills did not arrive on time to supplement the holdings of the treasury which did "not contain enough to supply [the Company's] wants." The day after Houqua received the Company's letter, he responded favorably, promising "in a few days make ready the amt that [the Company] may have it whenever" it pleased, upon sending a letter informing Houqua of the requirement.[87] Houqua's wealth of financial resources allowed him to serve as a standby line of credit for the EIC, and by its arrangement, the junior merchants. He deployed his unparalleled capital base which he had accumulated through decades of selling tea to the EIC to generate a separate income stream for his business enterprise. Unlike the tea trade in which Houqua's prominence was circumscribed by many, albeit smaller, merchants, the terms of this money lending business, specified by the EIC but predicated on his being the only capable provider, were highly favorable to Houqua.

As the EIC played an active part in arranging these loans, the Company also designated the interest rates and facilitated their repayment from the junior merchants to Houqua. These loans often carried an interest of 1 percent per month and the EIC assumed the role of the borrower in securing the money from Houqua. "We this morning received your letter," wrote the Company to Houqua, "telling us you could *lend us the money* which we requested for which we return you our thanks" (italics added). The principal and interests were therefore guaranteed by the EIC. "For this money," the EIC added, "we can pay you an interest of 1 p cent p month commencing on the 25th day of the 5th moon."[88] This letter from the EIC to Houqua, dated May

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[87] EIC G/12/223, 32-33, 39.

[88] EIC G/12/223, 40-42. Che'en Kuo-Tung has also pointed out this arrangement of Houqua whereby he lent money to the junior merchants through the intermediary of the EIC (see Ch'en, *The Insolvency of the Chinese Hong merchants,* 169-170). I differ from Ch'en in my interpretation of these figures in that I see Houqua as being a

28, 1821 regarding the sums to be advanced to the junior merchants, underscored how deep the Company's capital dependence on Houqua had become by such an early date. Houqua had not only taken advantage of the retirement of Puankhequa and Mouqua from their successive leadership of the *Hong* merchants to capture the extra share of the EIC's business allotted the lead merchant, he had also redefined the role of the lead merchant so as to make him the EIC's banker in Canton, and as such, the sole beneficiary of the interests accrued to the loans the EIC took out for itself and for the junior merchants.

Compared to the sale of tea to the EIC which, when adjusted for the loss on the woolens and the cost of capital, generated only a profit margin in the high single digits (noted above), the interest rate offered and guaranteed by the Company presented to Houqua a lower risk yet more lucrative business endeavor. The EIC court in London objected to it as the Company was "only allowed eight percent per annum for the large sum remaining due to [the Company] from Conseequa," below the 10 percent per annum the Company had allowed Houqua for 1822/23.[89] However, the operations in Canton must have continued to find it difficult to come up with sufficient capital as the Company remained dependent on Houqua for financing, requesting from him in 1826 not just tea advances for the other merchants but money to pay for the Company's own incoming shipment. Again, the officers in Canton offered Houqua interest at 1 percent per month.[90] Time and again, the court in London complained of the Company's financial arrangement in Houqua. In 1828, a letter from London admonished the officers in Canton for

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frequent lender in large quantities to the junior merchants, as evidenced by the aggregate amount indicated above. This was a lucrative investment to Houqua, with the guaranty of the EIC for repayment.

[89] EIC R/10/52, 107a.

[90] EIC G/12/226, 44.

allowing the Company to be held responsible for an advance of 60,000 taels from Houqua to Goqua, his fellow *Hong* merchant, stating the court's wish that there be "no occasion to enter into any similar engagement on account of [the Company's] purchase of Canton Bohea."[91] Yet, the same issue resurfaced in a letter dated March 31, 1830 in which the court in London took issue with another 140,000 dollars borrowed from Houqua for advances for Bohea, again at the interest rate of 1 percent per month.[92] This chronic shortage of capital for the EIC's operations in Canton persisted to the end of the monopoly as the Company remained dependent on Houqua for financing. The Company's accountant recorded on February 29, 1832 a credit to Houqua consisting of 477,758.751 taels in principal and 24,791.549 taels of interest.[93]

In essence, Houqua bankrolled the upstarts that the EIC had nurtured in fulfillment of the Company's hopes of neutralizing his very own growing influence over the tea trade.[94] The EIC might have succeeded in cultivating a new crop of junior *Hong* merchants to keep in check Houqua's share in the Company's business, as indicated by the upsurge in the representation of "Others" in Figure 2.2. The effectiveness of this arrangement for the EIC, however, was illusory because the economic benefits from the participation of these new comers accrued largely to Houqua in the form of interest payments on the loans Houqua had extended to them through the EIC. Not only did this arrangement transform the EIC's perception of Houqua, but it also set

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[91] EIC R/10/56, 145a.

[92] EIC R/10/58, 24a.

[93] EIC G/12/251.

[94] The reliance of the Company on Houqua mounted and with that came a change in the EIC's view towards him. The Company's officers in Canton stated in 1821 that "in … our commercial transaction … he is so liberal, his capital is so essential, and his services as a negotiator with the government so important" (EIC G/12/223, 95). Of course, the Company's attitude towards Houqua shifted throughout their period of interaction depending on the circumstances but their reliance on Houqua's capital became indisputable.

Houqua apart from the rest of the Company's trading partners in Canton, conferring on Houqua a leadership role which allowed him to represent the group of *Hong* merchants as an oligopolistic entity headed by him. In the end, Houqua turned what began as the Company's effort to foster competition among *Hong* merchants and to contain Houqua's power into a profitable tool for enhancing his criticality in the Company's operations and in the entire system of trade.

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By the time Houqua assumed the leadership of his family's business in 1800, Canton was not only the port where the New Worlds of China and the West converged. At this port which handled tremendous volume of global exchange, the rise of a British hegemon among the Western powers was already exerting great influence on the mechanics of trade among the Sino-Western trading partners. Houqua took over a family business which was but one of many contenders of the Canton trade. While careful in catering to the desires of continuity of his important British partner, Houqua also adroitly explored alternative business opportunities presented by the evolving system of trade. From his supplies of nankeen cloth to his role as the provider of financing, Houqua made himself an indispensable partner to the British East India Company, deepening the Company's dependence on him at a more critical level every step of the way. He proved as capable in playing defense as he did offense. While maintaining his share of the EIC business at a level with which the Company could feel comfortable, Houqua constituted with other leading *Hong* merchants the upper echelon of partners for the EIC and together, they checked the power of the growing monopolistic influence of the EIC.

Houqua did not confront directly the monolithic EIC. Instead, he took advantage of the inconsistency in the EIC's grand plan. The EIC had endeavored to broaden its supplier base in spite of its inability to provide them with sufficient operating capital. Houqua spotted this

opportunity and diversified his business from the trading of goods to the facilitation of capital. As the primary capital supplier in the trade, Houqua appropriated from the EIC some of its commanding power in the trading network. The formidable capital base of Houqua made him not just an essential partner for the EIC but also the perennial lender for his *Hong* merchants (with loans secured by the EIC) and a linchpin of the entire Canton system.

Impressive as Houqua's accomplishments were during this period, it would be erroneous to attribute his success to any orchestrated game plan he set out to execute from the outset. Luck and historical contingencies certainly played a part in the unfolding of the events. For instance, had the EIC allocated more of the Company's capital to the operations in Canton, Houqua would have found it difficult to deploy his liquid assets and capture an additional portion of the profits from the Canton trade. Also, not all *Hong* merchants conformed to the oligopolistic framework to counteract the growing hegemony of the EIC; fortunately for Houqua, Puankhequa and Mouqua formed with him the triumvirate that underwrote the stability of the Sino-Western trade of the early nineteenth century, each shouldering for a period the burdens of the leadership of the *Hong* merchants. It would be equally wrong, however, to assert that Houqua owed his success largely to sheer luck. In his dealings with the EIC which spanned nearly four decades, Houqua demonstrated his patience in building the business at a calculated pace, thereby avoiding the liquidity crisis that often befell the aggressive and not well funded *Hong* merchants. At the same time, he showcased his ability to identify the lacunae in the EIC's business framework, be it the Company's desire to expand its presence in the nankeen cloth market in which it lacked substantial experience, or its insistence in nurturing *Hong* startups despite the paucity of capital under its command. With these astute observations, Houqua not only made himself an

entrenched partner with the British company, but he also leveraged the business initiatives of the established monolith to further his own financial and commercial interests.

By the 1820s, the Canton system had evolved into a partnership between the monopoly of the EIC and an oligopolistic configuration under Houqua's leadership. To expand beyond his role in this arrangement which was already generating lucrative profits for him, Houqua would stretch beyond Europe which was not presenting him with a viable alternative to Britain and avail himself of the growing presence of the American merchants in Canton in order to sidestep the configuration of global trade centered on a British hegemon.

Chapter 3. Weaving His Own Trading Network: Breaking Free with the Eagle.

In the confidential report dated February 10, 1812, the EIC had accused Houqua of being "neither so attached or [*sic*] interested in the welfare of foreign commerce" and complained about "his extreme disinclination to dispute the wishes of the government." How could Houqua, a leading *Hong* merchant deriving a steady income stream from the trade be not "so attached or interested"? This "lack of attachment" reflected nothing but Houqua's tactics of threatening to withdraw from the trade which proved to be an effective leverage against the EIC time and again. As for the complaint of Houqua's "disinclination" to oppose his own government, it did not represent as much the Company's impression of Houqua's personality as it underscored the EIC's growing desire to have the Senior Merchant do its bidding in front of the Qing government and Houqua's insistence on some measure of autonomy from the EIC. Belying the "timid disposition" that he projected to the EIC was Houqua's daring maneuvers which allowed him to diversify his commercial activities and fashion a sophisticated portfolio of business interests.[1]

Just as the EIC nurtured new *Hong* merchants to foster competition among its trading partners in Canton, Houqua also actively cultivated trading relationships with Westerners arriving at the port to offset the overwhelming share of British business. Most prominent among Houqua's new trading partners were the Americans. "The first vessel which sailed from the U.S. for China was the ship *Empress of China*, Captain Green, she left New York 22d February 1784," recorded *The Register of Pennsylvania*.[2] In time, these newly arriving American traders

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[1] EIC R/10/26, 93-94.

[2] Samuel Hazard, *The Register of Pennsylvania, devoted to the Preservation of facts and documents, and every other kind of useful information respecting the State of Pennsylvania*, vol. 1 (Philadelphia: W.F. Geddes, 1828), 284.

would provide Houqua with the leverage he needed to break free from the British hegemon in the China trade. However, it would be decades before Houqua structured his tight alliance with the American traders. He had to ascertain that the American traders would form a sustainable presence in Canton to present him with a reliable alternative to the British. More importantly, Houqua had to handpick a trusted ally with whom he had to chart new courses of trade to faraway lands. With his handpicked American allies, Houqua cautiously expanded his trading network. This expanded network linked together partners with shared economic interests in the flows of goods and capital worldwide. In the process of constructing this network, Houqua not only had to overcome language barriers and identify the desired goods of exchange, but also needed to assess risk and to evaluate channels of recourse within a brand new framework of transnational business operations. As he transformed the pattern of global interactions, Houqua, along with his American trading partners, had to negotiate the rules of this reconfigured network of interconnectedness and maneuver into positions that best served their needs.

Finding a Common Language for Capitalistic Exchange

The arrival of the first American traders in Canton coincided with Houqua's appearance in the world of foreign commerce. Since his early days in commerce, Houqua had dealt with partners from different countries. However, until the turn of the nineteenth century, Houqua and his brother had busied themselves with positioning themselves strategically with the growing power of the British traders. Their business connections with continental Europeans were disintegrating and as the previous chapter showed, Puiqua quickly ingratiated himself with the British EIC and Houqua focused on consolidating their position with the British when he assumed leadership of the family's business.

Houqua did not become deeply involved in trading with the Americans in the first decade of America's trade with China. In keeping with the measured maneuvers Houqua employed in his dealings with the British EIC, his forays into business partnerships with American merchants were equally prudent. That he was building his business with the Americans slowly and prudently did not preclude Houqua from taking advantage of the Americans' presence in the market and extract concessions from the British. As we have seen in the previous chapter, Houqua commanded a niche market in nankeen cloth and he actively procured the product for British and American buyers alike. By playing the British buyers against the Americans in that market, Houqua derived substantial leverage in his dealings with the British EIC from the Americans' interest in nankeen. As early as in 1802, he exacted a price increase on the British on grounds of "the enhanced prices" of nankeen cloth as a result of "the very extensive demands of the Americans."[3] Long before he consolidated his partnership with select American traders to make them a formidable alternative to the British as an outlet of tea from Canton, Houqua had succeeded in conjuring up in the minds of his British customers an image of a competitive marketplace in which a fair share of profits was due Houqua.

Houqua might have been successful in creating in the minds of the British the image of a competitor but to forge trading ties with these new partners from America in reality entailed many obstacles. One of the major obstacles was the linguistic issues between him and his business prospects newly arriving from America. Although their communication was far from being seamless, Houqua's experience in his dealings with the British paved the way linguistically for his business with the Americans. The common language between the Americans and their

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[3] EIC G/12/138, 123.

former colonizers had of course enabled them to work side-by-side with ease in international commerce. From the perspective of Houqua, the language shared by the ascending British powers and the budding American interests at his base in Canton lowered the barrier for him to diversify his commercial outlets. This shared linguistic heritage was also connected to a broader institutional framework that the British had set up and the Americans could access. Before long, Houqua would be tapping into the financial networks of the expanding British empire through his American partners, directing the flow of his goods and capital not just in the U.S. markets but also along the British imperial sinews which linked London to Bombay and other British imperial outposts. In short, this relatively easy linguistic transition for Houqua also contributed to a trading structure that privileged the Anglophonic group in the early part of the nineteenth century.

Unlike the British East India Company that had developed linguistic capabilities among some of its staff members to conduct business with the Chinese, the Americans lacked the infrastructure to interpret consistently the offers and demands of the Chinese traders in Canton. Nor could Houqua, who strove to sidestep British interests by admitting the Americans into his trading networks, rely on the assistance of British interpreters to translate his ideas to his new American partners. Houqua had a modicum of English proficiency. To be more precise, Houqua was fluent in the fusion language of pidgin English[4] which allowed him to converse freely with his English-speaking partners. This was a dialogue representative of the use of pidgin English, as constructed by William Hunter, a long-time resident in Canton:

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[4] "Pidgin" is a rendition of the English word "business"; therefore, pidgin English was "business English" in early-nineteenth-century Canton. See the discussion of a letter written in pidgin English in the following chapter for further details.

> 'Well, Houqua,' you would say on some visit, 'hav got news to-day?' 'Hav got too muchee bad news,' he would reply; 'Hwang Ho [the Yellow River] hav spilum too muchee.' That sounded ominously. 'Man-ta-le [Mandarin] hav come see you?' 'He no come see my, he sendee come one piece "chop." He come to-mollo, He wantchee my two-lac [hundred thousand] dollar.' It was the old complaint, a 'squeeze,' and this time a formidable one. 'You pay he how mutchee?' 'My pay he fitty, sikky tousand so.' 'But s'pose he no contentee?' 'S'pose he, No. 1, no contentee, my pay he one lac.'[5]

This dialogue, as remembered by an American trader who worked with Houqua for years, indicates that Houqua's pidgin English sufficed to communicate information, especially business information. It is also clear that his American friends were accustomed to the peculiar inflections in his pronunciation of certain English words (e.g., the added articulation of certain final syllables and the replacement of certain consonant sounds difficult for Houqua and other Cantonese speakers) and together, they had adopted in pidgin English some non-Chinese, non-English numeric references such as "lac," which they must have borrowed from the Indian traders to represent 100,000. Such accepted usages, however, existed mostly in the verbal form only. Houqua could only communicate orally in pidgin English with his American partners and such exchange could not be rendered simply into written pidgin. Nor could they rely on business documents written in Chinese because Chinese proficiency was far from sufficient among the American traders for it to be an effective business language. Instead, Houqua depended on his business partners to prepare on his behalf documents in English which he then executed in his distinguished signature in cursive English, "Houqua."

Robert Bennet Forbes, an American partner who worked alongside Houqua for years, noted that Houqua "did not read English nor write it beyond his signature." The confidential nature of his work not just in commerce but also political dealings with foreigners made it a

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[5] Hunter, *The "Fan Kwae" at Canton*, 36-37.

necessity that he had some trusted friends among his foreign partners. "It resulted from this state of things that his foreign correspondence and his political negotiations were laid before some American friend, who read, explained, and under his direction, answered all his letters."[6] However, before he could reassure himself of a secure relationship, Houqua had to traverse the multi-lingual world by improvising notation techniques to suit his purposes.

An early business entry of Benjamin Carter noted a purchase the Rhode Island merchant made from Houqua in1805 of fifty chests of Souchong for 1533.12 dollars, with a partial payment of 383.12 dollars in cash and the rest rendered into a note of 1150 dollars. Carter soon paid the balance and he received a receipt for payment in full. All these proceedings were recorded in notes and receipts written bilingually in English and Chinese. The Chinese version addressed Carter as "doctor" and transliterated his name according to Cantonese pronunciation while referring to Houqua by using the name of his *Hong* in Chinese, "Yihe."[7] Unlike his transactions with the EIC which followed established protocol, Houqua proceeded cautiously with his early American trading partners as he kept bilingual accounts of his financial dealings to minimize conflicts.

The 1805 record of Houqua's transaction with Carter was not an isolated incidence in which entries were made in both Chinese and English. However, the Chinese entries were not necessarily mere translations of the English content. For example, among the papers of Oliver Wolcott, Jr., a New England businessman with whom Houqua transacted as early as in 1807, there are many business records written in English with nothing but a simple notation in Chinese

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[6] Robert B. Forbes, *Personal Reminiscences*, 370.

[7] RIHS Carter-Danforth, Series I: Benjamin B. Carter, 1781-1831, Box 1.

indicating the type of document. In an 1810 letter to Wolcott, Houqua went into details of the geopolitical situation at the time and the commercial ramifications thereof. He communicated the information entirely in English, written by the hand of an interpreter: "very sorry to hear that the differences between your country & the bellingerento still continued. I had hopes from the former aspect of affairs that the continent would have been open'd for foreign produce & that the markets in America would have been proportionally benefited by so desirable an event." Not only did Houqua make observations in the letter on the general conditions but he also proceeded to elaborate on specific business arrangements: "Your agents here have paid me all the demands I had against you & closed the concerns of the *Trident* entirely to my satisfaction & altho' they did not think it necessary to obtain any credit for you this year, I shall be happy at all times to facilitate your business as much as lays in my power. I should not have charged an interest upon the notes taken up by your agents had it not been that others who owe me large sums might have expected the same allowance & that in such cases I should want a plea of refusal." The contents, presented in English, included information of substance and were material to the calculations of business profits and losses between the parties. "I am obliged by your advice respecting shipments to Europe," continued Houqua in the letter, "& shall certainly follow it while the present disturbances exist." It was clear from the letter that even in this early period when he was proceeding cautiously with his American allies that they were plotting business strategies to circumvent the commercial powers of England which enjoyed the backing of strong military forces. On this English letter which conveyed strategic and material information, Houqua signed his name in English and next to his signature was a notation in Chinese "此係信" (*cixixin*).[8]

[8] CHS Oliver Wolcott, Jr., Folder XLIX.9 "Trident" 1807, letter, 1810. One can decipher the different notations

This simple Chinese notation indicated for the record and the comfort of Houqua the signatory that "this is a letter," not an invoice or a receipt. The Chinese notation would obviously hold no legal significance but legal implications would not be the primary concerns of Houqua. That it had to be marked "this is a letter" underscores Houqua's lack of written proficiency in English so much so that he would not be able to recognize readily the category of the document from its letter format. However, he was comfortable signing such a lengthy document without his complete comprehension of the content in English, suggesting that he placed sufficient trust in his amanuensis or that he considered the business opportunity to be worth the risk of any legal proceeding that could be launched against him based on his signature, easily recognizable in its English form. The format of this letter in English, as well as that of business records prepared in the English language at the time, contrasts sharply with Chinese business documents on which names of people and business concerns, along with numeric information on quantities of goods and amount of money informed, were stamped in red with the appropriate chops and seals as a safeguard against forgeries and tempering. Such differences notwithstanding, Houqua developed comfort over executing these documents, thanks largely to the guarded pace at which he expanded his business and his careful plan of risk management. That Houqua was as confident in signing such English documents as he was executing Chinese documents, be it with the Qing state, other Chinese people, or with the British EIC, underscores the ease with which he traversed the multi-lingual, multi-cultural world of international

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made in the letter in the folder. In different letter, this one dated November 5, 1810, Houqua requested an update of the market conditions. Similarly, he closed the letter with his signature brush stroke in English but he marked this letter "問候信" (*wenhouxin*)—"a letter of greetings."

commerce as well as the fortitude he demonstrated in potentially exposing himself to different legal regimes.

Calculated Risks

In expanding Canton's trade with America, Houqua was blazing a new trail. Besides adding to his potential legal exposure by executing documents in a language in which he was not proficient, Houqua's expansion into America also entailed an escalation in business risks. As he developed his comfort in assessing his business risks, Houqua proceeded cautiously. Puankhequa, a successful *Hong* merchant who had begun his involvement in the Canton trade before Houqua, "never had … done any American business" and refused to secure his ship from America, complained Rhode Island merchant Sullivan Dorr as he reported to his brothers from Canton in 1801.[9] Even by the turn of the century, business prospects in America were not deemed significant enough for this established leader among the Chinese *Hong*s to devote his time to cultivating relations with the Americans a decade and a half since their arrival at Canton. Houqua had a different assessment of the situation but he, too, followed this business opportunity in a guarded manner.

His ventures into the new market deviated from the established structure of trade with the British EIC which had ensured for him recurring profits. Unlike the EIC which specified annual tea contracts in the prior season that had enabled Houqua to procure the appropriate quantity and mix of tea and to forecast his profits from the annual transactions, his business with the Americans offered no such predictability or advance notice. Without a long institutional trading

[9] RIHS Dorr, Letter dated Canton July 4th 1801.

history and lacking the financial prowess and systematic framework of the EIC, American buyers of tea purchased tea from Houqua on a batch by batch basis without any detailed forecast of demand and distribution. As his 1805 transaction with Carter indicates, Houqua's initial forays into the American market took the form of one-off transactions conducted on an *ad hoc* basis. For the tea business, that arrangement made it difficult for him to scale up his American involvement and would also confine his dealings with the American to the residual odd-lot teas. To substantiate his presence in the U.S. market, Houqua soon began to sell tea not just to the Americans in Canton but also on consignment through his American partners who could carry his tea back to the U.S. on returning vessels.

This new arrangement was a riskier proposition: Houqua had to entrust his cargo to the care of his partners, sending his tea to destinations half a world away without receiving any payment first, trusting that his partners would sell his tea in America on terms that best suited his needs. Not only did he have to postpone the receipt of proceeds of the tea sales until the transaction was complete in the end market overseas and funds remitted back to Canton, but he also assumed the business uncertainty of the price of tea which was not be negotiated by him but by his agents in America. Compared to the profits from his trade with the EIC which could largely be predetermined, this new arrangement magnified the risk of the tea trade as Houqua's exposure expanded along both the dimensions of space and time. He had to retain title on the teas as the cargo traveled across the oceans to destinations where he exercised no direct control and the return of the proceeds from the sales could be no faster than what a roundtrip voyage around the world would allow.

Houqua's consignment of tea onboard ships bound for America began no later than 1807, around the same time he posed to the British EIC his repeated threats of retiring from the

business. On board the ship *Trident,* Curtiss Blakeman master, travelling from Canton to New York in late 1807, Houqua consigned to Oliver Wolcott, "for sale, on account & risk of the shipper, a native of the Empire of China," close to forty eight thousand dollars of tea, along with some four thousand dollars of chinaware and nearly twenty thousand dollars of other merchandise. These shipping records of the *Trident*, bearing the signature of Houqua in English, marked Houqua's embarkation upon a new business venture that reoriented the global flow of goods from Canton and recalibrated the risk-sharing mechanism for the partners in the Canton trade. Putting his own capital at risk as he sent his own goods to America, Houqua sidestepped the Americans' perennial problem of capital shortage for their purchase of goods in Canton.[10] With his substantial capital, Houqua replaced the Americans as the principal in these transactions, engaging his U.S. partners as agents for the transportation and sale of his goods abroad. Extending the shipment of his tea to America, Houqua challenged Britain's supremacy at sea not by confronting the military might of the British naval but by charting new trade routes and transforming the cast of global traders to the detriment of British commercial profitability.

Such challenges to the British power did not yield consistently high profits. In 1811, in a letter marked "信書/信付" ("[this is] a letter"), Houqua wrote to his American partner, "I am sorry to hear of the discouraging state of your market but feel every confidence that you will do the best you can with my goods." Here, Houqua had encountered a capricious market much different from the established channels of selling tea to the British. As for the consigned tea,

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[10] As chapter 2 shows, the EIC faced a similar problem of capital shortage. However, with their extensive trading experience in Canton and the established mechanism for their annual transactions, the British enterprise could boast higher creditworthiness as compared to their relatively inexperienced American competitors. From Houqua's perspective, an important difference was that he was just the lender to the EIC which remained the owner of record for the shipment from Canton whereas in the trade with America, Houqua retained the title of ownership of the goods as they were shipped overseas, a riskier business proposition.

Houqua recommended that they "be sold if the prices are not such as will make a loss upon the shipment, in preference to holding them much after the receipt of this, as they were old when shipped & teas arriving with you in 1812 must tend to depress their value." Had he not risked his goods by shipping them to America, he could well have offloaded this surplus with any willing participants among the many buyers in Canton. Now, with the goods docked half a world away, Houqua was at the mercy of his partners. On that, he could only offer the advice, "You will have the goodness therefore to consider whether it will not be better to dispose of them at such price as may offer at auction or private sale before 1812 even should it be a losing one."[11]

From Houqua's perspective in Canton, the situation would only deteriorate in the coming months. In his letter to Oliver Wolcott dated November 15, 1811 (also marked "此係付信" or "This is a letter"), Houqua noted "I have had the pleasure to receive your letter by the *Tea Plant*, but the *Hannibal* has not yet made her appearance & I begin to fear some accident has happened to her." He might have been able to outsmart his British partners but he could not outgun them. British forces proved to be too powerful in the War of 1812 for the American merchants charged with the shipment and sale of Houqua's goods. Thankfully for Houqua, he had apportioned his American investments cautiously and the British reliance on him for tea in Canton remained the bedrock of his business. Also, with the timely market intelligence he commanded in Canton, he proved himself agile enough to alter course. "Owing to the state of the American market," Houqua informed Wolcott, "I am deterred from making shipments this season, particularly as I

[11] CHS Oliver Wolcott, Jr., Folder XLIX.9 "Trident" 1807, letter dated Canton, March 11, 1811.

see no prospect of an opening for teas in Europe."[12] Houqua was well aware of the fact that much of the America-bound tea was earmarked for re-export to Europe to circumvent the British blockade at sea of French-controlled continental Europe. Not quite an arms supplier who could then have altered the course of the conflict, Houqua was nonetheless the tea supplier to all parties. Confident that his major customer the British EIC could not function without his tea supplies, Houqua teamed up with the adversaries of Britain and shipped tea via America, directly against the interests of Britain at war. Sensing the prospects of American re-export dimming, Houqua nimbly redirected his resources away from the partners that were losing militarily. For Houqua to have accomplished such intricate maneuvers, he surmounted significant linguistic challenges in maintaining secrecy. That he managed to execute this plan without antagonizing the British underscores the agility of Houqua in balancing the interests of his warring trading partners.

Houqua also moved quickly to recover his losses through efficient means. Writing to Wolcott again a month later on December 14, 1811, Houqua expressed his concerns over the missing ship, the *Hannibal*. "I now begin to fear some accident has happened to her," wrote Houqua, "in which case please do what may be necessary to recover my insurance." Having availed himself of the insurance policies of the West, Houqua requested that Wolcott make good on the policy and compensate him for his losses. Fearing that "the present bad markets will continue for a long time," Houqua decided to "ship as little as possible" until the situation improved. While he conveyed his hope "at some future period to renew business" with Wolcott, he had "only to request your attention to closing my sales in America."[13]

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[12] CHS Oliver Wolcott, Jr., Folder XLIX.9 "Trident" 1807, letter dated Canton, November 15, 1811.

[13] CHS Oliver Wolcott, Jr., Folder XLIX.9 "Trident" 1807, letter dated Canton December 14, 1811.

Houqua's fear of the loss of the *Hannibal* proved unfounded for the ship soon carried to him Wolcott's response to his various inquiries, along with the bill of lading of the ten thousand dollars worth of goods Houqua had consigned onboard. Despite his claim in his March 17, 1812 reply to Wolcott that he was "unwilling to adventure further till better times,"[14] Houqua was just too anxious not to test the water again. He wrote to Wolcott in November, "Altho' the Embargo in America has deprived me of the pleasure of hearing from you, I embrace this opportunity to assure you of the pleasure I shall feel in receiving business with you whenever the times become better."[15]

When he resumed shipment to America, Houqua demonstrated again that he was amply capable of protecting his shipment with insurance and making claims against policies he had purchased. For his shipment onboard the *Hunter*, the *America*, and the *San José Almas* in 1814, Houqua expressed to his America partners his wish to secure insurance coverage. In Boston, Providence and New York where the Perkins sought to purchase policies on Houqua's behalf, they were told of the "increasing hazards of underwriting" which had almost induced the insurance companies to cease "subscribing to any policy," and they "refused to write or even name a premium" for the shipments Houqua had wanted to cover. The stipulated protection against loss was also questionable: "[W]e were informed no Insurance could be effected on which any reliance could be placed—that if there were any of the offices willing to write it was unsafe to trust them—that we should be bound to pay good money for the premium in case of safe arrival and, probably, in case of loss, be unable to recover anything." Houqua's pragmatic

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[14] CHS Oliver Wolcott, Jr., Folder XLIX.9 "Trident" 1807, letter dated Canton March 17, 1812.

[15] CHS Oliver Wolcott, Jr., Folder XLIX.9 "Trident" 1807, letter dated Canton November 1, 1812.

team did not need to spend their precious capital on just any insurance policy but one that truly provided protection against losses.

Houqua was very conscious of the geopolitical situation and its ramifications on the collectability of insurance coverage should the unfortunate event of losses occurred. During the troubled period of the 1810s, political divisions mattered in the terms of commerce. An insurance policy would be condemned and all claims voided on grounds of violation of the blockade. Apprised of such provisions in the Western marketplace, Houqua warned the Perkins in his instructions to them against providing warranty on the subject of the ownership of the goods "which should operate as a bar to [Houqua's] claims, in case of loss." Unfortunately for Houqua, no matter how careful he was in structuring the insurance policy, insurers had become too risk averse in that world of military conflicts. With the American coast blockaded, even shipment along the coast had commanded a premium of "75 & 80 pr ct" and for requests such as Houqua's, respectable insurers did not care to assume such risks and "would not write even at 95 pr ct."[16] The risk of conducting business had escalated in the volatile world. The promises of financial institutions usually enforced under the legal regime in the West had ceased to provide any reassurance. It would be up to Houqua the businessman to assess the opportunities and the associated risks.

So alluring was the American bypass to the British stranglehold on international commerce from the port of Canton that Houqua, fully aware of the military risk and political uncertainty involved, could not resist. He would, however, proceed cautiously. At times, he

[16] MHS Samuel Cabot, Box 1, folder 11.

would suspend his exposure in American consignments but never did he give up this precious opportunity to open another outlet for his tea and to broaden his range of investment options.

Choosing Strategic Partners and Sanitizing Opium Exposure

Business records show that Houqua continued to test the water with his smattering of dealings with American traders, in a manner similar to his previous trades with the continental Europeans. However, he did not become deeply involved in the trade with the Americans until he forged a partnership with John Perkins Cushing.

The same promises of trading profits that had swept Houqua's Wu family ashore to Canton a century ago propelled Cushing's uncle, Thomas Handasyd Perkins, to set up shop in Canton. Orphaned at an early age, Cushing had been under the tutelage of T.H. Perkins. At the tender age of sixteen, Cushing was dispatched from the Perkins' home base in Boston to Canton. Young Cushing was supposed to serve as clerk to Ephraim Bumstead who soon after arrival at Canton became indisposed and had to return home. Without a ready replacement in Canton for Bumstead, the Perkins had no choice but to put young Cushing in charge of the Canton operations, a responsibility "such as few young men ever met with." Although they expressed in their letter dated March 20, 1805 their "confidence that [Cushing would] conduct with all the propriety and caution," the untimely disposition of the designated head of the Canton shop threw into disarray the plans of the Perkins and they could not but feel apprehensive about putting a young boy in charge of an overseas venture. "We shall calculate upon your throwing off all juvenile pursuits and acting up to the situation in wh. circumstance[s] have place[d] you," wrote the Perkins to Cushing. "Let the sage councils of y'r good Grandmother still vibrate on your ear, and let them sink deep into your heart," cautioned the anxious uncle. When the lengthy voyages

delayed letter deliveries, the uncle was quick to express displeasure to Cushing "that you have not written us since y'r arrival in Canton; should you be so silent on the subject of business as you have been as to y'r situation, etc., we shall have much reason for pain and mortification." At stake was not merely Cushing's budding commercial career; instead, as the Perkins noted, "our reputation is deeply involved in y'r good conduct."

The concerns of the Perkins soon proved unfounded as they finally received Cushing's letter of December 10 by May 6, obliging them to apologize to Cushing "as we find you have not as we perhaps hastily concluded left us to conjecture what was the state of our business." The business update Cushing prepared must have impressed his uncle in Boston because he noted in his reply that "it gives us pleasure to see by y'r style of writing that you have no apology for being silent." The uncle in Boston was quick to reverse course, reassuring Cushing: "Believe us always inclined to duly estimate y'r exertions." By June 19, not even three months after their initial exchange, the Perkins told Cushing, "you will consider y'rself as the principal agent of an important Establishment."[17] This was the unanticipated promotion that Cushing received after turbulent waves first carried him to Canton where, except for a brief home visit in 1807, he would remain for the next twenty four years.

To assuage any concerns over the risk of a new venture, especially in the absence of total transparency in the language used, nothing worked better for Houqua than the continuous presence of the business partner along his side in Canton. During his long sojourn in China, Cushing earned his fortune and forged with Houqua a partnership that lasted for generations. Beginning with his friendship and alliance with Cushing, Houqua "had long maintained the

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[17] Baker Perkins, "Letters to Jno. P. Cushing."

closest intercourse" with the Americans, largely to fulfill his "policy of allying himself with the enterprising Americans as an equipoise to the somewhat overbearing and pugnacious English East India Company," noted one of Cushing's cousins and successors in Canton, Robert Bennet Forbes ("Bennet").[18]

For almost a quarter of a century, Cushing stayed away from his native Boston and secluded himself in Canton, "almost a hermit." There, young Cushing devoted his early adulthood to "studying commerce in its broadest sense, as well as its minutest details," wrote Bennet. This shared passion for the exciting and lucrative world of global commerce explains why Cushing, though "hardly known outside of his factory, except by the chosen few who enjoyed his intimacy," formed such a strong bond with "his good friend Houqua."[19] According to Bennet, Houqua always spoke of Cushing as his "schoolmaster." Cushing "studied the East India Companies trade & taught Houqua how to avail himself of the same & how to manage exchanges—hence the title of schoolmaster."[20]

The tight personal and business relations between the two masters of international trade notwithstanding, they differed in one significant approach to the principles of trade. Cushing, like most American traders at Canton at the time, had found a lucrative alternative to ginseng and fur products as a means of deriving capital in their imports into Canton. After their trial attempts with ginseng and fur which proved not to have sufficient appeal in Canton, the American traders found the answer in Turkish opium which they shipped to Canton as a competitive alternative to

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[18] Robert B. Forbes, *Personal Reminiscences* (2nd ed., Boston: Little, Brown and Company, 1882), 370.

[19] Robert B. Forbes, *Personal Reminiscences*, 338.

[20] MHS Forbes Reel 5, Number 26, Letters from Robert Bennet Forbes.

the variety imported by the British from India. While Houqua was fully aware of their source of capital, records of his American associates indicate that Houqua stayed clear of the opium trade and his partners from overseas structured their businesses to avoid implicating Houqua in the opium business.

Smuggling opium into China was illegal for both Houqua and his foreign trading partners; however, the ramifications were unequal to the two sides should the Qing officials decide to prosecute the offenders. Being the direct interface with the Qing officials, Houqua was immediately answerable to the Chinese state for any opium trafficking and was thus more vulnerable to the vagaries of government action and the associated penalties. At stake was his license to conduct the tea business and his tremendous wealth which attracted the attention of Qing officials eager to find an excuse to expropriate assets to respond to the demands of the state or to line their own pockets. The greater onus placed on Houqua to avoid being incriminated made it even more difficult for him to structure a consistent two-way trade of commodities from his base in Canton. His American partners had finally found the winning recipe of exporting tea from Canton by recycling the proceeds from their opium import. Nonetheless, they had to be careful in their blatant violation of Chinese law against opium smuggling so as not to allow Qing officials to inculpate Houqua.

Houqua's eagerness to stay clear of the opium business had probably intensified since his troubles with the state in 1821 when his official privileges were revoked for "his failure in enforcing vigorously the ban on opium and his mismanagement of the foreigners." He was deprived of his titular Third Rank and his official cap, honors that had been previously bestowed

on him for his various contributions to the imperial treasuries.[21] It should come as no surprise that in the mid-1820s, Cushing regrouped his business dealings in order to get rid of what in Houqua's eyes was an evil. In that reorganization, Cushing turned the management of the opium business of Perkins & Company as well as that of Bryant & Sturgis to the house of Samuel Russell, forming the joint entity of Russell & Company. A few years later, as John Murray Forbes succeeded Cushing and became the trusted American partner of Houqua, he managed Houqua's business as an operation distinctly separate from that of his brother Bennet who openly admitted to have profited from smuggling opium into Canton. As Bennet recalled, "I am aware that Houqua … never liked the flavor of opium. One day when I was gossiping with Houqua, he said referring to the three Forbes—Tho' [eldest brother Thomas Tunno Forbes who drowned in 1829 shortly after taking over from Cushing], John & myself… 'Inside three brothers have got only one bad man.' This was an allusion to me as having had the opium ship."[22]

One cannot be certain if Houqua's dislike of the opium business represented his disapprobation because the selling of opium offended his sense of morality or if it underscored his anxiety over the opium trade because of the repeated official condemnation of his inability to suppress the trade, costing him not just financially but also socially in the form of public humiliation. Either way, Houqua appeared to have adopted a pragmatic approach to managing his position towards this trade which would have been all but impossible for him to eradicate. As Bennet noted, Houqua had desired to "whip the devil round the stump" as he "always knew" of Perkins & Company dealing in opium as agents of American businesses and Houqua was just

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[21] FHA 04-01-30-0367-001 (November 8, 1821).

[22] MHS Forbes Reel 5, Number 26, Letters from Robert Bennet Forbes.

"willing to shuttee eye" to his partners being involved, at least indirectly, in the illegal trade.[23] Merchants far less astute than Houqua would have no problem understanding the source of capital for these partners exporting tea from Canton. As a British trader noted, "Opium is the only ready money article sold in China."[24] Then again, what choice did Houqua have but to distance himself from this illegal trade which was indispensable to funding the legal export of tea from Canton? Just as the British and the American had to search for goods with lasting appeal to offer in Canton, Houqua had to explore in the global marketplace of goods for a viable channel to redeploy the proceeds from his sale of tea.

Completing the Circulation in the Network: What to do with the Money?

The illegality of the opium business not only exposed Houqua to repeated political and financial troubles, it also limited his commercial opportunities to the one-way trade of exporting tea and other products from Canton, depriving him of gains from the import trade of inbound merchandise to Canton. This one-sided trading pattern of Houqua's business explains his accumulation of capital in Canton for which he eagerly sought profitable outlets of money making opportunities. Houqua needed to redeploy the profits he made in his sale of tea to the foreign merchants but he lacked reinvestment options. In addition to his extensive investments in land and properties in and around Canton, the loans he extended to the British EIC and through the EIC to other *Hong* merchants answered his needs, at least in part. However, as much as the British and the American traders encountered difficulties in identifying a product that

[23] MHS Forbes Reel 5, Number 26, Letters from Robert Bennet Forbes.

[24] JM C4/6.

appealed to the Chinese market, Houqua faced the issue of not having a viable merchandise he could purchase from his partners and resell in China at a profit. As a result, he amassed vast sums of money in Canton, mostly in the form of silver. As much as it was a store of value and a unit of account, silver functioned in Houqua's hands as a merchandise the trading of which generated healthy returns to the enterprising merchant.

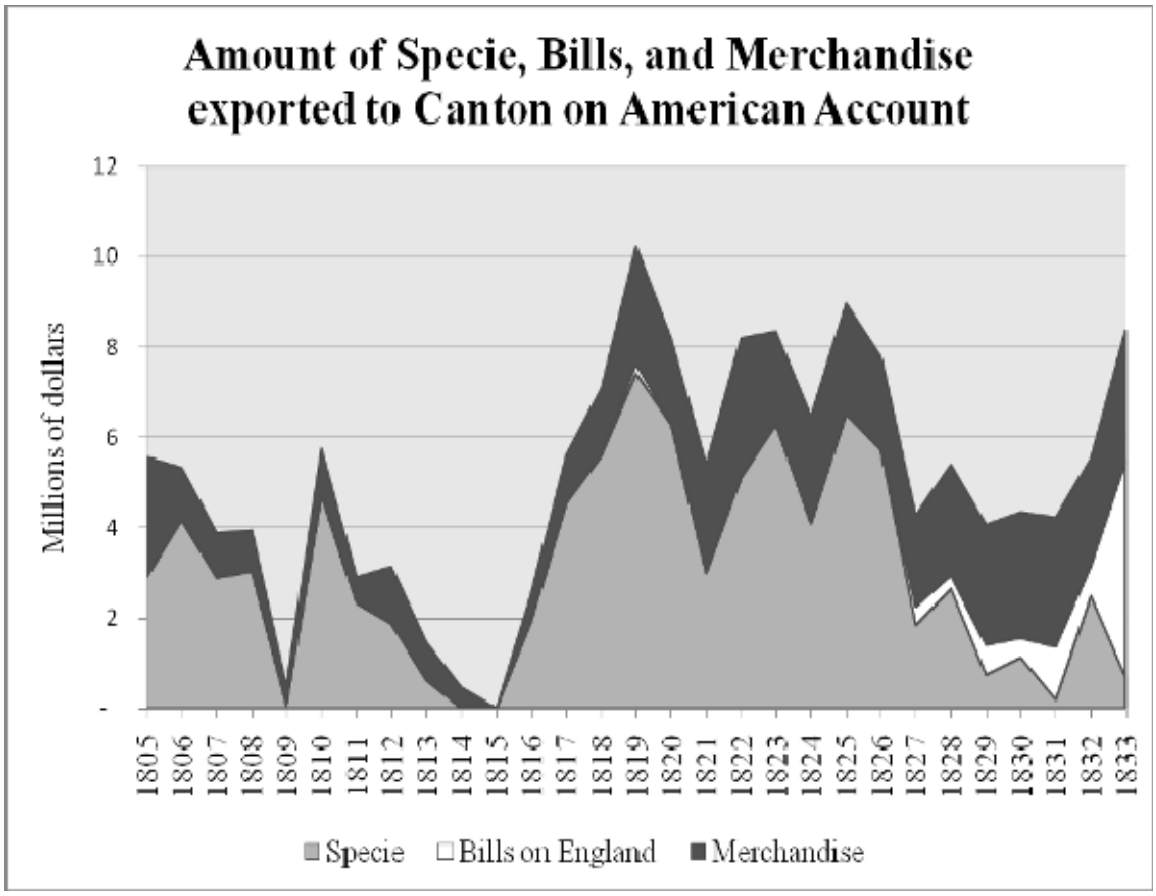


Figure 3.1. Amount of Specie, Bills, and Merchandise exported to Canton on American Account. Source: Timothy Pitkin, *A Statistical View of the Commerce of the United States of America, including also an account of Banks, Manufactures and Internal Trade and Improvements, together with that of the Revenues and Expenditures of the General Government, accompanied with numerous tables* (New Haven: Durrie & Peck, 1835), 303.

Before widespread addiction of opium took hold in China and opium supplanted silver as the source of capital for foreign traders in Canton, the balance of trade was largely in China's favor and Canton came to be the reservoir for the global circulation of specie. At the turn of the

nineteenth century, Canton was still benefiting from "the vast influx of specie … from various quarters," noted an American observer residing in Canton.[25] Manila had received during the quarter of a millennium ending in the opening decades of the nineteenth century some 400 million silver dollars from the Spanish New World. Half of this silver inflow is believed to have reached China.[26] A single Spanish vessel from Manila that perished in 1802 near Pedro Blanco (85 km to the east of present-day Hong Kong) was said to be carrying with her 1.2 million Dollars.[27] Even as the influx of silver from other parts of the world abated, American inflows remained strong. From 1805 through 1812, American exports to China totaled 31 million dollars, over 70 percent of which came in the form of specie. Even as American activities intensified in the 1820s, species continued to represent the higher portion of American exports to China. From 1816 through 1827 when Bills on England began to supplement specie, silver accounted for over 70 percent of total American exports in all but three years (see Figure 3.1).[28]

Lighter than the Chinese silver ingots and capable of holding more value than the Chinese copper cash, these silver dollars circulated in Canton and in the Southeast Asian ports traders frequented and served as a medium of exchange.[29] Not only did these "Old Heads," as the Carlos IV silver dollars from New Spain were called, a distinct form factor more convenient

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[25] Howard Corning and Sullivan Dorr, "Letters of Sullivan Dorr," *Proceedings of the Massachusetts Historical Society*, Third Series, Vol. 67 (Oct., 1941 - May, 1944), 220.

[26] James R. Gibson, *Otter Skins, Boston Ships, and China Goods: The Maritime Fur Trade of the Northwest Coast, 1785-1841* (Seattle: University of Washington Press, 1992), 102.

[27] Corning and Dorr, "Letters of Sullivan Dorr," 328.

[28] Timothy Pitkin, *A Statistical View of the Commerce of the United States of America, including also an account of Banks, Manufactures and Internal Trade and Improvements, together with that of the Revenues and Expenditures of the General Government, accompanied with numerous tables* (New Haven: Durrie & Peck, 1835), 303.

[29] Gibson, *Otter Skins, Boston Ships, and China Goods*, 102.

for carriage than the Chinese silver ingots, but their dissimilar purity and quality as perceived by the traders conferred on them a different value than other silver dollars imported into Canton. An American trader in Canton, writing to his correspondents in the United States, took care to report that there was "a loss of 10 Per Cent on American Dollars" in Canton.[30] Such "brand" recognition of silver coins such as the "Old Heads" allowed them to command a premium, indicating a clear differentiation in what would otherwise be considered a commodity market of silver. As a result of such discrepancies in the quality of different form factors made with silver, the metal was more than merely a standard of value or a medium of exchange. Noted for their silver content and appreciated for the ease with which one could transport wealth with it, specie became a merchandise in and of itself and was a commodity in high demand the trading thereof provided profit opportunities for the buyer and seller, much like the trading of tea, sugar, and other popular goods at the time.

Houqua's network of American connections were keenly aware of the premium or discount at which each of the different monies traded and Houqua availed himself of the opportunities these connections presented and partook in this pre-modern world of "foreign exchange" transactions. His relations with Cushing provided him access to brokers overseas and Cushing served as his intermediary. Cushing's correspondence with the traders in Boston mentions some of these transactions. For example, Cushing wrote to the Perkins in 1820, "We have sold some of the Doubloons [gold coins minted in Spain and Latin America] for Houqua at 15 ½ dolls & hope to get rid of the whole at the same rate, we have before written you particularly on the subject of gold bar, silver & silver coin of all sorts." Houqua had generated

[30] Corning and Dorr, "Letters of Sullivan Dorr," 245.

from his tea trade tremendous financial assets in the form of various metals and bills. To make sure that he generated healthy investment returns on these assets, Houqua tapped into this active trading network outside of China that was all too aware of the different types of money in addition to the Chinese copper cash and silver ingots. The American connections enabled Houqua to deploy his capital and remit his liquid holdings around the world in the most productive ways, alongside the remittances of his American partners. These partners of Houqua moved assets around a global market in a calculated manner. "[W]e think it ought to be a standing rule not to send other than Spanish dollars when they are not more than 3 to 5 per cent higher than other silver coin or gold," wrote Cushing in Canton in the same 1820 letter as he articulated to his Boston partners the strategy he developed based on market conditions in Canton and beyond.[31]

For his part, Houqua served as the linchpin in the capital markets in Canton for the Americans. By the opening of the 1810s, Houqua had built his paramount position in the credit market in Canton as he proved more resilient than the other *Hong* merchants as they weathered the financial difficulties around the period when American became embroiled in conflict again with Britain. As the level of commercial activities flagged in Canton, Cushing noted to his contact in Providence in August 1811 that "the credit of almost all of them except Houqua & Mouqua is totally destroyed both with their own country & also with foreigners & many of them do not even pretend to make a show of doing business." In the following year, Houqua would further consolidate his status as the sole partner of the Americans in Canton.[32] From this

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[31] Baker Perkins, v. 19-20 Perkins & Co., Canton, to J. and T.H. Perkins, Boston.

[32] RIHS Edward Carrington, SGI/Series 1/subseries 1, Boxes 11-13.

privileged position, Houqua commanded the market in Canton. Just as he was an important source of capital to the operations of the British EIC, Houqua was the creditor of choice to the Americans. He was the one to whom American traders wrote to negotiate credit for new arrivals from America at Canton. As an American trader said to his Canton-bound captain in 1815, "[o]n Mr. Houqua & [Cushing's] Perkins & Co. you must principally rely [for credit]."[33]

The Uses of Laws, or Not

American partners of Houqua would look back at the early-nineteenth-century Canton trade and sing its praises. John Murray Forbes who worked alongside Houqua for almost a decade reminisced half a century after his stay in Canton that "I never saw in this country [United States] such a high average of fair dealing as there [China]." Forbes' predecessor, John Perkins Cushing, also called Canton "a place of business where he had had more facilities and less disputes than any other he was acquainted with." Of his extensive interactions in Canton, Cushing claimed, "I can only say that the Americans never had much difficulty in business there; they have always gone on very regularly, and without any embarrassment [indebtedness], except on one or two occasions."[34] Such recollections of Forbes and Cushing might provide us with too romantic an image of the Canton system which certainly had its fair share of undesirable participants. Their positive view of their experience in Canton, however, might have been directed more appropriately to their dealings with Houqua, their partner and patron in Canton. As John's brother, Bennet said of Houqua, "One point in his habitual dealings will always be

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[33] RIHS Edward Carrington, SGI/Series 2/subseries 2, Vol. 2 Letter Book A, 10/1815 -10/1817.

[34] Gibson, *Otter Skins, Boston Ships, and China Goods*, 191, citing Great Britain, *Sessional papers,* 5:377-8.

remembered by those who knew him. His word was his bond, and in many of his largest transactions was the only one which ever passed between the parties."[35] Even then, in his extensive interactions with generations of American traders who had arrived at Canton to make a quick profit by partaking in the volatile market of international commerce, Houqua was not completely free from legal entanglements.

Houqua might not always have expected to be able to resort to much legal recourse in Canton as he executed financial documents with his partners. Certainly, the documents written in English did not form much of a basis for any claims in the eyes of the Qing official. From the standpoint of the *Hong* merchants, the Qing state was more protective of the foreign merchants, ensuring that the Chinese merchants shoulder responsibilities collectively for any financially troubled *Hong*.[36] The converse was not true, however, as failed foreign merchants were not held to the same standards of responsibility. In fact, the laws of the Qing empire held these foreign traders responsible not for obligations arising out of financial disputes but more often for criminal wrongdoings for which the *Hong* merchants were also liable in their capacity as guarantors of these visitors from overseas. To Houqua, that was the unfortunate asymmetry of the obligations levied upon the *Hong* merchants and the foreign traders in Canton. In the world outside of China where Houqua extended his business and deployed his capital, could he (and did he) demand fair dealings by resorting to legal channels in the jurisdictions overseas?

Houqua's December 14, 1811 request of Wolcott to initiate a claim against the insurance policy he had taken out in the event of the loss of the *Hannibal* revealed that he was fully aware

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[35] Robert B. Forbes, *Personal Reminiscences*, 371.

[36] See Ch'en Kuo-Tung Anthony, *The Insolvency of the Chinese Hong merchants*, Chapter V.

of his rights in the international market of financial instruments and ready to exercise such rights. At the nexus of Canton, Houqua's world of global commerce was far more complex than the notes that "bore simply the endorsement of sum and date with the names of the drawers" as Hunter described,[37] and Houqua could pursue legal action through his American agents, if he so chose, to recoup any capital through the court of law domiciled outside of China.

The earliest legal proceedings in the U.S. to which Houqua was party was Master Houqua v. James Perkins, et. al., 3 Rec. Pt. 1, P.226 (U.S.C.C. D. Mass., May, 1812). The origin of this lawsuit went back to March 12, 1804 when Thomas Thompson of Providence issued in Canton a note to Houqua for $44,000, which he promised to pay in twenty months' time as compensation for tea he was shipping to American in the *Patterson*. "[I]f not then paid Interest … at the rate of twelve per cent per year." According to Thompson's disposition, he had signed this note "for and in behalf of John Innes Clark Esqr, Messrs James & Thos H. Perkins, Munro, Snow & Munro, merchants of America." One of the parties, Messrs James & Tho. H. Perkins, was none other than the Boston firm John P. Cushing was representing in Canton. When the note came due, Cushing paid Houqua $22,500, half of the principal outstanding, for which Houqua issued a receipt, signed with his name in English. Another $11,250, again half of the outstanding balance, was returned to Houqua on January 30th 1806, along with "Two hundred ninety two dollars fifty cents / $292.50 / on account of the interest of the within note." Again Houqua acknowledged this payment by appending to the original receipt and signed his name in English. The third and last entry on the document recorded a payment on December 22, 1807 from Perkins & Co. in the amount of $2,906.20, without any division between principal and interest specified. Then in

[37] Hunter, *The "Fan Kwae" at Canton*, 43-44.

1811, Harrison G. Otis and George Sullivan filed a suit on behalf of Houqua in Massachusetts, seeking repayment on the note.

Before the lawsuit was filed, Munro, Snow & Munro had gone bankrupt in 1807. The court deposed Thompson who testified to the veracity of the payment record but highlighted the role of Cushing in the transaction. The court then received an accounting record of the homebound cargo of the ship *Patterson* in 1804, and what was alleged to be a copy of the letter of instructions, issued jointly by Munro, Snow & Munro, James & Thos H. Perkins, and John Innes Clark. S. Dexter and Charles Jackson, attorneys for James & Thos H. Perkins, argued that they "did not promise the Plaintiff in manner and form as he has within thereof declared against them." The jury concluded otherwise and found "the said James Perkins and Thomas H. Perkins with the said John Innes Clark, James Munro Samuel Snow, Benjamin Munro did promise in manner and form as the plaintiff has alleged and assess damages in the sum of [$14,645.65] for the breach thereof." The sum would not come from all parties listed as defendants, however: "It is therefore considered by the court that the said Master Houqua recover against the said James Perkins and Thomas H. Perkins the sum of [$14,645.65] debt or damage, * and costs of suit taxed at [$49.04]. It is also further considered by the court that the said Master Houqua the Plaintiff aforesaid / as to the said John Innes Clark James Munro Samuel Snow and Benjamin Munro / shall take nothing by his writ there having been no service upon them."

In the end, the amount the jury awarded Houqua helped him recoup the principal outstanding but did not provide for the full payment of interest for the intervening years, calculated at the simple interest rate of twelve percent per year agreed upon. What is interesting, however, is that Houqua allowed his representation in a foreign court at such an early date, and was recognized as "Mr. Houqua of Canton in the Empire of China, *Hong* Merchant so called," or

even more formally as "Master Houqua of the City of Canton in the Empire of China merchant and an alien to each and every of the United States" in an official notice issued in conjunction with this case in the name of the President of the United States of America to "the Marshall of our district of Massachusetts, or his Deputy."[38] His representation by American attorneys in the U.S. court not only recovered for Houqua assets to which he was entitled, but also served to leverage a foreign legal infrastructure to mediate a dispute among his American debtors over their individual responsibilities.

Between the two possible explanations for the 1811 lawsuit, namely, a simple recovery of Houqua's assets and a mediation of the distribution of responsibilities among the American defenders, the latter was a more probable intention. A chain of debt collections in the United States that Houqua launched in 1814 indicates that between Houqua and the Perkins, there was no animosity that would have necessitated the involvement of the U.S. court for Houqua to collect some fifteen thousand dollars from the Perkins. By the mid-1810s, the conflict between Britain and the United States had upset the plan of Houqua and his American partners in bypassing the British in their shipment. "In consequence of the situation of Great Britain & America & the consequent stoppage of the accustomed intercourse between this Country & the United States," Houqua began collection proceedings on his outstanding loans from his American partners. From Canton, Houqua sent a letter dated January 28, 1814 to Richard Gardner in Salem, enclosing therewith Gardner's note in his favor. The agents Houqua named in this collection effort were none other than James and Thomas H. Perkins of Boston, one of the

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[38] Master Houqua v. James Perkins, et. al., 3 Rec. Pt. 1, P.226 (U.S.C.C. D. mass., May, 1812). Minute book references October, 1811 term, N-23, and May, 1812 term, C-163. I would like to thank Frederic Grant, Jr. for providing me these legal documents.

defendants in the lawsuit launched in Houqua's name in 1811. A copy of Gardner's note was certified to be "[a] true copy of the original … duly compared" by none other than John P. Cushing, Perkins' representative in Canton and Houqua's confidant.[39] Thus, most likely, the 1811 lawsuit represented not a temporary rift between Houqua and Cushing (along with the Perkins) but their collective ploy to leverage U.S. law in inducing the co-defendants, Clark, Munro, Snow & Munro, to contribute to the repayment to Houqua.

If Houqua was just a passive party to the legal maneuvers in the 1811 Massachusetts lawsuit, he was more direct and active in his efforts to reduce his American exposure during the difficult decade of the 1810s and pragmatic in his collection instructions despite the availability of legal recourse overseas. The notes he forwarded to the Perkins for collections clearly spelt out the terms of the loans. For instance, Gardner's note, dated "Canton 7th November 1809," stated, "Value received of Mr Houqua, security merchant at Canton. I promise to pay to his order at the expiration of eighteen months from date, ten thousand, four hundred & thirty two dollars & forty seven cents with interest afterwards at one pr. cent pr month," and it was signed "Charles Pearson, attorney to Richard Gardner." Along with Gardner's, Houqua forwarded to the Perkins in Boston similar notes for collections, including the note of Thomas Bryant of Philadelphia dated February 11, 1812 for 5,882.46 dollars, the note of H. Tingley of Providence dated February 1, 1812 for 2,966 dollars, and the note dated November 20, 1812 for 22,080.96 dollars that Captain Richard M. Field had signed on account of Messrs P. Armidon & Co., the owners of ship *Sally*. These, combined with other notes mentioned in the correspondence between Houqua

[39] MHS Samuel Cabot, Box 1, folder 11.

and the Perkins, involved claims of around 100,000 dollars in the aggregate from debtors residing in cities up and down the American seaboard stretching from Salem to Baltimore.

These claims, which included only Houqua's financial assets invested among his American partners and did not even include any physical goods he might have had circulating in North America, underscore his early determination to penetrate this market and the diversity he had achieved among his customer base. Upon receiving the notes Houqua had sent them, Perkins & Company first applied to Houqua's debtors in the vicinity of Boston and "immediately afterwards, our THP sat off for Providence, New York, Philadelphia & Baltimore on the same business" to recover Houqua's debts in those areas. Reporting on their results on November 16, 1814, barely nine months after Houqua had sent his requests from Canton, the Perkins explained that for some who "could not make it convenient, at present, to discharge the whole amount of the notes," they extended the payment terms and had subsequently received some repayments. For others who they "found unable to meet this call & in great distress," the Perkins obtained as much as they could procure in money and obtain from the debtors security for the balance. So from Henry Dorr, they collected for Houqua 3,158 dollars and his property from the ship *Rapid* valued at 2,842 dollars. These collected repayments "were immediately invested in the following Exchange on London & remitted to Sam'l Williams Esq, London with orders to place the same to your credit and apply the proceeds in such Exchange on Bombay, Calcutta or Canton as should, in his opinion, promise to be most for your interest & forward the same to you at Canton to care of Perkins & Co." The remittances totaled "£14850 stg [or] $57224.44."[40] As impressive and diverse as Houqua's American exposure was, the dissolution of these holdings,

[40] MHS Samuel Cabot, Box 1, folder 11.

enabled by his network of agents overseas, was implemented swiftly and the proceeds redistributed on a global scale.

Some delinquent loans would always end up being uncollectible and bad debts were just an inevitable cost of doing business. Gardner had fled to Brazil, leaving behind no visible property. The Perkins believed that his loss of a ship during the war precipitated his bankruptcy. As for the other debtors, "H. Tingley promises to pay his note in the course of a short time. We hope he will comply with this engagement. Bery D. Jones cannot pay at present but assures us that he will make arrangements as soon as possible to discharge his obligations," reported the Perkins of the troubled debtors. There were other outstanding claims of which Thomas H. Perkins could not bring "any one to a settlement." In his treating of financial losses stemming from bad debt, Houqua proved to be no stickler for the legal enforcement of the contractual terms. He knew his rights under the law but these rights would do him no good unless the debtors had the financial wherewithal to live up to their end of the bargain. In these cases, as in 1821, Houqua showcased his pragmatic approach to business. In the later episode, he instructed the Perkins to collect from his debtors provided that they could "ascertain that the Drawer had property" but not to pursue the debtor "if it should appear that he is destitute." He requested that the Perkins "make such settlement as you may deem adviseable [sic], but by no means insist on the payment of the whole or a part if should appear that it would distress [the debtor]."[41] In his collection from debtors, Houqua was realistic in his chances of recovery and human in his dealings with partners.

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[41] Baker Perkins, v. 19-20 Perkins & Co., Canton, to J. and T.H. Perkins, Boston.

His difficulty in collecting on his notes in the 1810s stemmed from a larger issue that affected Houqua's financial interests in the international marketplace. Houqua's debtors were not alone in their financial troubles "owing to the universal embarrassment occasioned in New York, Phila & Baltimore by the suspension of all specie payments in those places (by the banks as well as individuals)." In Houqua's interest, the Perkins endeavored to delay demands from those who might be able to repay in specie thereafter, and avoid being compelled to receive depreciated bank notes. Upon "taking the best legal & private opinions on this subject," Thomas H. Perkins would decide for Houqua whether he would "suffer more from receiving & making the most of the current money there, or suspending the claim under a hope that specie payments may be revived whenever the causes which have led to the suspension shall case to prevail." From Boston, they planned to decide on the form of remittance of the proceeds to Houqua depending on price. "Bills on London at Philadelphia & Baltimore are at par & varying daily; as their Bank paper rises or falls."[42] In Houqua's early-nineteenth-century world of finance, he and his partners made business decisions based not just on the investment conditions in any one home base but guided by a global understanding of the macro-economic forces around the world.

In Houqua's world of economic exchange which featured a vast array of financial arrangements, legal recourse did not provide protection equally to all forms of transactions. The Perkins were careful to make the distinction between notes and consignments in their communication with Houqua: in notes, Houqua the debt-holder had "an equitable right, which cannot be disputed, to demand specie, & when the laws of the Union can be promptly enforced, this right may be legally established." As for the proceeds of consignments, consignees could

[42] MHS Samuel Cabot, Box 1, folder 11.

complain that they received from the banks "no other payment than thin notes, redeemable at a future day in effective money—& therefore can make thin payments in this paper only." Houqua and other consignors would then have to decide if it was "most expedient to receive this paper & submit to all the loss which might arise, rather than risk the issue & delay of a litigation, which might be prolonged, by legal process, until the parties should be no longer able to pay, or until the Government might be wicked enough to make bank bills, or their own paper, a legal tender."[43] The letter of the law provided Houqua with a recourse in the event of a delinquent loan or remittance of proceeds from consignment. Even if this recourse enabled him to collect from his debtor or consignee, the value of the payment could prove to be less than what the stipulated payment was supposed to be worth because of fluctuations and manipulations of exchange rates. Houqua's real defense in such cases rested not in the court of law but in his global network of partners whom he could trust to be promoters of his interests. Settlement in the court of law offered at best stop-gap remedies; his partners, however, connected to him not only as his one-time debtor collection agent but as an ally in repeated business dealings, understood what would serve Houqua's interests in the ever-changing arena of global trade and finance.

Houqua was pragmatic and generous in his legal maneuvers overseas but some of his trading partners in America were artful in their use of the American law against Houqua. In 1820, Edward Thompson brought a lawsuit against Houqua in the Supreme Court for the Eastern district of Pennsylvania for China, for the non-delivery of goods stipulated. The suit alleged that "on the seventeenth day of August in the year one thousand eight hundred and eighteen at

[43] MHS Samuel Cabot, Box 1, folder 11.

Canton … the said Edward at the special instance and request of the said Houqua would buy of him the said Houqua certain goods, wares and merchandises called crapes and serving silks at and for a certain price or sum of money to wit for the sum of eighty thousand dollars lawful money of the United States." Houqua promised to deliver "goods first quality merchantable articles, of eighteen tales weight per piece, under the said sewing silk also were of the first quality," Thompson claimed. What was delivered, however, was of "inferior quality not merchantable and less than eighteen tales weight per piece."

At stake in this lawsuit was the assignment of responsibility over the quality of goods as they traveled around the world. Even after Houqua had sold the products to this American buyer in Canton, he held Houqua responsible for the quality of the goods at their destination in America as judged by the inspection upon arrival. This arrangement would have been fair to Houqua had he sent the products to America on consignment as he would have retained the title of ownership over the goods until their final sale overseas. However, for a buyer who closed the deal in Canton, the demand of quality assurance until arrival in America not only burdened Houqua with the responsibility of loss or damage at sea but also put him at risk for questionable inspection standards overseas over which he had no control. That this lawsuit surfaced in America reveals the developing standards of America's trade in Canton and the fluidity over the definition of the terms of the trade. In the absence of any defined standards, the plaintiff in this particular case was probably attempting to impose the more stringent standards the British EIC had enforced in its tea trade at Canton. Upon the insistence of the EIC, Houqua and the other *Hong* merchants were held accountable for products classified as "bad teas" upon reaching London. As much as Houqua was leveraging the American presence in Canton to break free

from the control of the British, certain Americans were eager to demand treatment from Houqua at the same stringent standards as established by the British.

The trials that ensued called into question the appropriate legal jurisdiction of this lawsuit, that "the contract on which this Plaintiff, founded himself, was made in Canton, there to be executed and was to be construed and governed by the Law of China." The court also read reports of interrogations of "witnesses to be produced, sworn or affirmed and examined on the part and behalf of the defendant, under a commission to Canton" who testified to such things as "the usual course of trade and business at Canton." Particularly contentious was the issue of inspection: "Is it or is it not the usual course of trade and business at Canton upon the delivery of any and what kind of goods contracted for in China, for the Supercargoes to make such examination as to satisfy themselves as to the quality of the goods and their Conformity to the terms of the Contract and is not the neglect to make such examination always considered as satisfactory of the approbation of such Supercargo?" In the end, a special jury found for the plaintiff and assessed damages for $15,377.01. The defendant pleaded "non ass.[44] + payt with lease." In short, Houqua did not contest the findings and paid to settle the dispute. Satisfaction was acknowledged by Thomson on April 18, 1826.

Despite this settlement, Houqua, along with his allies in Canton, did not admit that he "contriving and fraudulently intending to injure the said Edward did not perform or regard his said promise and undertaking so by him made as aforesaid but thereby craftily and subtilly [sic]

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[44] "*NON ASSUMPSIT*, pleading. … 2. Under this plea almost every matter may be given in evidence, on the ground, it is said, that as the action is founded on the contract, and the injury is the non performance of it, evidence which disaffirms the obligation of the contract, at the time when the action was commenced, goes to the gist of the action. Gilb. C. P. 6 5; Salk. 27 9; 2 Str. 738; 1 B. & P. 481. Vide 12 Vin. Ab. 189; Com Dig. Pleader, 2 G 1," John Bouvier, *A Law Dictionary, Adapted to the Constitution and Laws of the United States*, (5th ed., Philadelphia, 1855), vol. II, 233. I would like to thank Humphrey Ko for his assistance on the interpretation of these legal terms.

deceived and defrauded the said Edward," as the suit alleged.[45] In his correspondence with the Perkins in Boston dated June 25, 1821, Cushing lamented, "It is unfortunate for H[ouqua] that Mr. Rush has gone from here, as his evidence would have been conclusive in Houqua's favor." His American partners promised to "exert ourselves to procure full & satisfactory evidence for our friend." Houqua and his partners insisted that Houqua was wrongfully accused of providing products of subpar quality. "We do not mean to implicate the old Gent personally in any way whatev, as we believe him as … honorable as any man upon Earth, but he has probably reposed too much confidence on those he employed & has after he imposed on by them," his partners maintained. Yet they were practical in their thinking, allowing that it would be beneficial if Houqua had to "pay a few thousand Dollars" to put the lawsuit behind him. The settlement notwithstanding, Cushing was adamant in his support for Houqua: "we know positively that he always pays … more than any other … in the place in order that the goods they furnish may be better than others. He always pays 2/3 or ¾ of the money in advance which if he was dealt fairly by, ought & would give him a decided advantage in the quality of his goods, over any other merchant in the place."[46] Cushing's remarks were more than a simple endorsement of the quality of Houqua's goods but the integrity with which he had always conducted his business.

Extending one's commercial and financial reach to new pastures was no easy business. Through his years of interaction with the British and the Americans, Houqua built his linguistic

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[45] Thomson v. Houqua, Interrogatories, case no. 34, Dec. term 1820, Records of the Supreme Court (Eastern District), Division of Archives and Manuscripts, Pennsylvania Historical and Museum Commission; Continuance Docket, 1818 (July term)-1825 (Dec. term), 197, Records of the Supreme Court (Eastern District), Division of Archives and Manuscripts, Pennsylvania Historical and Museum Commission; Appearance Docket, 1817 (Dec. term)- 1823 (Dec. term), 303, Records of the Supreme Court (Eastern District), Division of Archives and Manuscripts, Pennsylvania Historical and Museum Commission. I would like to thank Frederic Grant, Jr. for providing me copies of these legal documents.

[46] Baker Perkins, v. 19-20 Perkins & Co., Canton, to J. and T.H. Perkins, Boston

confidence in the use of English. More difficult was the sporadic appearance of legal issues the management of which required an acute business sense and pragmatic assertion of one's rights. Applying the same principle as he did in his continuous assessment of business risk and opportunities, Houqua instructed his American allies to be practical and non-dogmatic in their representation of him in the court of law.

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Through his persistent efforts, Houqua fashioned a trading network which allowed his American partners to establish a firm footing in Canton in the 1810s. In this network, Houqua occupied the pivotal position as Cushing reported to his China trade brethren in 1811, "Houqua of course has almost all the America business."[47] By the 1810s, Houqua had overcome the linguistic challenges of operating with his American allies but the struggle continued as they searched for commodities of lasting appeal to ensure the continuity of the bilateral trade. Just like the British, Houqua's American partners found the answer in opium but Houqua faced a severe handicap because of the potential huge costs if he was to be found involved in the importation of opium. This asymmetry of business opportunities necessitated his deploying his capital overseas by extending loans and consigning boatloads of merchandise overseas. This new business model represented a drastic departure from the stability of annual contractual arrangements he had in place with the British EIC. At risk were vast amounts of his capital which he had floated to the land of opportunities half a world away.

To manage his risks, Houqua proceeded in a calculated manner, relying on his close-knit crew of trading partners. This group of confidants he had cultivated over time, despite linguistic

[47] RIHS Edward Carrington, SGI/Series 1/subseries 1, Boxes 11-13 (Incoming correspondence 1799 [11 Dec 1798]-1805, 1806-1809, 1810-1811).

difficulties. Forged through hardship brought on by geopolitical conflicts and economic depressions, Houqua's alliance with his American partners handled with pragmatism issues that cropped up in the emerging world of global commerce. With the assistance of his American agents, Houqua demonstrated that he was aware and capable of leveraging different jurisdictions in seeking financial returns in the courts of law. Yet, they considered legal proceedings one of many business options and asserted their legal rights with a practical view towards the possible outcomes.

Houqua's business enterprise began with his masterful handling of the EIC at home; however, as the landscape of international commerce was undergoing rapid transformation, he could ill afford to be content with his dominance in Canton alone. At the nexus of Canton, Houqua worked together with his partners to fashion a network that altered the routes of global trade and rivaled, although not always successfully, the ascending power of the British. Unlike his predecessors who balanced the international powers primarily at their home base in Canton, Houqua had to expand beyond the Chinese city and extend his influence to the overseas market. To function effectively in this global configuration that he participated in engineering, Houqua would have to project his presence strategically and cultivate trust in his trading network.

Chapter 4. Sustaining Trust in a Delicate Network of Trade: Overcoming Business Uncertainty over Time and Space.

It is easier to maintain a business connection when the partners are located in the same place and the business exchange is transacted instantaneously. Hence, Houqua's business with the EIC involved the least complication. The EIC had its representatives stationed in Canton and Houqua did not have to wait for long before he received payment for his delivery of tea. In contrast, the consignment of tea shipped to America, as mentioned in the previous chapter, escalated Houqua's risk profile. His business in America entailed the risk of sending his goods half a world away. For the returns of the proceeds to Canton, Houqua had to wait until the completion of their sale which could take months, if not years.

In his study of the trading mechanism among eleventh-century Mediterranean traders, Avner Greif examined a similar situation.[1] The long-distance traders Greif studies faced issues that would be familiar to Houqua: information asymmetry, insufficient communication technology, limitations to contract specificity and legal enforceability. So how did these traders manage to structure their exchange relations over long distances? In response to the challenges, the Mediterranean traders Greif examined formed coalitions that functioned to police their members through a reputation mechanism such that "[b]y establishing ex ante a linkage between past conduct and a future utility stream, an agent could acquire a reputation as honest, that is, he could credibly commit himself ex ante not to breach a contract ex post."[2] In essence, because the

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[1] Avner Greif, "Reputation and Coalitions in Medieval Trade: Evidence on the Maghribi Traders," *The Journal of Economic History*, 49:4 (Dec., 1989), 857-882; Avner Greif, "The Organization of Long-Distance Trade: Reputation and Coalitions in the Geniza Documents and Genoa During the Eleventh and Twelfth Centuries," *The Journal of Economic History*, 51:2 (Jun., 1991), 459-462; Avner Greif, *Institutions and the Path to the Modern Economy: Lessons from Medieval Trade* (Cambridge, UK: Cambridge University Press, 2006).

[2] Greif, "Reputation and Coalitions in Medieval Trade," 858-859.

expected reduction in future profits resulting from dishonest behavior overweighed short-term gains through deception, traders would resist any temptation to cheat. Such calculated maneuvers were predicated on good information flow among the traders. In his analysis, Greif privileges economic motivations, as opposed to social control systems or ethics, in the regulation of this linkage in trade. According to Greif, their social configuration was instrumental but only in the transmission of information which underwrote the operation of the economic institution.[3]

Similar economic motivations certainly played an important role in facilitating continued exchange between Houqua and his trading partners. However, the parties with whom Houqua traded, most notably those from America, were separated from Canton by voyages across the vast seas whose length and duration aggravated the already imperfect information flow. The intractable American debtors named in Houqua's debt collection attempt in the 1810s demonstrated their willingness to sever ties with Canton and forswear future trading in China. In this situation, purely economic factors explicated by game theory cannot explain fully the enduring trust between Houqua and his select partners.

In Houqua's world of business, profits over the long run overwhelmed considerations of collectability of accounts gone bad. He had demonstrated that, in his pragmatic approach to business, he considered legal recourse only a last resort. Instead, he relied on the bond of personal trust that he cultivated with his partners in his exclusive network. To cultivate this bond of trust required the presence of the partners in Canton for continuous interactions with Houqua, as well as the concerted effort by Houqua to sustain these interactions even when these partners left Canton. Dislocation of trading patterns caused by political and military turmoil would put

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[3] Ibid., 859, 882.

their connections to the test, but these trials only tempered the bond that Houqua had so painstakingly nurtured with his select partners.

The Continued Chain of Delegates in Canton

To develop the initial confidence in shipping goods overseas on consignment, nothing worked better than the reassuring presence of the select business partner by one's side. Houqua could intensify his involvement in the American business with comfort because he had by his side in Canton for a long time his handpicked American ally, John Perkins Cushing. Not only was Cushing Houqua's scribe in his English correspondence and an important source of information for him on the world of commerce, but he was also the one Houqua held accountable for the shipment of his goods to destinations around the world.

The situation changed when Cushing decided to retire from Canton after two decades of transacting his global business activities from Canton. Cushing had groomed his cousin Thomas Tunno Forbes to be his successor in Canton upon his return to Boston. Thomas' drowning at sea in 1829, however, necessitated the dispatch to Canton of Thomas' younger brother, John to whom Houqua readily entrusted his American business, as a continuation of his partnership with Cushing. John served as Houqua's confidant in Canton for most of the 1830s and only returned to Boston in 1837. A third Forbes brother, Bennet, arrived in Canton in 1839 to take John's place, assuming the leadership of Russell & Company, the enterprise through which Houqua continued to funnel business to the Forbes family. Bennet, therefore, continued the long-rooted partnership between Houqua and the Cushing/Forbes family, following in an all but unbroken tradition of the family's presence in Canton to work alongside Houqua. Cushing and his Forbes

cousins, served as the bedrock of Houqua's American confidants and his access to the world that operated in written English.

This continuous flow of Cushing and the Forbes provided Houqua with the constant company of a representative from the American team in Canton. This continuous presence of a member of the American team argues for the economic significance of the exchange to both sides and was no doubt a key contributing factor to the enduring ties between them. However, this continuous flow of partners through Canton was more than a stable channel of exchange. The return of his partners from Canton also dispersed his allies to various commercial and financial centers in the West. On the one hand, this dispersal added to Houqua potential risk. On the other hand, the distributive effect of these partners also allowed Houqua to extend his network through these secure allies in America. In addition to Cushing and the Forbes, many of Houqua's other business partners traveled into and out of Canton from America and Britain. With these partners, albeit partners of varying degrees of business affiliation, Houqua extended his global reach. For the purpose of securing continuing connections with these partners overseas, Houqua presented to them his portraits which would serve as a constant reminder of their ties to this Chinese merchant in the faraway land of Canton. Leveraging the presence of the community of artists in Canton, Houqua cast a commanding image of himself as an authoritative business figure and projected this image on his partners and prospective associates around the world.

Express Use of Portraits and the Prototype of a Global Iconic Image

In the nineteenth century, as products came to be produced in high quantities and advances in transportation and communication made long-distance distribution increasingly easy,

it became important for the global trader to craft a respectable image of reliability that would allow him to set himself apart in the midst of the sea of commodities and to assume the position of the trusted nexus in his network of trade.[4] This was especially significant for Houqua, the man who funneled the lion's share of China's tea to the rest of the world by the 1810s. From Canton, tea was exported in high volumes across the oceans to markets in Europe and America. To engender trust among his business partners and to impress upon them that he stood behind the quality of his products, Houqua depended on the distribution of a visual representation of himself that would convey his message non-verbally in this multi-lingual world.

Houqua had intended that his portraits serve an instrumental function in reminding his trading partners who had returned to America from Canton of their enduring ties to this Chinese patron half a world away. This function of the portraits was especially important to Houqua when it came to the continued trading relationships he maintained with select partners. To John Murray Forbes who had just returned to Boston, Houqua wrote on March 4, 1837, "My young friend, … Before you receive this you will probably have been at home more than six months. I count on seeing you again, probably before another year is ended, and shall be most glad to welcome you back." John was Houqua's trusted confidante in the world of commerce and had barely left Canton after having served by Houqua's side for eight years. Houqua was eager to have John back in Canton but short of the fulfillment of that wish, Houqua would content himself with entrusting his business in America to John. "You must recollect that I have given you authority to manage my business," continued Houqua, "and I do not wish you to delegate it to anyone unless you should come back to China." The maintenance of that relationship would

[4] Kevin Lane Keller, *Strategic Brand Management: Building, Measuring and Managing Brand Equity* (1998; reprint, Upper Saddle River, NJ: Prentice Hall, 2003), 52-53.

entail many written exchanges and for that Houqua beseeched John not to neglect to write to him. More effective than a steady stream of letter exchange, a portrait of Houqua staring at his American partner in Boston would serve as a constant reminder of their mutual obligations. "I promised to sit for my portrait for you," pledged Houqua.[5] In fact, the portrait that Houqua would give to John would not be the first of such portraits; John's copy would be the product of an exploratory process by which Houqua and the artists in Canton developed and refined the pictorial representation of this business partner.

By this time, many Chinese artists lived in Canton, which had appealed to foreign merchants long before becoming China's sole legal port of call for Western traders in 1757. These artists had developed the techniques of producing oil paintings for the export trade. By the early 1820s, they were already producing "stock paintings" of Admiral Nelson, Washington, Jefferson, and Madison for the export market. Among these, one could even find likenesses of Houqua for purchase at the export shops in Canton.[6]

The arrival of Western painters fueled this development in Canton. George Chinnery, a British artist who had left Britain at the age of twenty eight and spent twenty three years of his life in India, arrived at Macao on September 29, 1825. In the Pearl River Delta area, Chinnery would spend the remaining twenty seven years of his life, venturing often into the international port of Canton where the juxtaposition of Chinese elements and Western presence offered many fascinating objects of depiction, as well as willing patrons, for his paintings. It did not take the

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[5]Sarah Forbes Hughes, ed., *Letters and Recollections of John Murray Forbes in two volumes* (Boston and New York: Houghton, Miffin and Company, the University Press, 1900), I:98.

[6] "Extract from the Port Folio of a Canton Supra-Cargo, Painters of Canton," *National Gazette and Literary Register*, Philadelphia, Vol. IV, No. 381 (August 5, 1823). I thank Patrick Conner for pointing out to me this reference to the early Houqua portraits.

local community long to embrace Chinnery. No more than two years from his arrival at Macao, Chinnery had received a commission to paint a portrait of Houqua.[7] On a pen-and-ink sketch of the *Hong* merchant, the painter had, in fact, inscribed in shorthand "December 26th [18]27. Canton."[8]

In the associated oil portrait of Houqua, still housed in the HSBC offices in Hong Kong (Figure 4.1),[9] Chinnery detailed many Chinese features of his subject but drawn in a style that, according to art historian Patrick Conner, was "wholly at odds with traditional Chinese notions of portraiture." Houqua assumed a pose that is decidedly non-Chinese.[10] As opposed to the traditional Chinese full-frontal portrayal of the subjects, this image of Houqua only offered a three-quarter face to the viewer. Sitting upright, Houqua crosses his left leg over his right, affording the viewer an almost ninety-degree frame formed by his head and torso on the one end and his lower body on the other.[11] This cross-legged pose in which Chinnery chose to portray Houqua would have been considered "casual to the point of rudeness" when measured against

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[7] Whether Chinnery modeled his portrait of Houqua after the earlier paintings, one cannot tell for none of the earlier portraits is extant.

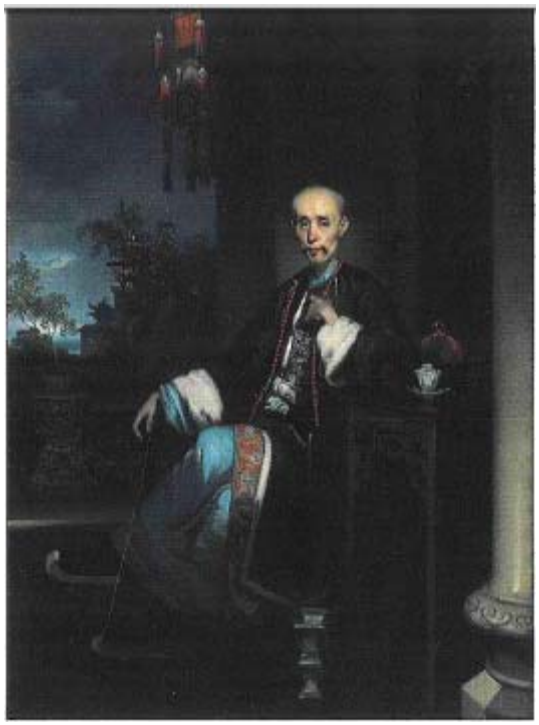
[8]Patrick Conner, *George Chinnery 1774-1852: artist of India and the China coast* (Woodbridge [Suffolk, England]: Antique Collectors' Club, 1993), 172.

[9] Houqua also holds court across the street from the HSBC headquarters in Hong Kong as a copy of this portrait by Chinnery occupies center stage at a bar called "The Chinnery" in the Mandarin Oriental Hotel, Hong Kong.

[10]For a detailed description of the "iconic pose" in Chinese ancestral portraits, see Jan Stuart and Evelyn S. Rawski, *Worshiping the Ancestors: Chinese Commemorative Portraits* (Washington, DC and Stanford, CA: Freer Gallery of Art and the Arthur M. Sackler Gallery in association with Stanford University Press, 2001), 83-90. It should be noted that there are certain extant examples of informal Chinese portraits painted during the lifetime of the sitter (ibid., 65-72).

[11]Patrick Conner, *George Chinnery 1774-1852*, 10, 165, 175.

Chinese conventions. It reflected, however, the "elegant ease" commonly displayed by European portrait sitters, a posture Chinnery often adopted with his subjects.[12]



Figures 4.1. George Chinnery's portrait of Houqua. Oil on canvas, 28 x 18 ins., in HSBC. Courtesy of the HSBC Archives, Hong Kong.

Chinnery employed dramatic chiaroscuro to spotlight Houqua's face and upper body. The subject, depicted as serene and sagacious, rested on a Chinese chair next to a heavy column with an ornate base. A romanticized Chinese home and garden, along with a decorative lantern, formed the backdrop to the portrait.[13] Notwithstanding the Chinese subject and the oriental (or orientalized) surroundings, Chinnery showcased in his portrait of Houqua styles and techniques

[12] G. H. R. (Giles Henry Rupert) Tillotson, *Fan Kwae pictures: paintings and drawings by George Chinnery and other artists in the collection of the Hongkong and Shanghai Banking Corporation* (London: Spink for the Hongkong and Shanghai Banking Corporation, 1987), 17.

[13]Patrick Conner, *George Chinnery 1774-1852*, 175.

that are conspicuously European, in keeping with similar paintings produced in Canton at the time destined for the export market in Europe and North America.

In addition to the fine Chinese furniture and the hanging lantern, Chinnery displayed next to Houqua a fine porcelain cup and saucer, perhaps a reminder of tea, the market of which Houqua commanded. The cup and saucer, along with the spittoon depicted, also connoted the lifestyle Houqua's wealth and status afforded him. However, nothing suggested his status more than the Mandarin cap placed on the Chinese stand and the Mandarin gown draping Houqua's thin frame. Despite the clear suggestions of Houqua's position in the Qing officialdom, the cap and gown, even in the theatrical spotlight, would not have provided sufficient details to even an informed Chinese viewer to discern the exact rank of Houqua's title which would otherwise have been distinguishable by the type of bird embroidered on his gown and the precise arrangement of his cap.[14] This lack of specificity on a feature that would have been meaningful to a Chinese viewership provides further evidence that the intended audience of this portrait of Houqua resided in the West. The Western viewer would not have been able to interpret the exact rank of the title the Qing court had conferred on Houqua, even if the portrait had provided more specific clues. What truly mattered in the message of the painting was that Houqua's material wealth was inseparable from his ability to provide Western traders an interface with Chinese officialdom. That Houqua donned a Mandarin garb would have sufficed in conveying to this Western audience the authority he commanded in the Chinese port of Canton.

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[14]*Qinding Da Qing Huidian tu* (*Pictorial Section of the Collected statutes of the Qing compiled during the reign of Jiaqing* [1796-1820]) (Taibei: Wenhai chubanshe, 1992), *juan* 45-46, official caps and gowns. See Stuart and Rawski, *Worshiping the Ancestor*, 111-114, for a discussion on the conformance of costumes depicted in Chinese portraits to sumptuary codes.

Deviating from the approach of traditional Chinese portraits that emphasized specific features at the expense of emotional suggestions, Chinnery imbued Houqua's facial depiction with hints of his mindset. Houqua bore not the jovial looks becoming of the material prosperity represented by his surroundings. Instead, he wore the guarded expression of an astute businessman that Conner associates with the description of Houqua by British emissaries in 1818: his "person and looks bespoke that his great wealth had not been accumulated without proportionate anxiety."[15] This betrayal of the sitter's inner feelings was nothing less than a direct contradiction to the principles of Chinese portraiture in which the subject seldom wore his heart on his sleeve. Had Houqua chosen to be painted in traditional Chinese style, he would have been shown with a stoic expression on his face, offered a full frontal view which presented his Mandarin cap with elaborate details to signify his rank.

Chinnery's portrait of Houqua was therefore not intended for the usual Chinese viewer. His was not to be a portrait to be kept in the Wu family compound but a representation of the thoughtful businessman prepared with Western artistic techniques drawn to impress Western eyes. Despite its Western touches, Chinnery's portrait of Houqua captured many Chinese elements that would help the viewer place Houqua without a doubt in Qing China. That Western painting style combined with exotic Chinese features in Houqua's portrait paralleled the role of Canton as the interface between China and its Western trading partners and the function of Houqua as the fulcrum of this interface. Rendered thus, the portrait of Houqua the vanguard merchant in the Chinese port of Canton with whom Western traders should interact could find a comfortable place in a Western house.

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[15] Ellis, *Journal of the Proceedings of the Late Embassy to China*, 305.

This Chinnery portrait of Houqua is believed to have sailed to England with W.H. Chicheley Plowden, the President of the Committee of the East India Company at Canton in 1830.[16] Plowden's portrait of Houqua was one of four portraits by Chinnery's hand to have appeared at the Royal Academy exhibit in 1831.[17] *The Morning Post* reported in London on June 15, 1831, on this painting, numbered 248 among the exhibits: "*Portrait of Howqua, Senior Hong Merchant at Canton, China*. G. CHINNERY.- Mr. C had some clever portraits in the same style in the last Exhibition of the Academy. There is an *air Chinois* about them, and an elevated tone of colouring, which is no doubt quite in character with the objects and the scene of action."[18] This was years before the outbreak of the Opium War and the appearance of this Houqua portrait in London inspired a fantastical notion of the international world in Canton. This Chinese merchant in Canton looked so exotic and foreign to the world in Britain yet he was responsible for their tea, an important staple for the British consumer. His connections to the Western traders who traveled to Canton had bridged the two worlds and brought to the markets in Britain and beyond a critical commodity that fueled the daily lives of the consumer in the West. To the traders who had carried home these paintings of the celebrated merchant, such images of Houqua reassured them of their trusted partnership with the pivotal figure who had proved to be instrumental to their trading with the far-flung empire of Qing China.

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[16]Patrick Conner, *George Chinnery 1774-1852*, 177.

[17] G. H. R. Tillotson, *Fan Kwae picture*, 17.

[18]*The Morning Post* (London, England), June 15, 1831.

Replicating the Image

Chinnery's depiction of Houqua, the exotic subject in a style familiar to the European viewer, must have struck a chord in the Western market beyond the audience at the Royal Academy exhibition in London. Without generating as much fanfare as the display of the original Houqua portrait, similar paintings proliferated and they were either attributed to Chinnery or portrayed Houqua in a like manner in a comparable setting. An early portrait of Houqua found its way to America with John Perkins Cushing. When Perkins left Canton in 1827 to re-establish himself in Boston, he held in his possession a portrait of Houqua that he contributed to the exhibition at the Boston Athenæum in 1829. The catalog of that Exhibition listed a portrait of "Houqua, Chief of the *Hong* Merchants, Canton," attributed to "Chenery" (most likely Chinnery) and exhibited by "I.[John] P. Cushing."[19] This record of the display of such a portrait in a respected institution in Boston as early as in 1829 attests to the iconic status of Houqua's visual representation on both sides of the Atlantic, thanks largely to the transmission of his images through his trading partners.

Comparable to the original known to have come from Chinnery's hand are four other extant oil-on-canvas portraits, all housed in the United States.[20] These four portraits, which are

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[19] *Catalogue of Pictures, in the Athenæum Gallery. 1829* (Boston: s.n., 1829), 10. There is no further information on this portrait which could well have made it into one of the collections listed below. It is not easy to ascertain which one, if any, of the following was Houqua's portrait originally held by Cushing because records of the collections do not provide sufficient details on provenance.

[20] One of these portraits was located by Zhuang Su'e in a private collection ("*Shijiu shiji Guangdong waixiaohua de zanzhuzhe: Guangdong shisanhang shanshang*" (The sponsors of export paintings from nineteenth-century Guangdong: the merchants of the Canton Trade), in *Quyu yu wangluo: Jinqiannianlai Zhongguo meishushi yanjiu guoji xueshu yantaohui lunwenji* (Regions and networks: collection of essays presented at the academic conference on Chinese art history of the last thousand years) (Taibei: Guoli Taibei daxue yishushi yanjiusuo, 2001), 533-578). Another one of the portraits resides in the India Club House in New York City. A third is held at the Metropolitan Museum of Art in New York, and the last one housed in the Peabody Essex Museum. Philip Chadwick Foster Smith identified one in a private collection as well (see Jean Gordon Lee, *Philadelphians and the China Trade,*

almost identical, feature most of the same paraphernalia of the original, save the Roman column. They set Houqua against a similar background that is more brightly lit than in the original.[21] In addition, the Peabody Essex Museum houses the same portrait of Houqua produced in a different medium, mezzotint engraving (Figure 4.2). This piece was the works of John Sartain.



Figures 4.2a and 4.2b. John Sartain's portrait of Houqua. Circa. 1830. Mezzotint engraving, 24 x 18.7 in. Courtesy of the Peabody Essex Museum, Salem, Massachusetts.

1784-1844 [Philadelphia: Philadelphia Museum of Art, 1984], 36-37). This copy was reportedly painted for the China trader from Philadelphia, Benjamin Chew Wilcocks. This might be the same copy as the one located by Zhuang Su'e.

[21] Instead of seating the cross-legged Houqua against an axis to the viewer's right, these three rest Houqua more on the left side of the paintings. This lateral transposition of the subject parallels the different portrayals of another Chinese *Hong* merchant, Mouqua, in two portraits in the HSBC collection. Interestingly, in those cases, Chinnery painted Mouqua on the right while the one drawn by the native Chinese artist put Mouqua on the left.

Sartain's engraving represented a faithful rendition of the four oil-on-canvas portraits. According to PEM records, this piece was "identified in the plate as being after a portrait by George Chinnery in the collection of Benjamin Chew Wilcocks (1776-1845) of Philadelphia." Sartain's home in Philadelphia and the works' present location in Salem span the Eastern seaboard in America from which Houqua's U.S. partners had set sail to trade with him in Canton. A feature of this piece that is of particular interest is the Chinese characters written below the engraving. These two Chinese characters represented an attempt to transliterate the name "Houqua" into Chinese, evidently oblivious to the fact that the name "Houqua" rendered in various spellings in English was itself a transliteration of the Chinese merchant's trading name. Whoever wrote these Chinese characters with a Chinese brush on this engraving paid no attention to the identity of the sitter as represented by the Chinese trading name that he had long adopted in business correspondence. Instead, the inscriber of the Chinese label had come to associate this portrait with the articulation of the name "Houqua" by Western tongues, attesting to the iconic status of Houqua's likeness among not the Chinese but the Western traders in Canton in the first half of the nineteenth century.

A variation of this set of paintings, considered to have been brought back from China by Edward King who was actively involved in Russell & Company around 1840 and was in Canton during Houqua's time, shows Houqua, resting his arm and weight to the viewer's right.[22] A notable difference in this portrait is the scroll of Chinese calligraphy which reveals clearly the last couple of characters, *woshi*, namely my teacher. This detail stands in sharp contrast to

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[22]Henry and Sidney Berry-Hill, *George Chinnery 1774-1852: Artist of the China Coast*. Leigh-on-Sea, England: F. Lewis, Publishers, Limited, 1963, Plate 39.

Chinnery's works in which the English painter scribbled outlines of Chinese characters but did not engage the service of native writers to produce faithful renditions of the Chinese script. This painting with the Chinese characters that is not considered to be Chinnery's work confirms the shift firmly into the hands of the native Chinese artists in Canton of the painting of Houqua's portrait.

Distilling the Image and Achieving Mass Dissemination

The portraits this chapter has enumerated thus far, be they Chinnery's work or copies thereof, preserved many of the elements of the original Houqua portrait Plowden carried home to England. They situate a cross-legged Houqua casting a knowing glance at his viewer from the exotic setting of his Chinese home and garden appointed with exquisite oriental furniture and lantern. Fascinating oriental details might have been useful in captivating the traders among the British audience. However, as Houqua broadened his reach to America and beyond, his portraits represented a different setting, a setting streamlined for undemanding and hence economical reproductions. More importantly, these streamlined portraits were optimized to highlight the persona of Houqua, the perspicacious trading partner in Canton.



Figure 4.3. Lamqua's portrait of Houqua. Oil on canvas, 18 ¼ x 16 ½ in. Courtesy of the Peabody Essex Museum, Salem, Massachusetts.

A small oil painting at the Peabody Essex Museum presents just such a streamlined portrait (Figure 4.3). Accentuated in the portrait are the facial features of the sitter. In particular, the portrait features his distinctive "domed forehead, hollow cheeks, wispy beard" that art historian Patrick Conner believes to have reached "an almost iconic status, the acceptable face, as it were, of the China trade."[23] As the iconic representation of Houqua was reproduced, the portrait lost some of the less important features. The full-body portrait by Chinnery was truncated to waist-length, producing a sharper focus on the facial features which came to occupy a bigger area of the painting. The only reminder of Houqua's location in the faraway empire of Qing China was his official cap (partially visible on the right) and his gown. Gone was the orientalized rendition of his home and garden. There was no more depiction of lantern and spittoon. What was left of the backdrop of the romantic landscape was reduced to half a window

[23]Patrick Conner, "Lamqua, Western and Chinese Painter," *Arts of Asia* (March-April 1999), 54.

frame, relegated to the side of the picture.[24] In the development of Houqua's iconic image, later rounds of his portraits shed the superfluous elements and drew the viewer's attention to Houqua, the man behind this image of trust.

To widen the distribution of his trademark image among his partners in America and beyond, Houqua leveraged the studios of the Cantonese artists who had by the nineteenth century gained tremendous experience in painting in a Western style for the export markets in Europe and North America. In fact, so adept were the native Chinese artists in producing or reproducing portraits for the Western viewer that it is difficult to distinguish Chinnery's portraits of Houqua from those painted by native Chinese artists. Most of the extant Houqua portraits in America are the handiwork of one particular Cantonese artist Lamqua, whose Chinese name is believed to be Guan Qiaochang. Some of his contemporaries believed that he had studied with Chinnery. Whether that was true or not, Lamqua soon proved to be a serious rival to Chinnery as he produced paintings of sufficient quality to the Western eye and undercut Chinnery by charging substantially lower prices.

Lamqua presented as convincing a likeness of his subject as Chinnery and his pricing made Lamqua's offering all the more compelling. When Chinnery was charging in the range of $150 to $250,[25] Lamqua would render a likeness for his sitter in Canton for merely $15.[26] So

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[24] There is a similar painting included in the illustrations in *Journey to the Far East—George Chinnery and the Art of Canton, Macao and Hong Kong in the 19th Century* (Tokyo: Tokyo Metropolitan Teien Art Museum, 1997). See Plate 111 in the book.

[25] Jardine Matheson Archive, Accounts Current A4/19, 88 (October 31, 1840) and 89 (January 31, 1841), cited in Conner, *George Chinnery*, 265.

[26] "Chinese Painters," *The Canton Register*, Vol. 8, No. 49 (December 8, 1835), 195. Another source quoted comparable figures of Chinnery charging 50 to 100 piastres while Lamqua charged 15 to 20 (see Robin Hutcheon, *Chinnery: The Man and the Legend* [Hong Kong: South China Morning Post, Limited, 1974], 77).

good was Lamqua's work that *The Canton Register* quipped that he "be *ordered* home by the ladies of the land in the U.K. for we can assure them … that they will never *again* look so beautiful unless under the *vivida vis* of the sparkling and magic touch of CHINNERY." The Western residents in Canton were evidently so impressed with the works of this Chinese painter that they drew a direct comparison between Lamqua and Chinnery. So persuasive were Lamqua's portraits that the paper proceeded to remark wittily of this celebrated Chinese artist: "The knighthood would then follow as a matter of course, as having been mostly deservedly earned and richly merited."[27] More importantly, however, the Chinese master's works cost less than a tenth that of those of the British artist.

Houqua might not have requested that Lamqua render a beautified impression of him as much as Western sitters would have requested "a more *handsome* or acceptable memorial … than their sweet countenances." In fact, Chinnery's three-quarter-face presentation of Houqua's facial features had probably concealed his protruding tooth, a disfiguration that supposedly had earned him the nickname of "Wu the pierced cheek."[28] Lamqua would have had to follow Chinnery's representation in his own portrait of Houqua to achieve similar results. Besides, Houqua would not need to agonize over the difference in the costs of a single portrait. After all, a couple of hundred dollars for a painting would hardly register as a significant outlay in Houqua's account book. Of greater importance was the ability of Lamqua to produce numerous copies in his studio. The low costs and the streamlined production of Lamqua's studio had allowed Westerners in Canton to dream of sending their likeness to their "mothers, sisters, their

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[27] "Chinese Painters," *The Canton Register*, Vol. 8, No. 49 (December 8, 1835), 195.

[28] Liang Jiabin*, Guangdong shisanhang kao*, 12.

fair ladye's loves."[29] For Houqua, Lamqua's cost proposition and swift reproduction served a different purpose. The courtship Houqua pursued with these portraits was not romantic but commercial in nature. Through his portraits, Houqua would cultivate business opportunities and consolidate his relationships with existing trading partners.

Many of Houqua's portraits found their way to America along with Houqua's partners returning home after their sojourns in Canton. Figure 4.4 shows one such portrait. This one, housed in the Ipswich Library, came from the estate of Augustine Heard, a close business associate of Houqua who had returned home from Canton to Ipswich, Massachusetts. This painting, believed to have been executed by Lamqua, was exhibited at the Boston Athenæum in 1850.[30] Notice the blurry lines of the embroidery on Houqua official robe which had become even more indistinct as compared to Chinnery's original. Also, the entire garden and villa setting had dissolved into a dark background against which the trademark of Houqua's face stood out. Not only was the native Chinese artist skilled in copying Western paintings at lower costs and higher speed, but he was also adroit in distilling the essential features of Houqua's likeness for an efficient replication for distribution far and wide.[31]

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[29] "Chinese Painters," *The Canton Register*, Vol. 8, No. 49 (December 8, 1835), 195.

[30] Listed as the first of four *Hong* merchants who, along with Commissioner Keying, were the subjects of "Five Portraits of eminent Chinese Personages, by Lamqua, a Chinese artist" (*Catalogue of the Twenty-Third Exhibition of Paintings in the Gallery of the Boston Athenæum* (Boston: Eastburn's Press, 1850), 12).

[31] In this respect, one should bear in mind the analogy Winnie Wong draws between the paintings of early-nineteenth-century native Chinese artists to the present-day workshops in the Dafen Oil Painting Village in Shenzhen.



Figure 4.4. Lamqua's Portrait of Houqua. Oil on canvas, 32 ¾ x 25 ¼ in. Courtesy of the Ipswich Public Library, Massachusetts.



Figure 4.5. Portrait of Houqua by an unknown Chinese artist. Oil on canvas, 29 ½ x 22 in. Photograph © Museum of Fine Arts, Boston.

An inventory taken in 1953 identified close to ten such portraits along the East Coast of the United States. This chapter has already alluded to those said to be housed in the Peabody Essex Museum. The Museum of Fine Arts in Boston boasts a copy from the family of Spooner (Figure 4.5), an associate at Russell & Company, the primary business concern through which Houqua traded with his partners worldwide. One of the descendants of Daniel Nicholson Spooner who had given the portrait to the MFA wrote that the portrait "was painted for my grandfather and given him by Houqua who was an intimate personal friend."[32] The Low family of New York, whose nineteenth-century ancestor had traded for Houqua through Russell & Company, also held a copy of the portrait. Yet another family associated with Russell & Company, the Delanos, owns a copy. Another copy, featuring an aging Houqua, is in a private collection in Washington D.C.

Among Houqua's trading partners, the Forbes maintained the most intimate and lasting relationship with Houqua and his heirs. The Forbes continue to hold onto at least one copy of Houqua's portrait in Milton.[33] The aging Houqua depicted in this copy held by the Forbes, similar to the one in the Museum of Fine Arts in Boston, features an old and serene Houqua. The older Houqua in these paintings confirms the production of these simplified portraits with a plain dark background during the later years as Houqua broadened his network of circulation, both of his portraits as well as of his goods and capital. Within this trading network that Houqua had developed, the Forbes held a special place. Displayed alongside the portrait of Houqua in

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[32] Correspondence with Mrs. Motley and Mr. Hipkiss, Folder of Chinese School, Port of Canton, 50.3790, Museum of Fine Arts, Boston.

[33] Elma Loines, "Houqua, Sometime Chief of the Co-Hong at Canton (1769-1843), *Essex Institute Historical Collections*, Vol. LXXXIX (April, 1953) No.2, 98-108.

the sitting room of the Robert Bennet Forbes House in Milton is a gemstone which is believed to have been set on top of Houqua's Mandarin cap depicted in the portrait and is said to have been presented by Houqua's son to the Forbes in memory of the old merchant.

In addition, more portraits of Houqua must have been kept at hand or reproduced posthumously for distribution. In a letter dated May 31, 1845, two years after Houqua's death, Jamsetjee Jeejeebhoy wrote from Bombay thanking Houqua's son for "two portraits of [his] late respected Father."[34] These extant portraits, along with the surviving records related to their production and distribution, highlight their use both to solidify Houqua's business connections as well as to extend his trading networks.

Houqua and his family could not have accomplished these business initiatives through the distribution of his portraits except for the presence of the community of artists in Canton. Indeed, Houqua did not even control the process by which his likeness came to be simplified and reproduced. Instead, the development in the way in which he was portrayed reflected the artistic and stylistic choices of the painters. Houqua did not commission all of his portraits, some of which accentuated different aspects of the subject. Nonetheless, textual evidence of the correspondences between Houqua (and his family) with his business associates, as well as the distribution of his many portraits, especially in America, underscores how Houqua effectively leveraged the creations of the artists in Canton to project a visual representation of himself that allowed for sufficient consistency for the making of a global icon.

Judging from the lasting relations between John Murray Forbes and Houqua's family, the portrait served its purpose. Not only did John Murray Forbes dutifully handle the business

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[34]Jamehedjee Jeejeebhoy Papers, University of Mumbai Library, #354.

Houqua entrusted to him,[35] but the Forbes descendants also came to be reminded of the great Chinese trader with whom their family partnered. William C. Forbes wrote in 1940, "Houqua so impressed the Americans with whom he came in contact that his name has come down for generations as the last word in probity, sagacity and generosity." Writing more than a century after the families had initiated their partnership, William C. Forbes attributed the family's memory of Houqua to his portrait which had continued to be displayed prominently in the homes of his partners. "His painted portrait hung on the walls of many American houses," noted William C. Forbes, "highly prized as the symbol of all that is praiseworthy in public and private relations."[36] This testimony from the mid-twentieth century suggests that Houqua left a lasting imprint in the minds of his partners' families.

A few factors were responsible for Houqua's ability to canvass with this vast collection of his portraits the important ports on the East coast of America where Sino-American merchants made their homes. That these merchants from the various ports all traveled to Canton, stayed there for protracted periods of time to conduct international trade alongside Houqua provided the basis for the relationships the portraits served to cement. These portraits tell the story of their business adventures in the faraway port of Canton where they had met the iconic Houqua to whom many owed their commercial fortunes. The sheer number of such similar portraits underscores Houqua's conscious effort to leave a lasting impression among his partners from the other side of the globe as he continued to build his international networks. To execute his strategy of portrait distribution to his many American partners, Houqua had to rely on the

[35] Baker Forbes, Series F. John Murray Forbes papers, 1829-1891, Subseries III: Forbes family trust and estate papers, 1834-1988.

[36] W. Cameron Forbes, "Houqua, the Merchant Prince of China, 1769-1843," 11.

process of quick replication made available by the studios of the native Chinese artists in Canton producing portraits in Western style.

Had it not been for the presence of these native artists and the constant flow of Western traders into and out of Canton, Houqua would have needed a different strategy of cultivating trust which would most likely have assumed a different form. Regardless of the form it would have assumed, it had become a critical business strategy as the flows of goods and capital accelerated for trading partners to engender among themselves the trust necessary to ensure the orderly transactions of businesses. For this purpose, global traders needed to improvise.

Rosenthal and Wong proposed a framework of understanding the mechanism of commercial exchanges whereby trade that encompassed short distances and short time frames could rely on informal arrangements while long-distance exchange that extended over a long stretch of time needed formal arrangements or had to be conducted on a cash basis.[37] This framework helps explain the early-nineteenth-century Canton trade to a large extent, especially in Houqua's dealings with the EIC. However, how could Houqua decide to work with his American partners on such informal basis even when the risk of time and space with these Americans expanded far beyond his business with the EIC with which he dealt on formal terms? The answer lies in the measurement of distance. In Houqua's calculation, the risk he had to bear in regard to spatial separation was measured not in terms of the length in miles or kilometers but in the mental distance between him and his allies, a distance shortened by the deep-rooted trust he had perpetuated with these allies through such devices as the gifting of portraits after their extended interactions in Canton.

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[37] Jean-Laurent Rosenthal and R. Bin Wong, *Before and Beyond Divergence: the Politics of Economic Change in China and Europe* (Cambridge, Mass.: Harvard University Press, 2011), ch. 3.

To sustain connections over long distances and to assuage the anxiety caused by the time delay between communications, Houqua chose to project his iconic image through portrait distribution to his partners. This strategy served the important function of cementing his ties with his partners over the long term. The strength of these ties was tested during periods of short term disruptions which jeopardized the stable flow of business that global traders constructed, thereby posing the greatest threat to the trust that took years to nurture.

Trying Times

The longstanding tradition of the presence of John Perkins Cushing and the Forbes brothers in Canton was interrupted in 1840 when Bennet left Canton only a year after he took up his position there. That was a difficult period for Houqua because not only did he sense a heightened risk exposure abroad when deprived of the reassurance of the presence of a Forbes in Canton but he also he suffered from the escalated risk at home due to the Sino-British conflict. The enforcement of the ban on opium trafficking that Commissioner Lin Zexu had initiated in earnest in 1839 had developed into a full-blown confrontation with the arrival of British warships on China's coast in 1840. The conflict between the Qing government and the British disrupted the flow of global trade. The partners in Houqua's network used to be able to count on the expectations of recurring profits from their trade to alleviate the risk of any member absconding with goods or capital. With the dislocation of the trading network, this bond underwritten by financial motivations weakened and Houqua could only rely upon their bond of trust nurtured through his close and extended interactions with his allies, a personal relationship signified by his portraits that his partners had carried home with them. This bond of personal trust had never been tested before as it did during the Opium War.

Shortly after Bennet's departure, Houqua wrote three letters. The letters were dated June 28, 1840, the day the English "commence[d] the blockade of the port of Canton" which he feared would be "very rigid." As he expressed uncertainty over the steps the English would take and his fear that it would take "a long time before the dispute is settled & trade allowed to go on regularly," Houqua dictated his instructions on the execution of his business overseas to Bennet, John, and John Cushing, his handpicked partners from the Cushing/Forbes family which had transacted his business in the West on his behalf for three decades.

In his letter to Bennet who had reached Macao to await his voyage back to America, Houqua expressed his regret over Bennet's departure but at the same time, he conveyed his hope that Bennet would return to Canton soon. Houqua indicated that he was confident that Bennet's partners in Russell & Company would prove capable of handling his business in Bennet's absence "[a]s it is likely that there will not be much business done here for several months to come." Of greater significance, however, were his funds in America and England that the Forbes had hitherto managed for him. To Bennet, to whom Houqua had most recently entrusted the job of managing such funds from the base they had shared in Canton, along with his brother John, Houqua assigned the task of the proper care of his properties overseas: "You understand that I have a large amount of funds in America & England & I request that you will consider with my old & good friend Cushing & your brother John M. Forbes how to take the best care you can of my property placing it where it will be safe & productive of interest."

To provide an additional measure of proper protection and investment of his assets, Houqua wrote also to Bennet's brother, John, on the same day. In addition to voicing his disappointment that Bennet had found it necessary to leave China at once, Houqua highlighted his concern over his funds that he had invested in America and Europe through the Forbes

brothers: "I have now a large amount of funds in America and Europe of which you must take the best care you can place them in safety and where they will be productive of interest," Houqua requested of John, in a manner similar to his instructions to Bennet. In John and Bennet, Houqua vested the power to invest his capital for both safety and productive returns. These general instructions allowed John and Bennet significant latitude in their execution of Houqua's trust. Not viewing this lack of specificity as an impediment to the protection of his assets, Houqua considered instead this latitude a critical success factor as it ensured that his trusted partners could adapt readily to the ever-changing commercial and financial landscape in the global marketplace.

As for his wish on the final destination of these assets, Houqua instructed John to send the funds back to China but only "after this English business is settled." The money should be sent "to my friends Russell & Co. in Hard Dollars or Bills on Bengal – whichever you think may be best for me," stated Houqua. He expected the funds to be sent back to Canton through means John deemed best for him, in the same manner the Cushing/Forbes family had handled Houqua's transactions for decades. John had served as Houqua's co-pilot as they charted the course of Houqua's investment in the global marketplace. This shared experience allowed Houqua to rest assured that John was capable of investing his funds overseas and routing the proceeds to Canton in the most profitable manner when the time was ripe.

Houqua must have considered his funds in America and Europe sufficiently large and important that he did not stop with his letters to the two Forbes brothers. He wrote a third, this one to Cushing, asking him "to advise with Mr. J.M. Forbes" in the investment of the funds until their repatriation to China, and "in case of the death of Mr. [John] Forbes and his brother [Bennet], I must also ask you to take care of my property for me," this requested Houqua of

Cushing. In other words, Cushing was to lend his investment expertise to the Forbes brothers in the management of Houqua's funds and to serve as their substitute should that become necessary. Chaotic times called for multiple levels of safeguards. Houqua called on all three of his surviving partners from the Cushing/Forbes family to protect his assets, jointly and individually if necessary. His faith in the collective enterprise of Cushing, John and Bennet stemmed not from his dealings with just one individual but the longstanding alliance he had enjoyed with these three partners, themselves related by blood, as a whole. This collective enterprise ensured the continuity of Houqua's trust should one of the partners meet a sudden death.

Equally concerned was Houqua about his own safety. He was well aware of and prepared for the trouble ahead as the Opium War loomed on the horizon. "If any accident should occur to me by which I may be prevented from giving instructions regarding the management and disposition of my property in Europe & America," Houqua informed John, Bennet and Cushing, "my agents Russell & Co. will have my full authority to act as they may think best for and in behalf of myself or my heirs, and you will in such case see that their instructions are properly attended to." With the triumvirate on the American side, Houqua could feel confident of the continuity of the investment network he had fashioned, but only when he was around to dictate his wish. That was far from certain in light of the combative postures of the military forces in Canton. Houqua had to set up a power of attorney to specify the proper line of command should he become indisposed. The funds, he stated clearly, were to be invested for, and to be returned to, him and his heirs. However, the power of issuing instructions on his behalf in the event of his incapacity went not to one of his sons but to his "agents" at Russell & Company. These agents could remain in contact with Houqua more readily due to their proximity to Houqua's base in Canton. Equally importantly, compared to his family, these

partners in Russell & Company were well versed in international trade and finance and were thus better equipped to handle Houqua's investments overseas.[38]

In an emergency, Houqua had to articulate more than ever before the specifics of the trust he placed in his partners. He had to specify the chain of command and the order of precedence he had intended for his partners for the management of his assets. This copious volume of correspondence certainly reflected Houqua's sense of insecurity during such extraordinary times but it also underscored his continued faith in his trusted partners as a group to continue to conduct his business in the most devoted manner.

Trust Tested

To complete the sale of any consigned cargo over such a long distance always took months. However, during this moment of crisis, time seemed to drag even more and Houqua grew anxious. To fortify the connection with his partners, he brought to bear their personal relationship with his family. "My son joins me in sending compliments to your family," wrote Houqua to Cushing in his June 1840 letter.[39] This greeting from his son resurfaced again in December when Houqua wrote to Bennet. In the same month, Houqua closed his letters to Cushing and John by saying, "My Grandson sends his compliments."[40] Cushing and the Forbes brothers had made the acquaintance of Houqua's family during their stays in Canton and Houqua was eager not to allow these connections between the families to fade during the period of

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[38] MHS Houqua Letters, June 28, 1840.

[39] MHS Houqua Letters, June 28, 1840.

[40] MHS Houqua Letters, December 27, 1840.

separation. While he designated his agents at Russell & Company his representative for financial dealings in the event of his incapacitation, he needed his American triumvirate to keep in mind the fiduciary beneficiaries as they managed the assets entrusted to them. In addition, the death of his seventy-two-year-old wife that year reminded old Houqua in war-stricken Canton that he "must expect to go off the stage … before a great while."[41] This heightened sense of mortality (and morbidity) must have made it more pressing for Houqua to reinforce his family's ties to the business partners in America so that the relations would transcend the life spans of individual associates and their investment projects would endure Houqua's demise.

Deprived of the reassurance of face-to-face interactions, Houqua and his partners took pains to swap token gifts to maintain the tenuous physical exchange across the oceans. With his own hands, Bennet made an ivory snuff box en route to America, which Houqua happily "accept[ed] as a token of your kind remembrance." Anxious to perpetuate the exchange, Houqua requested in his thank you note dated October 20, 1840 to Bennet that he "send … two Barrels of fine Flour by the first opportunity."[42] Barely two months later, Houqua requested once again of Bennet for "two casks of fine flour, packed in double casks."[43] The Forbes were quick to oblige as their Russell & Company partners informed Houqua in 1841 of the pending arrival of "two Barrels of Flour."[44] In exchange for the token gift he had requested of his American partners, Houqua sent tea in April 1841 to his American partners. Through Russell & Company, the

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[41] MHS Houqua Letters, December 27, 1840.

[42] MHS Houqua Letters, October 20, 1840.

[43] MHS Houqua Letters, December 27, 1840.

[44] MHS Houqua Letters, October 4, 1841.

Chinese merchant sent to "the care of Cary & Co. New York, 5 packages cont'g 9 boxes Tea for J. P. Cushing, 3 packages cont'g 6 boxes Tea for R.B. Forbes, 3 packages cont'g 6 boxes Tea for J.M. Forbes."[45] Before long, Houqua would enclose with his Nov 22, 1841 letter to John another "supply of Tea" as he acknowledged the arrival of more flour.[46] Similarly, along with his letter to Cushing written around the same time, Houqua sent "a supply of fresh Tea for your family use" as he believed "[t]he Flour and Beer which you had kindly ordered for me will prove very acceptable."[47] Their exchange of such quotidian items might seem frivolous, especially in the case of tea as Houqua's American partners were already awash with tea the Chinese merchant had consigned to them in large quantities. However, such token exchange served an indispensable function: they provided the mechanism by which the partners communicating across the seas could acknowledge each other's correspondence, provide continuity in the transmission of information, and perpetuate their mutual trust.

The importance of these token exchanges was apparent in Houqua's change of heart over the terms of his investments overseas. Before Houqua received the response from his American partners and the gifts enclosed, he had expressed the desire to have his American partners complete the sale of the goods he had consigned and remit to him the proceeds as quickly as possible. "There have been two arrivals the *E. Peeble* and the *Oneida* but I received none of your letters," complained Houqua to John in a letter December 27, 1840, "and I have not written you for a long time—there having been no direct opportunities." In the meantime, the warfare

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[45] MHS Houqua Letters, April 12, 1841.

[46] MHS Houqua Letters, November 22, 1841.

[47] MHS Houqua Letters, November 21, 1841.

intensified in Canton: "The difficulties with the English are still unsettled, and it is impossible to say when they will be." Houqua was unsure of the liquid assets to be required of him and he was eager to call back his funds. "If a fair profit can be had on my old shipments," he instructed John, "please close the whole of them without much delay, and take care not to hold too strong." His desire for a quick sale applied not just to tea but to merchandise of lesser importance too, underscoring his wish for a quick and complete conclusion to the consignment. "My old shipments of silks & Nankeens," wrote Houqua, "I should like brought to an early close." In addition, Houqua desired that upon a prompt conclusion to the sale of his goods, all proceeds be remitted to him in Canton. To this end, he directed Russell & Co. to give John instructions on "selling and remitting out *all* my funds in your hands" (italics mine).[48] In his moment of anxiety when all communications seemed cut off, Houqua had wanted to call back to Canton all his assets in the United States.

Before his receipt of the token goods, to underscore his desire to call back his funds to Canton, Houqua issued similar instructions to Bennet, emphasizing his wish of a quick sale even at the expense of reduced profits. "[D]on't let your brother hold too strong," Houqua told Bennet. The same principle applied not just to the sale of the goods but also to the search for a lucrative remittance mechanism and Houqua went so far as to bypass John in finding favorable exchange as he specified what he considered would be "the value of Rupees and Dollars" when the remittances arrive at Canton. Exchange rates were fine in Canton: "From England I have received large remittances in Company's Bills and Goods, the former nearly all realized at fair

[48] MHS Houqua Letters, December 27, 1840.

rates and the latter promise to pay well by & bye."[49] As the war raged on and he had not heard from his partners, what loomed large in Houqua's mind was the speedy recovery of his funds.

The resumption of correspondence from America altered the situation. After having been notified by a partner at Russell & Company of the pending arrival of the first batch of token gifts in late 1841 and perhaps emboldened by the prospect of a resolution between the Qing court and England, Houqua was back in business, "I am pretty well," he wrote Cushing in October 1841, "& think that if the difficulties with the English could be amicably settled so that both sides could carry on their trade quietly & steadily again, I should have strength & spirit for a number of years more of life."[50] In November, he even informed John, as he thanked John for the flour, that he was contemplating "making some shipments to the United States & England this season if Teas can be had at moderate prices."[51] Perhaps demands for his cash had abated after he lost "by the attack upon Canton in May last one million six hundred thousand Dollars," as he told Cushing.[52] More importantly, however, the Cushing/Forbes had proven themselves trust-worthy to Houqua even in the trying times of a crisis of an extraordinary scale. Of course, resumption of China's trade with the West boasted the economic motivation of his American partners to uphold their reputation. However, even in the darkest hour when future trading prospects dimmed, his American allies showed no inclination of abandoning Houqua. During the wartime exchange, token gifts provided the symbolic expression of this enduring partnership.

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[49] MHS Houqua Letters, December 27, 1840.

[50] MHS Houqua Letters, October 1841.

[51] MHS Houqua Letters, November 22, 1841.

[52] MHS Houqua Letters, November 21, 1841.

Just as important as his demonstrated loyalty to Houqua, John proved himself capable in continuing to execute Houqua's trade provided the economic value that underwrote the alliance. For Houqua's shipment to New York and London in 1840 which amounted to "about a million Dollars worth of Tea" as he accounted for Cushing,[53] "John managed very well indeed," Houqua told Bennet. "[U]nder your united care," Houqua continued, "I anticipate a fine result to the shipments made the present year." This reference to their "united care" highlights Houqua's contingency plans and his trust in their joint effort. Nothing showcased Houqua's renewed enthusiasm in international trade and his toughened faith in Cushing and the Forbes brothers than his decision to resume shipment. In the coming season, Houqua planned to ship "three or four hundred tons of new Teas," perhaps more if prices came down, he informed Bennet in November 1841.[54] The volume turned out to be much higher. Houqua told Cushing in December 1842 that he had shipped to New York five hundred tons in one ship alone,[55] and to London another 10,000 chests, "all being brought for me in the Tea country by my own agents." For the management of these shipments, he requested Cushing "to give your advice to JM & RB Forbes."[56] The disruption of the Opium War dislocated Houqua's trading network and tested the delicate trust among the partners. The tremendous distance between Houqua and his partners and the time lag in communication gave the old *Hong* merchant in Canton pause in his international business dealings. However, with his partners having proven their credit in the

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[53] MHS Houqua Letters, November 21, 1841.

[54] MHS Houqua Letters, November 23, 1841.

[55] I would estimate that shipment to be worth about half a million taels.

[56] MHS Houqua Letters, December 23, 1841.

business, Houqua did not lose a beat when the seas opened again and his confidence in his trusted partners became all the stronger after the nerve-racking period of suspended communications. In the aftermath of the temporary cessation of trade, Houqua was all too glad to resume his work with his trusted allies.

The three-member team serving Houqua from America had endured the test of the extreme conditions. Their lines of communications were compromised during the military conflicts. The long voyages around the world compounded the anxiety that built during the months of no correspondence. Through their effort in reinforcing their family ties and their exchange of token gifts, their business network continued to operation in spite of the difficulties brought about by military conflicts. At the end of this trying period, the exchange between Houqua and his American allies were no longer the swapping of token gifts. As if to symbolize the substantial bond between them, Cushing sent from Boston a cow which Houqua received by mid-1842. "[T]he Cow which you were so kind as to send to me for which I return you many sincere thanks," Houqua wrote Cushing on May 11, 1842. Cushing expressed in no insubstantial terms his concern for Houqua's frail condition, especially during times of crisis which took a big toll on his friend's health. "When landed the Cow was very thin," continued Houqua, "she had a calf then about two months old which was also thin and very weak—but will good care and plenty of good food they have both become quite fat and the cow furnishes us with a most liberal quantity of rich milk."[57] Just as his relationship with Cushing, this expression of his friend's caring attitude would bear fruit in due course if nurtured properly, Houqua believed.[58]

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[57] MHS Houqua Letters, May 11, 1842.

[58] Showing similar concerns for Houqua, his other trading partners also sent substantial gifts to him from overseas. Bennet sent the elderly gentleman a rocking chair while A.A. Low sent him a stove which Houqua acknowledged to

Substantiating Houqua's trust in his American partners were the financial returns these partners generated for him. The respectable performance of John along with Bennet in executing Houqua's trade strengthened the trust Houqua had cultivated with his team of partners in America. As a sign of his faith in these partners, Houqua reiterated during the period of continued uncertainty in Canton his instructions on the management of his affairs in America. In June 1842, Houqua sent to Cushing a short but formal note,

> I have directed Russell & Co. to request you in the event of any accident to John M. Forbes & Robert B. Forbes, to take charge of the business which I have placed & am placing in their care from time to time through Russell & Co., and in so doing you will oblige.

That note, Houqua signed, "Your old friend."[59]

This "old friend" of the American traders continued to play an active role in the trade at Canton. He wrote to Bennet on April 5, 1843 to commend him on his handling of his business in America: "I … feel satisfied that you are doing the best for my interest that circumstances permit you to do." While Houqua expressed his desire to receive a more extensive report on the sale of his teas, especially a final account from the shipment in 1841, he remained completely confident in the Forbes in the execution of his trade: "The sale of my Teas generally I must leave to your discretion." He limited this discretion to the remittance to Canton where he was in a privileged position to collect market information: "For returns," he instructed Bennet, "I hope you will always be able to send me something better than Mexican Dollars[;] the Discount now

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be "a very convenient article & much preferable to our Chinese chimneys… just what I wanted for my inner office room which you will recollect" (MHS Houqua Letters, April 4, 1843 and April 5, 1843). Notably, the senders of these substantial gifts reflecting thoughtful concerns for the comfort of their Chinese partner were recipients of Houqua's portraits.

[59] MHS Houqua Letters, June 21, 1842.

is 7% and it is very painful to submit to such a loss." Having "no faith in trade at the northern ports being carried on extensively for several years," Houqua was convinced that foreigners would return to his base in the southern port once they realized that "it would have been best to have been content with Canton."[60] He thought that the tea merchants were inclined to bring the teas to Canton in the coming season and he would continue to play his part in Canton, despite the abolition of the *Hong* system.

The elaborate but subtle bond of trust between Houqua and his partners, in particular, Cushing and the Forbes brothers, endured the test of the most trying times. In the aftermath of the Opium War, Houqua had grown even more confident in his partners and his ability in reconstituting the trading network in which he would resume his pivotal role. As he told his British correspondent in April, 1843, "I am happy to say that my health is good … I am able to attend to business as usual. I am now 75 years old."[61]

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The cultivation of trust with his partners was the most enduring business initiative that Houqua had to undertake. He had made tremendous effort in studying the market dynamics of Sino-Western commerce and in establishing himself in the existing institutions of the trade while transforming the system to his advantage. His strategy to break out of Canton and extend his network to America was a bold move the perpetuation of which required his continuous endeavor in building his bond with his partners. Economic considerations contributed significantly to the strength of this bond during periods of normalcy when it was easy to project

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[60] MHS Houqua Letters, April 5, 1843.

[61] MHS Houqua Letters, April 2, 1843. Houqua was 75 *sui* by the calculation of age based on Chinese customs.

continued profits from the relationship. However, the durability of this bond was tested during the trying times of business disruption. To accomplish the feat of building trust that would secure solid trading connections, Houqua capitalized on the flow of global traders through Canton, developed lasting relationships with a select few, projected his image as the authority on the trade in Canton by gifting his portraits to partners and business prospects, and brought these connections to bear during the difficult times in Canton. By 1843, troubles in Canton might have subsided but Houqua would soon need to pass the baton to the next generation of traders not all of whom would prove to be as enterprising in the arena of global trade as Houqua himself.

Chapter 5. To Reorganize or To Be Recognized: Reconstituting Business in a Reconfigured World of Global Business.

During the Opium War, military conflicts and political turmoil cost Houqua dearly. In the calculation he furnished his old British partner W.H.C. Plowden, the EIC official who had carried to Britain the original Chinnery portrait of Houqua, he claimed that he lost a factory worth "8 lacs" (800,000 dollars) and paid another "8 lacs" of the Canton ransom. All told, Houqua's losses were in excess of two million dollars. As a comparison, state expenditures for the Chinese empire translated to just over 58 million dollars that year.[1] Individually, Houqua endured losses over this Sino-British conflict that amounted to 3.5 percent of the annual expenditures for the entire Qing empire. Indeed, he was relieved that the war was over by 1843.[2]

In the darkest hour of the conflict, John Murray Forbes had suggested to Houqua "to take possession of one of my ships the *Akbar* or *Paul Jones* for the conveyance of yourself and family" to join his partners in America "where every man is only called to pay his fair share of the expenses of the Government," in contrast to the continued exaction that Houqua faced from the Mandarin officials in Canton. Understanding that New England weather would be too cold for Houqua, John proposed that Houqua move to St. Augustine, Florida which offered "very much such a climate as that of Canton." In Florida or on "one of the West Indian Islands," Houqua could "for a small sum … buy as much land as is covered by Canton and have just such an establishment as [he] pleased." His American allies, with Bennet being Captain and Cushing and John passengers, would stop by on one of their pleasure trips. "Indeed, if you come there

[1] He Lie, *Qing Xian-Tong shiqi de caizheng* (State finances of the Qing Empire during the reigns of Xianfeng and Tongzhi) (Taibei: Guoli fanyiguan Zhonghua congshu bianshen weiyuanhui, 1981), 50.

[2] MHS Houqua Letters, April 2, 1843 and April 4, 1843.

you will have us for visitors every winter I think." Even when political changes disrupted the network of trade and dimmed hopes for continued profits, his partners remained committed to Houqua and looked out for his well-being. Admitting that Houqua might consider his suggestion "very foolish," John maintained nonetheless that "when such great changes have taken place in China, circumstances may arise, which would make such a plan advisable."[3] Political turmoils were transforming the world of commerce, thus requiring that Houqua and the other players study their situation and position themselves in the reconfigured landscape.

Houqua appreciated the invitation of his American allies to join them in their part of the world. "I should think seriously of embarking for America, to settle down—somewhere near you," he wrote to Cushing, but only "[i]f I were a young man now."[4] It would be difficult to tell if Houqua ever considered seriously such a radical proposal for relocation but it was clear that he was not about to embark on such a life-altering journey at the age of seventy four. He had spent his life fashioning a global network centered on the nexus of Canton and his centrality in that network pivoted on his command over the institutions in that city. Great changes were in store for China and the world of trade but Houqua remained convinced of his critical position in Canton.

As uncertainties loomed on the horizon and the new configuration of China's trade with the West had yet to take shape, Houqua assured his partners of the continued importance of Canton. On the structural changes to be introduced and the opening of Treaty Ports up the coast of China, Houqua informed his trading partner, "The *Hong* Merchants are to be done away

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[3] MHS Forbes, G. Paul Siemen Forbes, Box 3, f. 24b.

[4] MHS Houqua Letters, December 23, 1842.

with," and that he was "glad of it." However, he doubted that this institutional change would prove to be as transformative as the Western negotiators had envisioned: "the good of this measure to foreigners," Houqua surmised, "will not be manifest I apprehend to foreigners for some years to come."[5] Houqua was certain that Canton would remain a center of China's trade with the West and he was confident in his continued role in this system.

Houqua did not live to witness the transformation of the world of commerce in the subsequent decades. He died within months of the conclusion of the Opium War and did not get to see his American friends again, let alone join them in their own country. However, he had made ample preparations ahead of his eventual demise. He had been plotting his succession plans not just according to Chinese customs but also to take into consideration the global dimensions of his business in Canton.

Initially, his American partners agreed with Houqua's insistence on the continued centrality of Canton in China's trade with the West in the aftermath of the Opium War. However, they soon proved to be more nimble than Houqua's son who remained steadfast to Canton and endeavored to shore up the city even as its commercial significance flagged.

The different responses of these players in the aftermath of the Opium War illustrate the importance of agility in the rapidly transforming landscape of global commerce in the mid-nineteenth century. Foreigners did not share the attachment of Houqua's family to a specific Chinese site and did not care where they had to conduct business as long as they were profitable. Houqua had demonstrated his agility during the early part of the century as the profile of the Western traders arriving at Canton shifted but his successors responded to this new round of

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[5] MHS Houqua Letters, April 4, 1843.

challenges differently. As the emporium at Canton came to be dismantled, some moved to position themselves spatially in the new configuration of trade. Others capitalized on the elements of Houqua's business enterprise the value of which endured into the new system of exchange. The heirs in Houqua's family were determined to stay put in Canton and were thus marginalized as the intricate commercial complex Houqua weaved together unraveled with the passing of Houqua, the linchpin in the network he fashioned.

Houqua's Succession Plan

The strategy of Houqua's family in response to the turmoil of the Opium War depended as much on Houqua's business decisions in the immediate aftermath of the war as the succession plans he had put in place, especially since Houqua died within a year after the conclusion of the war. Houqua's investment of his assets certainly transcended political boundaries but he never dispatched his heirs away from their home base and they remained confined in Canton at the time of his death in 1843. Houqua, however, was mindful of the global setting of Canton as he designated the rightful inheritors of his estate. For years before his eventual demise, he brought to bear Chinese cultural practices and contractual arrangements, as well as Western institutions, in structuring and restructuring the organization of his estate.

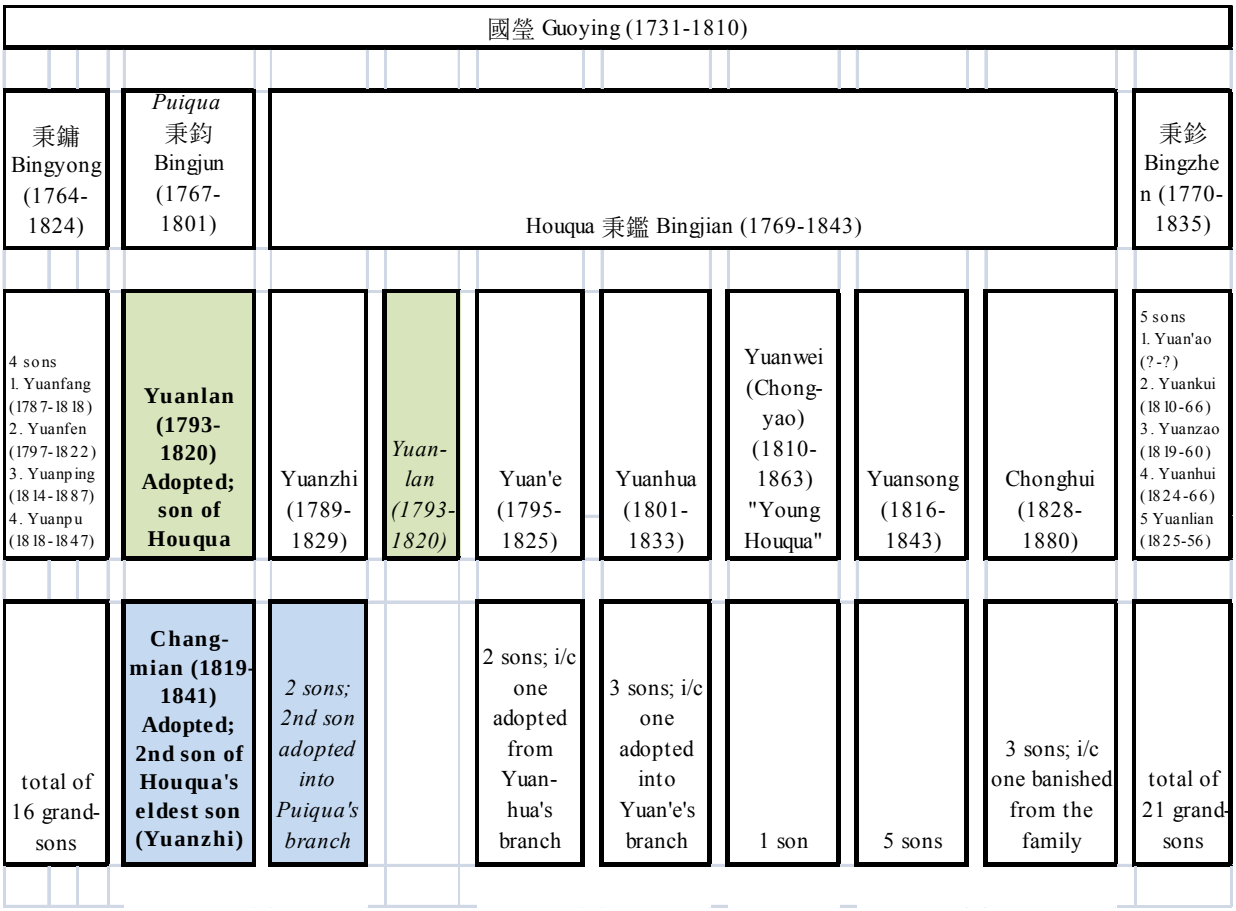


Figure 5.1. Schematic representation of the genealogical records of the Wu family from Houqua's father to two generations behind Houqua. Source: Wu Lingli, ed., *Wushi Putianfang Fulonggong Guangzhou Shisanhang zhimai zuyinpu* (2010), 41-61.

Recall that Houqua was the third of four sons in his family and that he had started the Yihe Company with Puiqua, his second eldest brother who predeceased him in 1801. His cousin, Geowqua (his Chinese name was Zhao), had also traded with Westerners in Canton but he had operated his business separately from that of Houqua and Puiqua until his bankruptcy in the late 1790s. Therefore, no branch of the Wu family could lay claims to the business assets of Houqua except his brothers and their descendants.

Puiqua died without issue. As commonly done in other Chinese families, one of his nephews was adopted into Puiqua's branch of the family to present him with ancestral offerings as if he was the father. Even though the other two brothers of Houqua bore many sons (four in

the case of the eldest brother and five in the case of the youngest), the adoptee was chosen from none other than Houqua's branch Houqua's second son, Yuanlan, born in 1793, was adopted into Puiqua's branch.[6] Not only was this birth-son of Houqua responsible for the ancestral offerings to Puiqua but in his capacity as the continuation of Puiqua's line he also stood to inherit Puiqua's share of the family's assets. Unfortunately for Puiqua's branch, Yuanlan also died without issue in 1820. A grandson of Houqua, born in 1819, was again adopted into Puiqua branch, this time as Yuanlan's son,[7] thus securing for Houqua control of the business assets of the Yihe Company. Therefore, with these successive rounds of adoption, Houqua ensured that according to the shareholding mechanism within the family inscribed metaphorically in terms of ancestral lines, he remained the controlling shareholder in the family enterprise (Figure 5.1).[8]

Houqua had assumed control of the company's business with the EIC in 1801 by taking on Puiqua's name (see Chapter 2). The use of the same name had eased the transition from the standpoint of the EIC and guaranteed Houqua the complete assumption of Puiqua's share in the EIC's business. Having operated for decades under Puiqua's name, in 1827, Houqua requested

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[6] Wu Lingli, ed., *Wushi Putianfang Fulonggong Guangzhou Shisanhang zhimai zuyinpu* (The Genealogy of the Wu Clan of Fulong from the Putian Branch Extended to those involved in the Canton Trade), (2010), 47; Wu Quancui, ed., *Lingnan Wushi hezu zongpu*, 2a:45b-46a; Wu Ziwei, ed., *Wushi ru Yue zupu*, *juan* 2.

[7] Wu Lingli, ed., *Wushi Putianfang Fulonggong Guangzhou Shisanhang zhimai zuyinpu*, 47; Wu Quancui, ed., *Lingnan Wushi hezu zongpu*, 2a:49a; Wu Ziwei, ed., *Wushi ru Yue zupu*, *juan* 2.

[8] In their study of marriage and adoption patterns in northern Taiwan, Wolf and Huang explored how a family incorporate into a its tight-knit unit an outsider (the adoptee, the bride, or the adopted brides in the case of "minor marriages" where infant girls are adopted and raised along with their eventual marriage partners, the male heirs of their adoptive parents). See Arthur P. Wolf and Chieh-Shan Huang, *Marriage and Adoption in China, 1845-1945* (Stanford: Stanford University Press, 1980). Such strategies served to alleviate conflict within the family while pursuing the cultural ideal of continuing the line of descent. Houqua must have factored these considerations in the successive rounds of adoption he engineered for Puiqua's branch. Just as important, if not more, as these social and cultural considerations was the economic function of these adoptions as legal acts of allocating shareholders' rights within the Wu family. For Houqua the controlling shareholder in his family's Yihe business, these adoptions allowed him the mechanism with which he manipulated the family's genealogical configuration to privilege financially his branch in the profit allocation and ownership calculation of the family enterprise.

an official change of title in his account with the EIC from his brother's name to his own, by that time spelt in the EIC's book with a "w," Howqua. Houqua did not hide his reason from the EIC which recorded that Houqua "expressed some apprehension of the surviving brothers in his family in the event of his death, making claim to share in the *Hong* if the name of Puiqua was retained." Understanding his apprehension, the EIC officials in Canton consented to Houqua's request without hesitation. Of this change, the London headquarters of the EIC approved, affirming that it was in the name of Houqua's late brother that "the affairs of the *Hong* have been entered in [the EIC's] books for thirty five years past."[9]

The timing of this request for a name substitution in the books of the EIC was no mere happenstance. His extensive interactions with the EIC must have allowed him to become comfortable with the Company's officials in Canton for years so much so that he could have requested a name change at an earlier date. The timing reflects instead his strategy in leveraging the global resources at his disposal to execute his plan for succession. Just at this time, Houqua had "at a very considerable expense, obtained permission from the Hoppo to retire from the *Hong*, and that he had placed his fourth son in charge of the same," according to EIC records.

The three eldest sons of Houqua (including the one adopted into Puiqua's branch) were not to survive past 1829. It would therefore come as no surprise that Houqua designated his fourth son as his successor. He had ensured that the nominal title was conferred on this son of his even when he was not to disengage from the business of the merchants or to be relieved from the duties of the Senior Merchant.[10] Houqua had utilized the cultural devices of Chinese family

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[9] EIC G/12/231, 17-18, R/10/56, 147a.

[10] EIC R/10/56, 146a.

practices to protect his business assets from unwanted claimants. Unfortunately, the strategy of adopting members of his branch into Puiqua did not put to rest contesting claims to the business he had started with Puiqua and built into a formidable venture by himself in the decades since Puiqua's death. Therefore, Houqua had to resort to rectifying the business records with the EIC. His request of the EIC demonstrates Houqua's awareness of the possibility of claimants' use of ambiguous nomenclature across linguistic and political boundaries in legal and financial dispute in the global setting of Canton. As he strove to install his fourth son in his place in his firm's trade with foreign partners, he endeavored to set the record straight that the continued use of Puiqua's name in the EIC's record was more of an issue of legacy than a reflection of actual title of ownership. The global setting of Canton offered many business opportunities to the aspiring merchant; however, the inconsistent recordkeeping practices of different participants could also become potential liabilities if mobilized for the wrong intentions and Houqua was determined not to let that happen to his heirs.

To formalize this arrangement that he had put together through adoptions and business arrangement with his foreign partners, Houqua also prepared a contract for the division of family assets. Although not dated, internal evidence indicates that this contract was executed sometime around 1826, around the same time as Houqua's name change request of the EIC. Entitled "Negotiating an Agreement on the Division of Family Assets on behalf of Wu Dunyuan [Houqua] of the Yihe Company which handles Trade with the West," this document began by tracing the family branch back one generation to Houqua's father:

> Our late father, styled Xiuting [Wu Guoying; d. 1810], had four sons. The eldest styled Dongping [Wu Bingyong; d. 1824] and the second eldest styled Hengpo [Wu Bingjun; Puiqua; d. 1801] have both passed away. The third son is styled Pinghu [Wu Bingjian; Houqua; 1769-1843] and the fourth Nanzhou [Wu Bingzhen; 1770-1835].

Named as parties to this agreement were "the sons and grandsons of Dongping of the senior branch [Houqua's eldest brother, died 1824], and the grandson of Hengbo [i.e., Puiqua; his grandson was thus Wu Changmian (1819-1841), the second birth-son of Houqua's eldest son who was adopted into Puiqua's branch]," along with Houqua and his younger brother, Nanzhou. The inclusion of only the four immediate branches in Houqua family suggests that by the time of this document, Houqua had successfully insulated the assets of the family to within the more exclusive group consisting of himself, Puiqua's branch represented by Houqua's grandson by birth, as well as his younger brother and descendants of his eldest brother.

The document then proceeded to describe of the genesis of the family's business:

> Our late ancestor [Houqua's father] was by nature diligent and frugal. He worked hard all his life. Although he had saved up some assets, he was always stern in his training of his sons. Even before Hengpo and Pinghu [Puiqua and Houqua] had reached the age of adulthood, he already instructed them to branch off in trade. In the fifty-seventh year during the reign of Qianlong [1792], he solicited foreign business on the order of the Hoppo. Together, Hengpo and Pinghu considered enlisting [as foreign traders]. Having secured the permission of our ancestor, Hengbo [Puiqua] began the operations of the Yihe Company under the trading name of Zhongcheng.

Thus began the operations of the Yihe Company. Houqua and Puiqua had started the business in 1792, nominally under the order of their father who provided some of the start-up capital. So why were only the second and third sons involved in the business? "At that time, Dongping [Houqua's eldest brother] was pursuing academic studies and Nanzhou [Houqua's younger brother] was still young," explained the document. Therefore, the senior branch, as well as the fourth branch, did not play a part in the buildup of the family business. Their claim to the assets was limited to the contribution of their "late ancestor," i.e., Houqua's father, to the launch of the firm.

If their common ancestor's share constituted the basis of their claim, how much did Houqua's father contribute to the enterprise? "Our late ancestor was over sixty years of age," stated the document. "Although he responded to the invitation to become a merchant, he only contributed tens of thousands of taels for licensing and opening expenses." Otherwise, their father "did not contribute the family's assets." That was no small amount of money but the startup of an enterprise of foreign trade required much more and "the capital required for all trade with Chinese and foreign merchants alike was raised and managed by Hengpo [Puiqua] and Pinghu [Houqua]. Only after they exerted their orchestrated effort did the business show any promise." In other words, they might have done their father's bidding in the opening of the Yihe Company but the enterprise achieved its initial success due to the joint effort of Puiqua and Houqua, with no contribution from either the senior or the fourth branch.

Then came the demise of Puiqua: "Hengpo died in the sixth year during the reign of Jiaqing [1801]" and Houqua began to operate the business "under the new trading name of Dunyuan." Unlike the ambiguous transition in the EIC record which served to ensure that Houqua's family would continue to receive its allocated shares of the British business, this Chinese document portrayed a swift handover of the business to the complete control of Houqua at the death of Puiqua. "Since then [Puiqua's death], all business, both private and public, was undertaken by Pinghu [Houqua] alone." Did the two other surviving brothers become involved? The document provided a specific answer: "Dongping [the eldest brother] was an official in the capital. And as Nanzhou [the younger brother] also came of age, he also went to the shop to assist in accounting matters." The eldest brother's career in officialdom was a not atypical diversification strategy families took to secure a certain level of government patronage and to earn prestige for the extended family. That the youngest brother participated in the operations of

the firm when he came of age was no surprise either, but the document took care to indicate that his role was limited to his "assist[ance] in accounting matters." Such was the arrangement of the family business in which Houqua played a critical role and "only after over thirty years of diligent and thrifty operations did the business take shape and prosper." In other words, the business could trace its beginning to the closing decade of the eighteenth century when Houqua's father was around but it had grown, despite the death of Puiqua, only through decades of labor largely of Houqua alone. "This is the account of the business of the Yihe Company established by Hengpo, prospering after Pinghu assumed leadership," concluded this section of the document as it attributed the success of the firm to two branches of the family.

The division of the family assets was not to spell the end of their relationship. After all, this document was drafted to include all parties who shared their "late ancestor," Houqua's father. Their ritualistic offerings to this ancestor and all the deceased members of this Wu clan, along with other celebratory occasions, would continue to bind together these Wu descendants. For these purpose, the family had lavished spending before this proposal for the division of assets and would continue to do so. "No mean sums have been spent over the last three to four decades on the construction of the ancestral temple, on weddings, official appointments, and on the general living expenses of the different branches of the family," the document claimed. However, as "the various branches proliferated in headcount and swelled in spending," continued the document, the family needed to "calculate our profit and loss and settle our public expenses before satisfying our private requirements" so that they could pay their dues to the state. "As we get accustomed to the [financial] convenience," admonished the preparer of the document, "we forget the labor and hard work it entails." It would be difficult to continue this practice "even though supportable for the time being … if we do not plan to settle [our financial arrangements]

ahead of time so that each [branch] can plan to operate and economize," stressed the writer as he stated the ostensible reason for this division of assets.

What triggered this proposal, however, was Houqua's plans for succession. Houqua was "getting on with age and he often thinks of retiring." Unfortunately, the office of the *Hong* merchant "entails tremendous responsibilities that he cannot easily delegate to others." As the dispensation of his official duties was exhausting the old merchant, he had to find a successor. The choice of this successor, as portrayed by this document, was far from a personal appointment by Houqua but a unanimous vote for his fourth son. Houqua "gathered together his brothers, uncles, nephews, great-nephews and others to discuss the business of dividing the family's assets and the issue of succession." As a result of "deliberations by the various branches of the family," the group "unanimously agreed on the resolution." As if uncontested, Houqua's fourth son, Yuanhua (born in 1801) was to succeed him as "no one would assume the office of the business but nominated him." By the end of the 1820s, Yuanhua became the designated successor, at the expense of some surviving cousins from the senior and the fourth branches.

Having settled the issue of succession, what remained was the important business of dividing the family's assets. For the rules of this division, "the group recalled that before the business began operations, our late ancestor had always set aside the savings he had accumulated and expressed his will that these savings be applied against the expenses of the ancestral offerings after his death, not to be divided among the descendants and not be invested as capital in the business." This formed the basis for the joint account to be held by the four branches, even after the division of the family assets. "In observance of the will of our late ancestor of first applying the savings towards ancestral offerings before distributing to the offspring, the group

considered investing the capital in properties to generate income, prepare a detailed account, and rotate its management among the various branches of the family." The group set aside this designated amount to underwrite all future family rituals that would continue to tie together the clan.

Then came the crux of the discussion: the division of the remainder. "After subtracting from the annual rental and interest income expenses on ancestral offerings and family celebrations," the document continued, "the remainder will continue to be divided into four shares" for the four branches. This would include what Houqua had "earned for the business," consisting of "cash, shops, houses, and rice lands." They should be four equal shares, determined "in front of everyone," as "lots will be drawn and each branch will take possession of the assets along with the deeds for its own management." But the document included an important exception: "it is decided that the remaining assets and the treasury of the main office as well as the foreign trade business of the Yihe Company will be given to Pinghu's [Houqua's] branch for the operating capital of the business and to due official duties." That is to say, what were to be divided were only certain real estate holdings of the family along with some cash. Whichever asset was deemed to be part of the operations of the business of the Yihe Company, along with all the liquid assets in the firm, would remain within Houqua's branch.

As Houqua's offspring held two of the four shares to be allocated, by this agreement, Houqua only gave up in essence half of certain of the family's assets. More importantly, because of the established succession of his son, Houqua continued to hold onto the part of the family's portfolio that was actively generating annual income of which the other two branches were not to partake. Indicative of the other branches' desire to get their hands on ready cash, "all were in agreement and there was no objection," despite what appears to be a lopsided division.

This was the agreement among the family members and it was to be all the more effective with the acknowledgement of the Chinese state. Therefore, to seal the deal, Houqua was to "request the withdrawal of his trading name, Dunyuan, in the tenth month during the sixth year of Daoguang's reign [November 1826]." As his replacement, he was to "instruct Yuanhua to change his name to Shouchang so as to operate the business, and to declare and report the reason for the division of family assets to the Hoppo for approval and to the local officials for their records." Just as Houqua was careful to implicate the EIC in his succession and asset divisions, he was eager to involve the Qing administration in his execution of his estate plans.

Along with the adoptions and the change in registration with the EIC, this agreement shielded the exposure of Houqua's branch to any future claims on the assets and income of his business.

> Upon the completion of this division, the third branch of the family [Houqua's] alone will assume the responsibilities of all trading businesses, both domestic and foreign, of the Yihe Company along with all official dues and customer accounts. Henceforth, the first, second and fourth branches [those of Houqua's three brothers' households] will have nothing to do with the profit or loss. There should be no excuse for involving them in the payment of duties. The first, second, and fourth branches will be responsible for the management of the assets they receive. Should the fate of the different branches diverge financially, the third branch [Houqua's] should bear no responsibility. There should be no more argument over the assets of the business.

The branches would continue to interact, but only as demanded ritually and to the extent underwritten by the communal assets set aside.

Compared to the cases of eighteenth- and nineteenth-century household division David Wakefield examined,[11] Houqua's family followed the same guiding principles of equal division among the sons and identical treatment of adopted and biological sons. However, Houqua

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[11] David Wakefield, *Fenjia: Household Division and Inheritance in Qing & Republican China* (Honolulu, HI, USA: University of Hawaii Press, 1998).

employed just this treatment of the adopted sons to skew the distribution to his biological offspring within the framework of equal male division. The Wu family also allowed for set-aside properties for rituals as was commonly the case in Wakefield's sample but the larger carve-out was the business assets of the Yihe Company. This large carve-out was not to be a joint stock corporation organized as a kin-based arrangement (as was the case of an Anhui merchant family Wakefield studied[12]) but a business concern to be severed from the rest of the Wus and allocated to Houqua's branch alone. In other words, the agreement of Houqua's family preserved the business in its entirety, just as in cases where business assets were withheld from division among branches, but Houqua's branch was to be the sole owner of the Yihe Company to which other members of the Wu clan could no longer lay claims after this division.

In terms of the format and the execution of this household division document, Houqua's family followed the usual pattern and included the customary legal phrases "to provide a touch of legality and 'completeness' to the document," just like most of the cases in Wakefield's study.[13] However, in a departure from Wakefield's sample which did not involve the state in household divisions,[14] Houqua's family engaged both the Hoppo and the local officials in their execution of their agreement, probably more than to notify the proper authorities in their capacity as authorized dealers with the Western traders but to provide another layer of assurance in the recognition of the terms of the agreement, just as in Houqua's application to the EIC for a change of the name of his account in the books of the EIC.

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[12] Wakefield, *Fenjia*, 178-180.

[13] Ibid., 59.

[14] Ibid., 62.

Houqua might have held some reservations to sever his ties to the branches in such a formal manner. He had endeavored to preserve his hard-earned assets by adopting his own son and grandson into the branch of Puiqua, the only other operator of the business whose descendants could be claimants to the assets. However, the common ancestral origin between him and his other two brothers, as well as the involvement of his younger brother in the business at certain times, made it necessary for him to stem future drainage from the company's account. First, he rectified the lingering issue with the EIC with respect to the name of their account with the company. Having fixed this legacy issue with his biggest customer, he then had to proceed with the execution of a formal document specifying the exact division of their joint assets so much so that "all properties and cash received by each branch of the family" were listed.[15] However, his earlier efforts were not all for naught because the successive adoptions he engineered helped secure for his offspring an additional share in the process of the division. Most importantly, the businessmen managed to keep intact and retain complete control of his business portfolio and the attendant assets.

This series of steps Houqua took to protect his assets from unwanted claimants reveals his awareness of the many resources he had at his disposal in Canton that he could call upon to serve his purposes. These resources he leveraged transcended boundaries of states and politics, and included cultural specific devices as well as stricter contractual arrangements endorsed by various authorities. Despite Houqua's resourcefulness in the execution of his succession and estate plans, an issue remained. As he engineered the configuration of his business upon his exit,

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[15] *Dai Yihe yangshang Wu Dunyuan zuo fenjiachan yiyue* (Negotiating an Agreement on the Division of Family Assets on behalf of Wu Dunyuan [Houqua] of the Yihe Company with handles Trade with the West), in *Siyuanzu yigao*, 77-79. N.p.: n.p., n.d. I would like to thank David Faure and Zhang Wenqin for identifying this document for me.

Houqua did not foresee the possibility of the role of Canton in the world of commerce being usurped by other ports as the routes of global trade came to be reconfigured. His succession plan included no allowance for such contingency and despite the portion of his assets set aside for investments outside of Canton, as we shall see in the following chapter, his estate remained invested heavily around his base in this southern Chinese city. Houqua did not allow for any provision to steer his family business in a different direction during the months he lived after the conclusion of the Opium War. Had he lived for longer, he might have participated in the reconfiguration of the trade routes. However, he did not even have a chance to envision the transformation of the global commercial landscape.

The Lasting Appeal of Canton to Houqua's American Partners.

Houqua did not expect the world of commerce to be transformed readily. Nor did his American partners. As mentioned in the previous chapter, the Forbes left Houqua with no representative from their family after Bennet departed in 1840. In the two ensuing years, Houqua worked with Russell & Company, the firm in which the Forbes continued to maintain a vested interest. When the political turmoil subsided, the Forbes, not questioning the commercial centrality of Canton in the immediate aftermath of the Opium War, were eager to regain control of their trading house and quickly dispatched to Canton their cousin, Paul Siemen "Sim" Forbes, a veteran in the world of commerce but without any experience in Canton. Having returned recently to New England after an unsuccessful stint in South America, Sim was eager to follow in the footsteps of his cousins by perpetuating the family's business ties with Houqua whose capital and trading network would guarantee him a respectful fortune after a short sojourn in Canton. This return of a Forbes to Canton shortly after the conclusion of the Opium War,

especially in light of the pains they took to stage this comeback, attests to the enduring appeal of Canton and the conviction of various participants in the continued prosperity of this port despite the introduction of the Treaty Ports.

The Forbes' faith in Canton and in Houqua's critical position in that city was made even more evident in their determination in surmounting significant hurdles as they reconstituted their linkage to Canton and reclaimed their supremacy as Houqua's prime American partner on the ground. Sim's arrival in Canton in 1843 diverged from past practice in that his Boston family did not have a personal representative stationed there by Houqua's side. In previous cases of personnel transition, the outgoing partner would stay in Canton and introduce the incoming family member to Houqua in person before returning to Boston. Prior to his departure from Canton, John Perkins Cushing had groomed Thomas Tunno Forbes to be his successor as Houqua's partner. Thomas' tragic death in 1829 prompted Cushing to rush back to Canton to install in his place Thomas' brother, John. John in turn positioned his other brother Bennet, himself already a fixture in Canton's international trade, as Houqua's connection to the English speaking world. Bennet, however, had left Canton in 1840 as the Qing's military conflicts with the British escalated, leaving Houqua's business to other members of Russell & Company who were not related to the Forbes family. When the Forbes attempted to reassert themselves in Houqua's trading network in Canton as the network was being reconstituted in the aftermath of the Opium War, Sim's poor financial resources and his business experience made him a good candidate to represent the Forbes cousins. Houqua's patronage in Canton promised an excellent business opportunity for the financially wanting Sim. John and Bennet considered that they had made their fortune through their own sojourns in Canton and did not accompany Sim there. Instead, they dispatched Sim to Canton with letters of reference addressed to Houqua.

Sim went to Canton more on the recommendation of the Forbes brothers than to respond to the business needs of Russell & Company. Before he set out for Canton in search of wealth, Sim had secured for himself a letter from John and another from Bennet. In his longer letter to Houqua, John crafted his request to appeal to the sensitivity of Houqua on the basis of his understanding of the power relationship in Canton. John addressed his letter, dated December 31, 1842, to "Houqua, Chief *Hong* Merchant, Canton," reflecting his adherence to the old convention of trade despite the new configuration under the recently executed Treaty of Nanjing which abolished the *Hong* monopoly on foreign trade and expanded China's international trading beyond Canton to a total of five ports. "My dear friend," John explained to Houqua, "This will be handed by my cousin P.S. Forbes, the son of my Father's elder Brother and for whom I have the same regard as for a Brother." John took the care to specify his exact relationship to Sim, indicating the seniority of Sim's father to his own, a distinction he had learned to be important in Canton through his years by Houqua's side. Nor did he neglect to declare his brotherly love for Sim that went beyond their relations as cousins.

Elaborating on Sim's qualifications, John wrote that Sim had been a commission merchant "conducting a very large business ever since he was 18 years old." Sim began his commercial operations, observed John, "at the same age that I had reached, when you [Houqua] took me under your fatherly care." Throughout Houqua's long career, he had worked with many generations of young American entrepreneurs. He took under his wing the Forbes brothers, first Thomas, then John, and then Bennet, to whom he not only provided capital assistance but also offered advice on international trade. Sim arrived in Canton twice the age of John when he came to be entrusted to Houqua; yet John did not fail to point to the early commercial aspirations which the cousins shared and his own luck at having received the tutelage of Houqua.

John testified that Sim had been hard at work since that tender age, chiefly in South America. According to John, Sim had "the confidence of some of the first Houses in work, among others of Howland & Aspinwall who ha[d] usually sent two or three ships to China yearly." Having served as Houqua's partner in Canton, John was keenly aware of the competitive landscape at that international port and could bring to bear evidence of Sim's qualification in a manner relevant to Houqua's world of commerce. Then John explained the losses Sim endured for exposing himself to high risk exchanges. Despite these losses, Sim continued to uphold his integrity. With his great experience as a global merchant, all Sim needed was "an adviser like you to make him remember his former bad luck and take no more risks in future," John remarked to Houqua. John did not hide from his Chinese business partner Sim's business failure. What John thought would help Sim in his future business endeavors was advice from Houqua in his area of expertise, the management of risk in the volatile world of commerce.

As for their position in Russell & Company, John informed Houqua that the house had cut down Bennet's percentage ownership. As the Forbes brother strove to install their cousin in the house, John implored Houqua, "I hope you will use your influence with them now that they have almost turned old Forbes out to take our cousin in," believing that the business Houqua funneled through Russell & Company would allow him to wield more power over the house than the two ex-partner brothers in Boston.[16] This was an appeal from the Forbes' contingent to Houqua as the Forbes strove to resurrect their presence in Canton after the military confrontation of the Opium War abated. The brothers did not stay by Houqua's side physically during the difficult times but they hoped their continued service to the old Chinese merchants States-side

[16] Baker Forbes, f.24b.

would entice Houqua to install their candidate in a critical position in the reconfigured trading network.

But what if Sim's fellow-American traders proved to be a less agreeable crowd? That was the reason for a private letter which John instructed Sim to use if the other letter did not "prove strong enough" and he found himself not "get[ting] on with R&Co. fast enough."[17] However, without the help of a Russell & Company associate in interpreting the "Private" letter, how was Sim to communicate to Houqua the message John had prepared as the private correspondence between two families? Did Houqua speak or understand enough English for Sim to communicate with him?

John had the answer. He knew full well the system of communication between Houqua and his English-speaking partners. Sim faced a challenge as he had to present to Houqua the content of the letters of recommendations because he had never functioned in the linguistically hybrid environment of Canton. John's answer to that was a "translation" of his original letter written in proper English, sealed and to be opened in Houqua's presence. He translated the letter into a "key" rendered into pidgin English in the manner of which Sim was to read to Houqua. "[K]eep it … till you are acquainted with [Houqua], & try to read it yourself telling him I asked you to read it to him as it is private," John instructed Sim.[18]

In this second letter dated the same date, John began, ""Houqua, My dear Friend, My cousin P.S.F. give you this by he own hand." John knew that his partner in Canton understood the rhythm of business on the Western calendar. This cousin, explained John, "have my Father

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[17] Baker Forbes, f.46.

[18] Baker Forbes, f.46.

old Brother son" (underscored in the original). Again, John placed the emphasis on the seniority of Sim's father, reflecting his recognition of this important distinction from his years of work with Houqua. He continued, "he all same one Brother to me – worry [very] near!" This cousin "began do commerce foreign when he have 18 years old, just same old that I was when you began take care of me." Thus far, John's rendition of his letter into pidgin English places the emphasis on the same factors as in the version written in standard English.

The same is true in the following section as John transliterated certain names and abbreviated others as he expanded on Sim's industrious character and his misfortune: "All this time he have work very hard, & do very large commission pigeon in Souse Merikey – Two or three large N. York .houses send him pigion and likee him very much now. One house paps you know H&A who any year send 2 or 3 ships to China-Cheena." In the transnational world of Houqua, not only had the partners become accustomed to the peculiar syntax of pidgin English, but they had also adopted special pronunciation of proper names and abbreviation of others. Had Sim read the letter in standard English to Houqua, "South America" would not have been comprehensible to Houqua because that continent was called "Souse Merikey." Proper names posed more of a challenge to communicating in non-written pidgin English. This letter Sim was to read to Houqua indicates that names commonly used had assumed certain standard transliterated pronunciations while the not-so-common names came to be represented mostly by their initials. John's command of these technical issues afforded Sim access to Houqua. This letter in pidgin English provides us with a glimpse into the daily interactions in Canton, the global center of trade in that period. Through this letter, John furnished Sim with a training in certain cultural issues and a crash course on the lingo and jargons that he would need in order to operate with one of the most powerful men in international commerce.

John proceeded to explain the financial predicament of "Mr. Forbes"—the use of first names must not have been common among Houqua's Western partners in Canton. "[M]y cousin no look sharp" but more importantly, "what man he trust this side." Sim had placed his trust in the wrong people. "[H]e Partner Father broke" and "he agents London & N. Orleans both broke and three merchants this side no pay for coffee he have sendee!" For what John wrote in the original as "I have perfect confidence in his integrity and he has certainly had great experience as a merchant," in this version, a simple "I lookee he my No. 1 good man – and very good merchant" would suffice. There was no floral language in Houqua's pidgin English and business operated largely on the basis of word of mouth. John's request of Houqua was simply, "only mi want you give he good advise & show he no take too much risk another time."

Then came the tricky part which required that this letter be marked "Private." John requested Houqua to intervene in the power politics of Russell & Company on the behalf of the Forbes. "My Brother, long one, [Bennet, that is; again, showing the use of first name was not common] hope Russell & Co. take he [Sim] for partner. This house, Russell & Co have cut my Brother down to one sixteen share [6.25 percent ownership]!!" When it came to the business of doing business, little translation was required. The pidgin English shared by Houqua and John handled well such issues as numbers, share ownership and business exposure. To retain just an ownership of one sixteenth and yet continue to expose oneself to the risk of the partnership was obviously not a fair deal. To rectify this situation of gross injustice, John "chin chin [Houqua] very much [Houqua] show Russell & Company, more better they take [Sim]" so that Russell & Company would have a working partner in Canton and Bennet, "long one," would promise to look out for the interest of the company "this side [i.e., in America]"

John reminded Houqua that their relationship was not confined to the business concern of Russell & Company. "Shou they [Russell & Company] take he or no take he I show you truly you can trust he all same as me - & spose you help he you help me." Theirs was a business relationship that encompassed a strong sense of personal obligation for each other. John construed the partnership to include both families and it would only be appropriate for him to conclude his letter, "I chin chin you very happy new year & with compliments to your grandson," signed simply "I am your friend."[19]

Bennet, the "long one," also wrote a letter of recommendation to Houqua for Sim. His letter was shorter than his brother's and spoke to his endorsement of Sim taking his place in Russell & Company. Translated into pidgin English for Sim's presentation to Houqua, it was "my have write to R&Co. chin chin them to take him & cut me, let me go, Russ & Co have now put me down to 1/16 all same four piece new young men, spose my no worth any more, more better they let me go, take my cousin, he understand work and by and bye after a little time he can understand that Canton business very well." He echoed John's request, asking Houqua, "whether he goes into the house or not I ask for him your valuable advice and assistance," or in pidgin English, "spose he go into Russ & Co. house or not, I hope you give him your opinion." To substantiate his greetings to Houqua and his family, Bennet also "put on board the *Paul Jones* some good Beef and Pork and some fine Flour," to be precise, "two R&C Flour counter No. 1 thing" which Bennet "chin chin [Houqua] accept." The exchange of token gifts remained important in underscoring their personal concern for each other.

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[19] Baker Forbes, f.24b.

In Bennet's rendition of his letter into pidgin English, he provided instructions in the bottom of the letter for Sim, "The original I send in your care sealed & you can open it in his presence [Houqua's] after a few days & read it to him as per Key." On the cover, he wrote, "letter to Houqua to be delivered after a few days – Paul S. Forbes, Esq."[20] A few days later after his arrival, once he had situated himself in Canton, Sim was to hand deliver the "Private" letters to Houqua, presenting to him his credentials with John and Bennet's endorsements, articulated in a style of pidgin English that he needed to acquire in order to insert himself in Houqua's web of trade in order to facilitate ongoing transactions without the onerous filter of another trading partner.

Since Bennet's departure from Canton, the Forbes' associates at Russell & Company had marginalized the Forbes' influence at the firm and hence their criticality in the firm's relationship with Houqua. Sim's venture to Canton represented not only a chance of personal redemption for Sim but also an opportunity for the Forbes to resuscitate their business ties to an important partner whom the family had represented for decades in his business with the West. The cultural sensitivity and the linguistic knowhow John and Bennet demonstrated in their letters indicate that cultural differences and linguistic impediments were not merely hurdles to overcome but also opportunities on which transnational traders capitalized as they develop means to circumvent these obstructions and transform them into entry barriers for others. That John and Bennet took pains to overcome all obstacles and present Sim to Houqua in the most favorable light revealed their hope and confidence in Houqua's ability to reconstitute the Canton network of international

[20] Baker Forbes, f.24b, f.46.

trade in the aftermath of the Opium War and the lucrative business one could expect from a continued partnership with Houqua.

Sim departed from Boston on January 4, 1843, just days after he secured the letters from the Forbes brothers. In fifty three days, his ship sailed past the Cape of Good Hope and by the end of March, the ship was a few hundred miles from the coast of Australia with Java 1,500 miles to the North. The voyage ended on May 6: "Only this morning, we found ourselves surrounded with fishing junks … we came to anchor, being just 111 days from Boston." The journal entry in his diary records that four days later, Sim began his twelve-mile journey up river to Canton. "At 2 o'clock then on the 10 May 1843, I landed in the City of Canton. At last I am here." Early in the morning two days after his arrival at Canton, Sim "went around to see the celebrated Hoqua [sic]." Houqua returned his visit two days later. Of this special encounter, Sim elaborated in his May 14 journal entry.

> Old Hoqua [sic] returned my visit – this of course was a great condescension. I was out & just as I came in I met his chair going out. He stopped, put out his tiny hand which I shook & said he had been [kind] to make me a visit. As he could not go up to the 2nd story, Mrs. Palmer & Mrs. Low came down & he paid them (as he did me when I first saw him) a Chinese compliment by asking them "how many years you have" he is 74 years old himself, is very intelligent & shrewd merchant & has been honored by the Emperor with the red button & Peacock feather.[21]

Sim had acquired a clear sense of hierarchy. That the great merchant would return his visit was a great honor. Houqua arrived in style in his sedan chair and he was frail enough that he could not walk up the stairs to the second level. Two Western ladies greeted him. The style of greetings involved Western protocol and Chinese elements. Houqua was as comfortable shaking hands with a new arrival from America as he was insistent upon inquiring about one's age when

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[21] Baker Forbes, f.65.

meeting people for the first time. Sim was aware of the culturally appropriate practice of inquiring about others' age and Houqua deserved respect for having lived to the ripe old age of seventy four. How could Sim surmise that Houqua was a "very intelligent & shrewd merchant" from such a brief encounter? That observation probably stemmed from the impression he had developed in his conversations with the Forbes brothers and his own aspirations to ride on Houqua's coattail in the world of international trade. The Qing Empire might have just been defeated in the hands of British imperial power but Sim was not about to make light of the imperial honor the Qing Emperor had bestowed upon Houqua, "the red button & Peacock feather." Nor had Houqua's pride in his honorific accoutrements diminished.

The thrill of meeting Houqua left quite an impression on him. Almost a month later when Sim wrote to his wife, he continued to recount the encounter: "I had got so far when old Houqua came in & I left off to speak to him, & may as well give you a little a/c of him. He has a hand & waist just about the size of yours which you know is not particularly large … has been a *Hong* merchant for 52 years & of immense wealth." Sim expressed a feeling of incongruence in Houqua. In spite of his slight frame, even smaller than that of his petite wife, Houqua had held court in the international commerce of Canton for over half a century during which time he had generated a tremendous fortune. His old, fragile figure still loomed large in global trade. "You can judge a little of it," continued Sim as he discussed the wealth of Houqua, "when he paid 100,000 dollars for the Peacock feather for one of his sons, the same son died the other day!!" Sim focused on Houqua's ability to spend lavishly on his acquisition of imperial honors, and that honor was conferred not even on Houqua himself but on his son who did not even get to enjoy the prestige in life. "I don't know if I can say more of him than that," Sim concluded, "he is an

intelligent, high minded, liberal Chinaman & would honor any country."[22] Sim expressed no skepticism on Houqua's spending habits. Instead, Sim admired his spending power and his desire for the Qing state's recognition of his family, calling him "intelligent," and "high minded." Perhaps Sim's views of Houqua reflected as much Sim's own desire for wealth and recognition as his acceptance of Houqua's strategy in converting financial resources into social capital under the rubric of the Qing state despite its recent setback. That personal situation of his and the impression of Houqua his Forbes cousins gave him go far to explain his description of as well as his hope in Houqua, a "liberal Chinaman" who "would honor any country." To Sim, China was not a broken country and Houqua remained the nexus of a transnational network centered in Canton.

After his encounter with Houqua, Sim surveyed the business world of Canton and was evidently amazed at the sheer volume of trade going through that city. The ship *Paul Jones* which held his first letters to John and Bennet carried outbound cargoes worth $250,000. Its return cargo would be another $200,000! He remained hopeful that he could "follow in the footsteps of [his] illustrious predecessors" in the nexus of global trade. To his delight, he was informed by a partner that he was welcomed into Russell & Company. "I think that it was after he saw Houqua that he said [that] to me," Sim told Bennet, acknowledging the instrumentality of Houqua the kingmaker in the power politics of the American firm. So critical was Houqua's opinion that in their letter exchange during the following month, Sim and Bennet discussed how they should "test the extent of influence over R&Co of Houqua." Houqua was never a partner of Russell & Company. His informal power, however, reached deep into this company of

[22] Baker Forbes, f.44.

American partners, allowing him to dictate who was to be admitted to the partnership, who was to be left out and when. Even in the aftermath of the Opium War, Houqua's trading partners did not question his sway over the world of commerce and the power of his decision in directing money flow in global trade.

"I shall no doubt make enough to return in a few years to live comfortably," Sim promised his wife in his letter to her dated July 3, 1843, "but I should be satisfied if these things did not depend on as uncertain a contingency." What could be the contingency upon which Sim's fortune depended? "[I]f the life of old Houqua is preserved 4 years longer," prayed Sim. Sim was a realistic, calculating businessman. He was convinced that his prospects would vary "in proportion as [Houqua's life was] lengthened or shortened from that." Houqua was already seventy four. But just four more years of Houqua's patronage would do; that would more than cover the remaining term of the partnership and generate enough income for Sim to provide his family with a comfortable living back home.[23] To Sim, Houqua's patronage in the world of commerce was his ticket to success.

Houqua is Dead, Long Live Houqua?

Sim's world collapsed around him on September 6 when he returned from Macao. He arrived at Canton at noon to find out that Houqua had died two days before at four o'clock. Members of Russell & Company went across the river to pay their last respect to Houqua. In accordance with Chinese custom, they saw the corpse before it was placed in the coffin. "I was thus just in time to look for the last time on what remained of this good old man," lamented Sim.

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[23] Baker Forbes, f.44.

As the Russell & Company contingent approached Houqua's house, their frayed nerves suffered from the "hideous noise" from half a dozen musicians. They were ushered along until they came to the entrance of the house where they met with "around at least a hundred of [Houqua's] attendants & several mandarins." Once they took their seats in a large hall, a curtain was drawn from the door of an adjoining apartment. As if to accentuate their horror during this moment of distress, the discordant music resumed and "on the platform with a plain cloth thrown over him was stretched in the cold embrace of death the emaciated form of Houqua." To the left of Houqua's dead body were his children and grandchildren, prostrated with their foreheads to the ground, expressing their grief with groans and cries. Louder than all the others were the cries of Houqua's sons. "By the side of old Houqua lay his Mandarin cap & peacock feathers, the emblems of his worldly distinction." The insignia that was the pride and joy of Houqua in life, featured prominently in his portraits, accompanied his lifeless body in death. "But in his countenance could be seen the last retiring rays of that intelligence with which it had so often been animated while living."

The trepidation of the trading community was encapsulated in the reaction of Edward King, a Russell & Company partner who preceded Sim in approaching the remains of Houqua.[24] King "shrunk back with instinctive horror at the appalling sight & well he might, for before him was all that remained of one who had been his benefactor." Mourners continued to file pass Houqua's dead body. Sim and his colleagues were ushered into an antechamber where tea was

[24] Recall that King was the recipient of one of Houqua's portraits.

served to calm their nerves. It did not help—discordant sounds continued, reminding them of the gravity of the situation.[25]

"The last four days have been gloomy ones," wrote Sim in his journal on September 9, 1843. To Sim, the world had just experienced a tragic transformation a few days ago. Houqua had died. "It will not be difficult to imagine the feelings with which I viewed his lifeless body," continued Sim, "recollecting that altho' a stranger he had raised his powerful voice in my favour and that alone had heretofore been sufficient. His great characteristic was humanity—and in his unbounded confidence in Americans he has never been equaled, entrusting those with whom he had no ties of country, language, or religion between 2 & 3 millions of Dollars at one time. He might have doubled or quadrupled his fortune by dealing in opium but when asked why he did not do it he said, 'how can have face to look at the sun.'"[26]

His high accolades for Houqua notwithstanding, Sim had barely any firsthand experience with Houqua. He had just arrived in Canton in May and had interacted with old Houqua only in a few brief instances. Yet, what are we to make of Sim's exaltation of Houqua in his personal journal the intended audience of which did not extend beyond his wife? He must have found Houqua's morality laudable but more importantly, he pined for Houqua's trust which, he had learned from his cousins, transcended cultural boundaries and privileged his American partners. He had come to Canton to appeal to Houqua's generosity and had hoped to weave himself into Houqua's network of trade in order to secure a comfortable living for his family. To Sim who had just traveled close to four months from Boston to Canton to position himself at the center of

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[25] Baker Forbes, f.44 (Box 6, f.8); f.65.

[26] Baker Forbes, f.65.

Houqua's trading empire, Houqua's passing not only marked the demise of a great era but also dashed his hopes of making a quick fortune by leveraging his family's connections with this powerful figure in international trade. To Sim, this was no transition from the Canton era to the Treaty Port days; instead, it was the sudden disappearance of the world of commerce which hinged upon Houqua and the unexpected spiral into the abyss of global trade having lost its bearing that was Houqua.

Before Houqua's earthly remains were buried, his business enterprise was dissected into its prized components. His family which stood to inherit his estate was but the mere financial beneficiaries of his immense wealth. The critical elements of his business operations, however, were up for grabs. While these elements constituted an integral whole of Houqua's venture, in the reconfiguring world of commerce, they served the business interests of various parties. The prime elements of Houqua's business were his capital which provided the indispensable funds for the capital-intensive global trade, the widespread name recognition he had enjoyed, and the privileged position he once occupied in the network of trade. For these prized business factors in Houqua's portfolio, the inheritors would turn out not to be the same party.

It was customary for the sons of the *Hong* merchants to inherit their fathers' trade name. Following this convention, the son who took over Houqua's business in 1843 also assumed the designation of Houqua. This son who succeeded Houqua was actually his fifth son, not the fourth as designated in the proceedings with the EIC and in the documentation of the division of family assets. His fourth, Yuanhua, had died in 1833. So had his sixth died in 1843. Houqua was survived only by two of his seven sons, his fifth Chongyao (also called Yuanwei) and seventh Chonghui (see Figure 5.1). Chonghui was only fifteen-year-old in 1843 and so thirty-

three-year-old Chongyao took over Houqua's business enterprise.[27] However, the preeminence of Houqua in the international trading community in Canton rendered it difficult for the foreign partners to transfer automatically the leadership position to his son with whom they did not transact business extensively. Personal relationships could not be inherited without question and the efforts of either side to enlarge such personalistic ties to encompass the families could work only if the various parties considered their interests to be properly aligned in the resulting network.

To make the distinction between Houqua the respected merchant who died in 1843 and his son who inherited his business, Sim called the new Houqua "Young Houqua." He was not alone in calling the successor by this name. In fact, that was the designation commonly used among Westerners in Canton during those years of transition and Houqua's son came to adopt this designation as a self-referential term in his business correspondence. "Young Houqua" was his signature in business and legal documents. However, unlike his enterprising father who had pioneered the bold use of his English trade name in executing documents in his signature brushwork, Young Houqua would sign his name as such but as 央浩官 Yang-hao-guan.[28] In this case, Yang did not carry the literal meaning of the character but was the transliteration of "Young" in "Young Houqua." Houqua's stature loomed large in the international world of commerce at Canton and his son was not bold enough to assume his father's title. Neither were his business acquaintances forthcoming in conferring that title of his son. As he transliterated the title he assumed into Chinese characters, Houqua's son also abandoned his father's bold venture

[27] A biography of Wu Chongyao is included in Wu Quancui, ed., *Lingnan Wushi hezu zongpu*, 8:2a-b and *Wushi ru Yue zupu* (1956).

[28] JM F14/8.

into signing his name in a foreign script and retreated to his comfort zone of the Chinese language.

The world of trade centered on Houqua was no more. The subsequent fortune of the various parties depended on their own adaptation to the new environment. As the aspiring global traders jockeyed for privileged positions, others rested on their laurels.

Global Financier or Just a Gold Mine?

Just as it had to John and Bennet, Canton had appealed to Sim and his fellow-traders from America for its image as the Gold Mountain a sojourn at which could generate handsome profits. To John and Bennet, Houqua was their valued friend and a key partner in unlocking the potential of Canton. By the late 1840s, however, Houqua's family had become nothing but a goldmine to Bennet and Sim. Young Houqua was just to provide the financial capital for the Forbes' venture, not the social connections and business sway that old Houqua steered in their direction. In less than a decade after the demise of the old Houqua, Canton had evolved from a Houqua-centered business network in which the Forbes labored to a Forbes' franchise backed by the financial resources of Houqua's descendants. Young Houqua would finance the new commercial king in Russell & Company but unlike his father, he would not longer assume the role of kingmaker.

That the Forbes considered themselves the controller of the Canton fortune had become increasingly clear in Bennet's writing by the late 1840s. "[T]he moment you abdicate the throne of the Russell," he told Sim in 1848, "all will be chaos." To Bennet, the Russell enterprise belonged to the Forbes and their presence in Canton held it all together. The linchpin of the business world in Canton that used to be Houqua's prerogative had been usurped by the Forbes.

The true guardian of the Canton fortune was the Forbes, so much so that should Sim leave Canton without installing a proper trustee, "[t]he Forbes dynasty will die nasty and be forever extinguished in all its phases," Bennet warned Sim.

Bennet became financially wanting again and plotted his return to Canton in the late 1840s. His "principal motive was to keep the [Forbes] dynasty, the power in [the family's] hands,"[29] probably just to serve as an excuse for his return to Canton. Regardless, this line of reasoning Bennet employed to lobby for a return trip to Canton struck a chord with his brother John, the one who had succeeded old Houqua as the new kingmaker in this reconfigured hierarchy of the China Trade in Canton. "It strikes me that since he [Bennett] had made the sacrifice of going," John wrote to Sim in his letter dated June 19, 1849, "you & he had better set yr heads together & arrange things so that R&Co shall hereafter be under your joint control & perhaps handed down to yr children—giving me a piece when you both can spare it." A sojourn in Canton was a "sacrifice," one Bennet undertook all in the name of perpetuating the Forbes' control of Russell & Company. "[T]he House belongs naturally to us & we may as well look ahead & arrange to keep it," noted John. The arrangement of the house of Russell had become the sole prerogative of the Forbes who required no more intervention from Houqua. However, Houqua's family remained an asset in the eyes of John. "Houqua you must keep hold of," he mentioned to Sim in the same letter. The Forbes had developed the confidence in their own operations in Canton and Houqua was to be a helpful resource, not a critical partner, much like the consulate position in Canton. "[I]f it will help do this," noted John to Sim, "it may be an object for us to keep the consulate which I can manage for either you or Bennett." The Houqua

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[29] Baker Forbes, f.46, Box 5 f. 22; MHS Forbes Reel 16, No. 9.

connection was to be an asset the Forbes should utilize, not a power structure within which they needed to operate.[30]

To secure the investment required of him by the partners in Russell & Company, Bennet borrowed it from Young Houqua. Reporting to John in December 1849, weeks before his investment in the partnership was due for the year 1850, Bennet wrote, "PS [Sim] & I went to see [young] Houqua about the necessary arrangements to put me in funds for my share of capital according to agreement, say $25,000 for each 1/16 [6.25 percent ownership in the house] represented. He at once agreed to let us transfer $100,000 of his funds to our a/c at 6 per cent interest!! Where can I find any other man willing, without any question, to do this? So, I am all 'fixed.'"[31] It was a good deal for Bennet, and a straightforward one too. Houqua's family had entrusted their surplus cash to Russell & Company for investment. With Young Houqua's approval, all he needed to do was to record the transfer of the assets on Russell & Company's books under the name of Houqua's family to his own account as his investment in the partnership for 1850.

What is the most telling of this transaction between Bennet and Young Houqua was that the latter lacked investment opportunities. The family already owned plenty of land in the area and held onto silver that did not generate income. Old Houqua might have deployed the capital by investing it in shipment of goods overseas but Young Houqua was content with earning a steady income on his family's assets from a trusted source. Though not for the lack of trying (as the following section will show), Young Houqua did not possess the business acumen of his

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[30] MHS Forbes Reel 2, No. 13.

[31] MHS Forbes Reel 14, No. 7.

father and was reduced to a *rentier*, never succeeding in charting a new course for the family business Houqua had bequeathed to him.

Perhaps, compared to Sim, Bennet cherished more his personal relationship with Houqua. Russell & Company was to accrue interest on Bennet's capital investment at six percent and he could have structured a pass-through transaction at no cost to himself by borrowing an equal amount from Young Houqua at the exact same rate of interest. However, for the loan he took out for Sim and himself, he made it a twelve-month note bearing interest at nine percent. Young Houqua had named six percent but Bennet thought "as I am to get 6 from R&Co. & as we [Bennet and Sim] are really squeezing Houqua, I thought it good policy to insist on his making it 9%." Bennet told John, "I dated the note to Houqua back to 1 Jan'y & so made good my contract with R&Co, the money having been in hand, as it now appears & earning 6% from R&Co. to my credit so that my capital cuts me only 3 pr ct. Houqua would have lent me have it @ 6% but I insisted on paying 9%."[32] In other words, Young Houqua had financed Bennet's effort in reestablishing himself at Russell & Company in Canton. Bennet did not bring his own financial resources to reinvest in this new business opportunity in Canton. Nor did his financially capable brother John fund Bennet's venture. Young Houqua was his sole financial backer who probably had approached this less as a personal favor than as an investment opportunity and had considered six percent adequate returns. After all, Young Houqua was just transferring money he had deposited with Russell & Company to an account in Bennet's name on which he was to accrue interest.

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[32] MHS Forbes Reel 14, No. 7.

Young Houqua's Attempt to Break into the New System

Young Houqua might have been a passive investor in his financial dealings with the Forbes but he also made an attempt, albeit with limited success, to leverage his American partners to break into the world of commerce by tapping into new channels afforded by the Treaty Port era. With his American partners, he expanded from his base Canton and entered the arena of the newly created British colony of Hong Kong where the rules of the game were evolving. With his American partners, Young Houqua proactively repositioned himself in Hong Kong under the new legal and political framework to take advantage of the opportunities afforded by the British system. In the British colonial territories of Hong Kong, R.S. Sturgis appeared with Young Houqua's Power of Attorney to chart a new course of Chinese interactions with the West as he became an early Chinese plaintiff in a lawsuit against the leading British figures there. At the Supreme Court of Hong Kong in 1855, Young Houqua, under his Chinese name Romanized as Woo Tsung yaou (Wu Chongyao in pinyin), "otherwise 'Howqua,'" filed a suit against David Jardine and other partners of the trading firm Jardine Matheson. For good measure, Young Houqua launched this suit not just against the Jardine partners but also John Charles Bowing, son of the sitting governor of Hong Kong, John Bowring.

At the crux of the dispute were rents due Young Houqua in the amount of $26,851.25, a meager sum in the grand scheme of Young Houqua's finances and Jardine Matheson's business. Nonetheless, the suit serves to illustrate the shifting power structure among the Chinese and British traders in the world of business and how Young Houqua sought to assert his control under the new rules of the game. The rents in question related to the property of Houqua's family in Canton; yet, Young Houqua took the suit across the newly drawn political borders to the British colonial jurisdiction. Devised by his American partner, this ingenious use of the

system of extraterritoriality in the name of Young Houqua challenged the British by invoking the rules of their own system.

The suit cited that Houqua, the deceased father of the plaintiff, owned "in perpetuity according to the Law of China of a certain piece of ground situate[d] in Canton and of the buildings thereon erected and built called the Imperial Hong with the Appurtenances thereto belonging." On July 1, 1823, Houqua agreed in writing with Charles Magniac, "then of Canton aforesaid also since deceased for themselves their heirs and assigns" to rent to Magniac the Imperial Hong and premises. It was "declared to be understood," claimed Young Houqua in the suit, that the charges of repairing of the premise were to be borne by Houqua "unless when the Factories were occupied by tenants." The tenant was to pay rents in one sum at the end of the year. Accordingly, Charles Magniac and his partners, whose business would become the firm of Jardine Matheson, occupied the factory, "paying rent therefore unto the said Howqua deceased down to the period of the late war between Her present Majesty and the Emperor of China." Soon after the war, Houqua died, "leaving the Plaintiff his son and by Chinese Law his sole heir and successor to and sole representative of his … real and personal estate him surviving."

Thus far into the framing of this lawsuit, the basic premise of this legal proceeding acknowledges a comfortable juxtaposition of British colonial law and the traditional arrangements of business contracts and inheritance recognized in Canton. Young Houqua's suit cited the "Laws of China" and claimed his father's "perpetual ownership" of the property without any apparent conflict between British legal codes and the manner in which business was conducted in Canton. The sheer occupancy of the premise by Magniac's associates (and latter Jardine Matheson) and their initial payments of rent to Houqua's family represented an acknowledgement of Houqua as the rightful owner of the property and no deeds needed be

produced to substantiate Young Houqua's claims of ownership. Equally indisputable was the fact that Young Houqua was the rightful "heir and successor" of the property upon his father's death according to "Chinese law" from which Young Houqua did not provide citation of legal codes or precedents. The acceptance of such premise was simply taken for granted.

Magniac's associates returned to the premise after the war and paid rents to November 1, 1843. Allegedly, Alexander Matheson renewed the lease with Young Houqua in 1844 on the same terms as the original lease and they signed a document to that effect in 1845. From that time onward through the date of the suit in 1855, Jardine Matheson had occupied the premise and from time to time paid Young Houqua or his agents "various sums of money on account of the yearly rent." On November 1, 1855, Young Houqua delivered to Jardine Matheson a bill representing twelve years of rent less payments made and demanded payment of the balance which stood at $26,851.25. On December 8, Jardine Matheson informed Young Houqua's attorney that they did not agree with the calculation but "had instructed their Canton friends to pay the amount of rent they should find to be due unto the Consular Court pending the final decision of a suit that had been carried on there" against Jardine Matheson by Young Houqua. Young Houqua stated that no suit was pending at the time. Jardine Matheson further complicated the calculation by refusing payment of rents for the period when the premise was "vacant on account of repair." Thereupon, Young Houqua's agent took his case to the Supreme Court in Hong Kong and demanded redress.

The case dragged onto August 1856 when Jardine Matheson "by protestation not confessing or acknowledging all or any of the matters … invoking clauses in acts of Parliament for protection, claiming … each & every of [the defendants] British subjects; that this suit has been instituted against them by a subject of the Emperor of China; that the cause or subject

matter of this suit arose at Canton within the dominions of the said Emperor of China." However, the court overruled their appeal on such grounds not to be compelled to answer Young Houqua's bill of complaint. On August 15, 1856, the Supreme Court in Hong Kong "ordered that the said Defendants … have one week from this time to put in their answer to the said Bill."

The Jardine Matheson associates had responded initially not by disputing any technicalities on the basis of different legal regimes but by resorting to their extraterritorial protection. That strategy backfired. Not only did the Supreme Court in Hong Kong not offer to these business elites in the newly established British colony protection against legal action but it also allowed the colonial arrangement in Hong Kong to serve as an avenue through which Young Houqua, a Chinese merchant operating out of Canton, could seek recourse from a British company the operations of which transcended the Canton-Hong Kong border. For Young Houqua, a resident of Canton under the control of the Qing government, this suit represented an audacious move against the powerful business elite operating in Canton and Hong Kong on either side of the newly instituted borders. Rather than viewing the extraterritorial rights afforded by the 1842 Sino-British treaty purely as a means of protection for the British traders, the American agent of Young Houqua approached the new system as a favorable alternative to the Chinese court in a quest to seek payments Young Houqua considered due him under the agreement struck between two international parties.

When compelled to respond, the partners of Jardine Matheson claimed that they were not involved in the agreements with Houqua or his son. They also claimed that Charles Magniac, and subsequently Alexander Matheson on behalf of Hollingworth Magniac, had signed agreements not as representatives of the firm but under their own names. Furthermore, the defendants complained that Young Houqua had neglected to repair the premises. To further

limit their liabilities, the defendants cited the statute for the limitation of suits and actions, insisting that Young Houqua could not be entitled to any accrual beyond six years up to the institution of the suit.[33]

The details in this lawsuit reveal the changing dynamics of business transactions in Canton around the Opium War. Before the war, Houqua had leased his property to the predecessor of Jardine Matheson, a firm with which he had few connections in trade. He executed lease documents with the British merchant from whom he received regular rent payment up through the interruptions of the war. Upon the conclusion of the war shortly after which Houqua died, his son Young Houqua renewed the lease on the same terms with a partner of Jardine Matheson and the firm returned to the premise to resume its operations in Canton. However, rent payments from the British firm became erratic as the occupants disputed the terms of the lease agreement and their financial responsibilities thereof. Young Houqua's agent then took the case to the newly opened courts in Hong Kong and presented his case in a manner conforming to the expectations of the British court.

When they failed in their initial attempt to have the case dismissed by invoking their rights to be protected as British subjects in China, the partners at Jardine Matheson argued that the agreements, which had been executed by individuals, held binding not the firm of Jardine Matheson but only individuals involved, thereby calling into question the legal representation of partnerships and successor responsibilities in the evolving environment where the interpretation of international transactions remained fluid. For further protection, they sought to reduce their liabilities on the technical grounds of the statute of limitation, bringing to bear in the arena of

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[33]JM F23/14, F23/17.

international legal dispute elements which ran counter to the previous standards of mutual trust and credit.

There is no surviving written document from the 1823 agreement. However, the 1845 renewal contract has been preserved in its original bilingual format. Both the Chinese and English version referred to the original 1823 lease. The Chinese version of the contract stated that Mr. (Charles) Magniac of England had rented from Houqua's firm the Ewo Hong (怡和行; Yihe Hang in pinyin) the Isun Yune Kwoon (日晉元館; Rijin Yuanguan in pinyin) which was seven rooms deep and three rooms wide, along with the entire structure, windows and doors which Houqua's firm had constructed with its own capital. The annual rent of $4,600 was due on each anniversary of the lease. The tenant was not to hold any contraband goods or illegal merchandise on the premise nor were bandits to gather therein. Acknowledging that rent had been paid in full through 1845, Young Houqua signed an extension of the lease with the English gentleman Mr. (Alexander) Matheson who acted as the representative of Mr. (Hollingworth) Magniac, keeping the terms of the lease the same. This is the document Young Houqua had signed in Chinese with "Young" Romanized as the Chinese character *yang*. To his signature, he added the chop of his firm, the Ewo Hong. The document was dated the nineteenth day of the seventh month, in the twenty-fourth year of the reign of Daoguang, which translated to September 1, 1844.

This document, which Young Houqua's legal counsel rendered faithfully into English in his complaint to the Supreme Court in Hong Kong in 1855, differed in its emphasis of certain details in the English version which was not signed under March 18, 1845. The English version also referred to the original agreement of July 1, 1823 between "Howqua *Hong* Merchant and Charles Magniac for themselves, their heirs and Assigns." The document specified that lease

was to cover "the whole of the Ground and range of Buildings thereon" but did not go into the details of the dimension of the space as the Chinese version did. There was no disagreement between the two versions on the rent, schedule of payment, or the provision of termination at will. The English version, like the Chinese version, acknowledged that the buildings as the property of Houqua and included the additional clause that "the charges of repairing the same were to be borne by him, unless when the Factories were occupied by Tenants." Herein lies the problem with the complaint the partners of Jardine Matheson launched against Young Houqua in 1856: Young Houqua could not be held responsible for the costs of repair except for repair work done while Jardine Matheson was not occupying the buildings.

As for the issue whether Hollingworth Magniac had renewed the lease for himself or for his firm, the exact wording in the contract was: "[T]he foregoing agreement [of 1823] … has been renewed between Young Howqua, as heir and representative of his late Father and Alexander Matheson as representative of Hollingworth Magniac, heir of the late Charles Magniac, on precisely similar terms—all past accounts having been settled to 1st November 1843 on which date—annually the aforesaid Ground rent is to be paid to Young Howqua by the Agent of Hollingworth Magniac, his heirs or Assigns." As a renewal of the original lease, this contract named specifically the heirs of the original parties. However, that Hollingworth Magniac was not himself the only occupant of the premise and that Jardine Matheson had operated out of this location would indicate that the firm could well be Hollingworth Magniac's "assign" from which Young Houqua could expect the payment of rent.

This document straddled two periods of different international understandings. In the earlier period, individuals who were parties to an agreement would uphold their ends of the bargain individually and collectively for their partners whereas in the latter period, businesses

could be seen as distinct from the individuals executing the contracts. While Young Houqua would attached his firm's chop to his signature and continue to sign documents using his family's trading name, albeit in Chinese transliteration of the same name his father had signed in his signature brushstroke, his trading partners from Britain would come to dispute the claim of the collective responsibility of the partnership when a partner executed a document in his capacity as the representative of another.[34]

This lawsuit would remain unresolved for an entire decade. Eventually, in 1866, Young Houqua received $9413.67 from Jardine Matheson & Company. In consideration of this payment, Young Houqua signed a document "discharg[ing] Mr. Hollingworth Magniac from all and every claim on [his] part under a certain old lease of the Imperial Hong in Canton to the said Mr. Magniac." As part of the settlement, Young Houqua also agreed to release Messrs. Jardine Matheson & Co. and Hollingworth Magniac "from any and every claim on their part to the further use or benefit of or from the Imperial Hong at Canton under the Lease referred to."[35] The sum received by Young Houqua represented a small fraction of the amount he sued for a decade earlier. The difference, though a token amount relative to the scale of operations for either Young Houqua or Jardine Matheson, underscored a monumental shift in power structure of the China trade. Despite the valiant effort of Young Houqua and his agent to redress the balance of power in the two decades after the conclusion of the Opium War and their daring maneuver to bring his case to the British court, the tide had turned and he could only salvage what remained of his father's tremendous power in international commerce.

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[34] JM F14/8.

[35] JM F20/7, F20/8.

Brand Name Appropriated

Young Houqua's setback in this legal battle was but a small loss for his family's business enterprise. Around this time, the family lost a prized possession the value of which far exceeded that of Jardine Matheson's delinquent rent payment. Houqua's family lost its company name in Chinese, Yihe, the very name under which Houqua had operated since the late eighteenth century. This company name, a brand that signified quality and Houqua's trust and credit in the Chinese business world, came to be usurped by none other than Young Houqua's opponent in his legal battle in Hong Kong, Jardine Matheson.

In its business documents that included Chinese wording, Jardine Matheson had its name transliterated into various Chinese characters mostly according to the Cantonese dialect. Ja-din (渣甸, Zhadian in Mandarin pinyin) or variations thereof was the name of the firm in these documents in the 1830s.[36] At the same time, the company had also used from time to time a Chinese name that bears no phonetic resemblance to its English name, Yihe 義和,[37] a near homophone to Houqua's Yihe 怡和 but with a distinct tonal difference in the first character in both Cantonese and Mandarin. This distinction was evidently apparent to the two parties in the 1830s as there is an extant document which included both of these similar Chinese names of Jardine Matheson and Houqua.[38] However, the use of this tonally different Yihe designation for

[36] JM H1/10/1, H1/10/8.

[37] Coincidentally, these two Chinese characters became the name of the Boxers during the movement that erupted by the turn of the twentieth century.

[38] JM H2/3/8.

Jardine Matheson did not gain currency until the 1860s. In various agreements (Houqua's family business was party to some of them), Jardine Matheson continued to use its transliterated name.[39]

The situation changed in the 1860s when Jardine Matheson developed the practice of using its Yihe name more frequently. At first, it continued to use the Chinese name (義和洋行) the first character of which indicated an obvious difference from Houqua's company name.[40] Then in a document from 1868 it came to be known as "the chop of Yi" (怡記) the first character of which becoming identical to the first character in Houqua's company name.[41] A few more years later, in 1873, Jardine Matheson completely usurped Houqua's brand as it used both of the Chinese characters in Houqua's company name in the chop for its insurance operation.[42] The appropriation of both characters from Houqua's brand spread to other parts of Jardine's business in the 1870s and 1880s as the firm used this Chinese name, along with its English transliteration Ewo, in its operations and came to be known by this name among its Chinese business contacts.[43] Before the nineteenth century drew to a close, the usurpation of Houqua's brand was complete. The Chinese name Yihe evoked not even memories of Houqua's business enterprise but denoted the firm of Jardine Matheson, the expanding franchise in China.

John K. Fairbank also noted this gradual adoption of Houqua's company name in Chinese by Jardine Matheson. He pointed out that Jardine did not partner with Houqua extensively,

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[39] JM H1/49/6, H1/49/8.

[40] JM H1/57.

[41] JM H1/68.

[42] JM H1/70.

[43] JM H4/2/1-2, H1/78/1, H1/79/1.

preferring to work with Powqua and others and renting their Creek factory from Mouqua.[44] Indeed, Jardine Matheson rented a factory from Houqua and transacted with Houqua's family but this business relationship turned sour, as indicated by the lawsuit in Hong Kong. To make the triumph of Jardine Matheson complete, the British company took possession of an invaluable business asset of Houqua's business, its Chinese brand. More than a reflection of the business practices of specific commercial concerns, this appropriation of Houqua's brand evinces the evolving power structure in the world of business in the second half of the nineteenth century. Young Houqua and his agent had endeavored to assert his rights in the new courts of the Treaty Port era but in vain. Regardless of the outcome of the court case, however, their effort was ill-placed. As Young Houqua sued Jardine Matheson for delinquent rent, he lost sight of an item that held much higher value, the family's business name. Just as Houqua's American partners capitalized on the use of Houqua's liquid assets, Jardine Matheson claimed ownership over his brand. Far from being a devolution of Houqua's brand name upon a former business associate as Fairbank had conjectured, it was a gradual process through which Jardine Matheson developed its Chinese brand, finally capitalizing on the name of Houqua with whose family the firm maintained a relationship that was far from amicable, at least in the Hong Kong court of law. Houqua's descendants are not known to have registered any legal protest over this appropriation of their ancestor's *Hong* name, probably because by the closing decades of the nineteenth century, there was no substantial family business operating under that name anymore. The business enterprise of Houqua did not dissolve; it was dissected for the parts critical to

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[44] John K. Fairbank, "Ewo in History," in *The Thistle and the Jade: A Celebration of 150 Years of Jardine, Matheson & Co*., ed. Maggie Keswick, (London, Octopus Books Ltd., 1982), 242; John K. Fairbank, *Trade and diplomacy on the China coast: the opening of treaty ports, 1842-1854* (Cambridge: Harvard University Press, 1964), 250.

international commerce and the heirs in Houqua's family did not position themselves to be the primary beneficiaries of this reorganization.

Self De-globalization of Houqua's Family

Although Young Houqua demonstrated his ability to extend his sphere of activities into the newly established British colony of Hong Kong, he retreated from the global reach his father had achieved. As the treaty port system continued to undermine the centrality of Canton in the world of international trade, Young Houqua did not diversify his commercial interests beyond the city of Canton into the burgeoning trading posts of the other treaty ports. Instead, Young Houqua chose to intensify the reliance on Russell & Company in his business dealings with the West and focused his effort in asserting the prominence of Canton but only in the world of Sino-centric cultures. As he busied himself with the task of planting Canton firmly on the cultural map of China, Young Houqua ceded his father's position in global trade to the encroaching commercial interests from the West and allowed to decay the webs of global connections his father had developed. Young Houqua strove to rescue the city's decline by strengthening locally a cultural presence in Canton. At the same time, however, his reaction to the demise of Canton hastened his family's business decline by confining itself in a regional ambit and de-globalizing its commercial scope.

Young Houqua's interest in building a local culture in Canton did not begin when Canton ceased to be the sole port of call for China's trade with the West. Like many of the merchant families in nineteenth-century Canton, Houqua's Wu family was a generous patron to local scholarship. In fact, the emergence of a local scholarly tradition in Canton during this period reflected a contest of control over the representation of Cantonese culture between recent arrivals

congregating in the political and economic centers of Canton and the more established rural elite whose families had built their wealth on the exploitation of agriculture and fisheries in the Pearl River Delta.[45] Thus, the Wu family's sponsorship of local scholarship was embedded in the continuous cultural transformation of Canton. While Young Houqua was not unique in his support of local culture, his patronage was both financially draining and strategically distracting for the family business he inherited from his father.

By the outbreak of the Opium War, Young Houqua had partnered for years with Tan Ying who had collected and prepared comments on works of local Cantonese scholars under Young Houqua's sponsorship. The most ambitious project the two of them undertook was the publication of the *Lingnan Yishu* (嶺南遺書, the Surviving Works in the Region South of the Passes), a series of local anthologies the first installment of which was printed in 1831. In the preface to this first installment, Tan Ying, writing in the name of Young Houqua, spoke of their efforts in retrieving and compiling forgotten works for publication. In this preface, they lamented the loss of early Cantonese literary masterpieces from the first millennium and expressed their concern over the survival of later works. However, they strove to edit and publish these local works not just for the benefit of the people of Canton but to celebrate Cantonese contribution to the entire Sino-centric culture: "Would this [work of ours] not be an elegant princely offering to the previous dynasties and earn us our rightful place in the cultural heartland?"[46] With this preface, Tan published in Young Houqua's name in 1831 six works which totaled seventy nine volumes. This first installment focused on the recovery of writings

[45] See Steven B. Miles. *The Sea of Learning: Mobility and Identity in Nineteenth-Century Guangzhou* (Cambridge, Mass., Harvard University Asia Center, 2006).

[46] Wu Chongyao, *Lingnan Yishu*, preface 1b.

from the Ming dynasty (1367-1644) and included biographies of celebrated Canton natives, asserting early recognition of Cantonese works in the compilation of the official dynastic history of the Ming. In 1831, the prominence of the Sino-centric culture and the invincibility of the Great Qing had not come to be challenged yet. The goal of this first installment was to fight for recognition of their native Canton in the official chronicles of the Chinese state.

Thereafter, the collapse of the Canton system rocked the world of Young Houqua. His concern over the downfall of his southern Chinese city mounted in the 1840s as evidenced by his escalating patronage of local scholarship. His strategy in arresting the decline of his hometown reveals his recognition of the threat to Canton more in terms of culture than in commerce. The second installment of the *Lingnan Yishu* comprised eleven works. These selections claimed an earlier Cantonese participation in the intellectual tradition and political participation in China. Situated at the interface with neighbors beyond the borders, Canton had experienced crises similar to the intrusion of the British around 1840. In this second installment, Young Houqua signed off on Tan Ying's selections which took a decided turn to assert not just the recognition of Canton in the greater Chinese tradition but also the participation and even the expertise of local scholars in directing moral cultivation and shaping statecraft in challenging times, especially in the frontier zone.

The 1847 preface to the *Lingnan Yishu* underscored the challenges of the era as it expressed the slow progress in publication in the seventeen years since the first installment hit the press. Among the factors causing the delay was "that military threats surfaced repeatedly and that barbarians from overseas have yet to be pacified."[47] The third installment, comprising ten

[47] Ibid., second preface 1b.

works, came out in 1850. The postscripts to these works were prepared in 1848. The selections then reflected an effort to make sense of the tumultuous world by returning to the basic conceptualization of governing of ever-expanding units—the training of the individual, the regulation of the family, the reform of society, and the harmony of the cosmos—all the admonishing words of local scholars.

The fourth and fifth installments, which were published at the same time as the third, followed a similar pattern. The seven works in the fourth installment focused on more recent local scholarship with a bias towards practical applications and away from intellectual discourse. The fifth installment, comprising twenty shorter works, showcased local scholars' talent in interpreting classical texts. The selections in the fifth installment also asserted the inclusion of the south in the territorial footprints of the early Chinese empires. More importantly, the works in this installment exalted local sons who contributed to the Chinese court.[48] The agitation of Tan and Young Houqua was clear. Uninspired leadership at the court often allowed talents to go to waste. Young Houqua, along with his Cantonese collaborator, blamed the troubles at the empire's border on the court's inability to tap the top-rated talents in their native Canton.

The last installment of the series would come out shortly before Young Houqua's death. It included two longer works of a local scholar interpreting ancient classics and other writings by Canton natives. This installment would only round out an impressive collection of fifty nine pieces of local writings Tan had amassed in Young Houqua's name over a few decades. This expression of a local identity in Canton had undergone numerous transformations. Beginning

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[48] For Young Houqua's involvement in diplomatic negotiations for the Qing state, see Frederic Wakeman Jr., *Strangers at the Gate: Social Disorder in South China, 1839-1861* (Berkeley and Los Angeles: University of California Press, 1966), 147, 161.

with the assertion of earlier recognition in the first installment published before the Opium War, the tone shifted to the claim of expertise over border issues in mid-1840s. Then the emphasis was placed on the local interpretation of the Chinese way of life and the celebration of Cantonese contribution to previous dynasties, just to return to the bitter note of local talent suffering in the hands of incapable political leadership.

Young Houqua, who at times served as the Qing court's representative in its dealing with officials from the West,[49] felt that his government had not utilized his skills for the maximum potential. In voicing his national concern and personal dissatisfaction through the narration of the native sons who endured the injustice of previous regimes, he expressed his resentment against the uninspired leadership at court which devastated his native Canton in which he had tremendous pride. At the same time, the emphasis on "border issues" at various points revealed his position that the presence of non-Chinese was an issue to be contained and controlled, in keeping with the longstanding policy at the court but in direct opposition to old Houqua's embracing attitude which viewed the foreigners as partners through whom he connected with the commercial opportunities outside of Canton. Canton never existed as an isolated island; instead, the city prospered because it served as a nexus which blended together diverse interests and mediated differences. Unfortunately, Young Houqua's effort in shoring up the local prestige of the city stressed the historical contribution of Canton to the court in the north and the larger Sino-centric cultural sphere, diminishing its role as a point of cross-cultural connections and international commercial ties which had served the Wu family well for over half a century. In the end, local triumphalism could not save the cosmopolitan from being eclipsed because the

[49] Wu Chongyao, *Lingnan Yishu*, fifth installment, *Yuan Dushi shiji*, postscript, 2b.

commercial interests which had underwritten this cultural transformation degenerated with the city's flagging global ties.

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In the aftermath of the Opium War, the commercial world in Canton did unravel. This unraveling resulted as much from the new political order and economic configuration stipulated in the 1842 Treaty of Nanjing as from the September 4, 1843 death of Houqua, the linchpin of the business network centered on Canton. The merchants whose fortunes were closely tied to the development in Canton did not see the Treaty of Nanjing as spelling an end to Canton as an international center of commerce. In fact, the Forbes who had retreated from Canton and fled back to America as military pressure mounted during the Opium War considered business prospects in Canton favorable enough to dispatch one of their own to reconstitute their business and personal connections with Houqua. Because of their unflagging faith in Houqua's ability to direct the global flow of goods and species, the Forbes brothers were determined to station a personal representative at Houqua's side and they spared no effort in installing cousin Sim as Houqua's new partner, thereby attempting to reassert their power in the international center of commerce. Houqua's sway proved once again to be powerful enough to dictate the configuration of the American partnership of Russell & Company to which Houqua's business remained critical. For a moment after the disorder of the Opium War, the court of Houqua in Canton was back in business.

The untimely demise of Houqua threw into disarray the reconfigured order in Canton. Although Houqua had designed his succession plan elaborately by incorporating the various cultural and institutional devices as well as local and global elements, he had not anticipated during his lifetime the drastic changes that would befall Canton right after his death. Houqua's

web of international trade unraveled. After an initial period of disillusionment, those who remained in Canton explored their options. Sim, the new Forbes arrival at Canton, recovered from his distress over Houqua's death and maintained the Forbes' business ties with Houqua's successor. He returned to the United States in 1853 but offspring of the Forbes cousins continued to be stationed in Canton and the new Treaty Ports. They maintained their tight relationship with Houqua's family, mainly for the purpose of leveraging the formidable capital base of Houqua's estate. Business transactions continued but the personal relationship between Young Houqua and the American partners residing in Canton came to follow the cold calculation of commercial profits.

Young Houqua took over his father's business enterprise but he could not assume the stewardship of the business community that this father had led. The transnational business community at Canton lingered on but its very nature experienced a total transformation from Houqua's world of mutual reliance and interest alignment to the opportunistic environment of individual enterprisers in the post-Opium War era. The intricate networks of Houqua were relegated to the memory of a different era. As the remnants of Houqua's business empire suffered from the absence of its powerful linchpin, the global dimension of the network would come to be fragmented and various parties would jockey to appropriate Houqua's capital, reputation and business connections.

Chapter 6. Legacy of a Farsighted Entrepreneur: Houqua's "Swiss Account" in America.

At the outbreak of the Opium War, what began as Houqua's regular shipment of consigned goods to his partners in the United States turned into an allocation of his assets for investment in America which was to be shielded from the tumultuous conditions in Canton. During the military conflicts that ensued, lines of communications were compromised and long voyages around the world compounded the anxiety of the global traders. As Chapter 4 shows, throughout this period of uncertainty, Cushing and the Forbes brothers demonstrated their credit to Houqua who had entrusted them with some one million dollars worth of cargo. The ties between Houqua and the American triumvirate that came to be reinforced during the Opium War, along with the respectable performance of the American partners, in particular John Murray Forbes, in handling the consignments, convinced Houqua to allow his partners discretion over the execution of his trade in America and Europe.

As the seas opened again after the war, Houqua did not lose a beat in resuming his business, and his confidence in his trusted American partners had become all the stronger after the nerve-racking period of suspended communications. Houqua died in 1843, just months after the conclusion of the Opium War. At the time of his passing, he had resumed shipments to his trusted allies, sending to them valuable cargoes not just to generate profits but also to shelter his wealth from the prying eyes of the Chinese officials who were eager to tap into Houqua's wealth to help pay for the Opium War. For the management of such prodigious sums of investment,

Houqua issued no particular directive but expressed his anticipation of fine results "under [the] united care" of Cushing and the two Forbes.[1]

Houqua's adroit maneuvers during those last years of his life left a lasting legacy in his family's investment in the international marketplace. The wartime exchange between Houqua and his team of American partners formed the basis, monetarily and procedurally, for what became his estate's trust account in America. Earmarked simply as "ASI" (American Stock Investments) in the correspondence of his American associates,[2] this portion of Houqua's estate remained invested in America for decades under the direction of John Murray Forbes.

Previous studies have made tangential references to this portion of Houqua's estate invested in America.[3] However, none has explored the pioneering nature of this Chinese merchants' participation in overseas markets in the context of the development of international finance. Nor has anyone explored the investment of Houqua's estate in America as evidence of continuing Sino-American ties forged before the Opium War. Sibing He included in his study of Russell & Company the partnership's dealings with Houqua but as his aim was to investigate the role of trade and the relationship between private economic interests of American individuals and American diplomatic agenda, he did not analyze the development from the perspective of Houqua's estate.[4] Many scholars have traced the impact of foreign trade into the second half of

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[1] MHS Houqua Letters, June 21, 1842.

[2] It was, as we shall see, a misnomer, as the majority of the holdings was in the form of bonds, not stocks.

[3] See, for example, Liu Kwang-Ching, *Anglo-American steamship rivalry in China, 1862-1874* (Cambridge: Harvard University Press, 1962), 12, 179n, 180n, and Stephen Chapman Lockwood, *Augustine Heard and Company, 1858-1862; American merchants in China* (Cambridge: East Asian Research Center, Harvard University; distributed by Harvard University Press, 1971), 141n.

[4] Sibing He, "Russell and Company, 1818-1891: America's trade and diplomacy in nineteenth-century China" (Ph.D. diss., Miami University, 1997).

the nineteenth century but their works mainly examine developments within China during the Treaty Port era, paying scant attention to the flow of Chinese capital amassed in the pre-Treaty Port days.[5] Therefore, scholarship in this area has thus far overlooked the continued interactions of established Sino-American partners in the financial markets; moreover, there is a complete neglect of the participation of Chinese capital in overseas markets in the aftermath of the Opium War.

The deployment of Houqua's assets overseas and the way in which these assets came to be managed in the second half of the nineteenth century call into question the conventional view of the rigidity of the Canton system which supposedly confined the Chinese Hong merchants to one city and the assumption of the fluidity of the international system in the Treaty Port era. An understanding of the establishment of the ASI should help us appreciate the fluidity of the world of international trade and finance before the Treaty Port days. The fate of this investment and the management thereof illustrates the shift in the dynamics of the global marketplace as flexible transnational partnerships gave way to institutions styled to conform to Western capitalistic standards. Houqua's foresight in sending funds overseas and his American trustee's faithful management of his assets challenges us to rethink the constraints of the Chinese capital markets. Mid-nineteenth-century China might not have offered its domestic investors many investment options besides land and physical assets but for Houqua the dynamic investor whose financial dealings had extended to the global marketplace, national divides posed no hurdle as he

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[5] See, for example, Robert Gardella, *Harvesting Mountains: Fujian and the China Tea Trade, 1757-1937* (Berkeley and Los Angeles: University of California Press. 1994), Yen-P'ing Hao, *The Commercial Revolution in Nineteenth-Century China: The Rise of Sino- Western Mercantile Capitalism* (Berkeley and Los Angeles: University of California Press, 1986), William T. Rowe, *Hankow: Commerce and Society in a Chinese City, 1796-1889* (Stanford: Stanford University Press, 1984), and *Hankow: Conflict and Community in a Chinese City, 1796-1895* (Stanford: Stanford University Press, 1989).

constructed the portfolio which was to become his estate. Chinese participation was by no means absent in the development of international finance. By tracing the portion of his estate that Houqua entrusted to John Murray Forbes for investment in America, we see not only the enduring ties of transnational partnership forged before the Opium War but also a pioneering investment of a Chinese financier in markets overseas, all at a time when Westerners had yet to gain traction in their investments in China.

A "Blind Trust" Hidden from Many

Cushing and Bennet were aware of this pool of capital which was to be known as ASI but John remained the sole manager of these funds.[6] Houqua had adopted a hands-off approach and allowed his American partners ample latitude in handling his trade in America and in Europe; that was a smart move that provided the partners flexibility while remaining under the auspices of Houqua. Young Houqua took it a step further and delegated more of the commercial activities to Russell & Company, even for certain transactions conducted locally in Canton. Young Houqua and future heirs did not participate in the investment process of the ASI and would only become actively involved in the deployment of these funds when the family's financial needs required that the funds be called back to Canton.

As additional proof of the trust that Houqua had placed in his American team, the initial amount of this portion of his estate was not specified in the documents, and any accounting record thereof was kept only by John himself. This absence of a specified financial amount paralleled the procedures of Houqua's shipments to America during his lifetime. Although he

[6] For an account of Cushing's life after his retirement from the China Trade, see Henrietta Larsen, "A China Trader Turns Investor," *Harvard Business Review* 12 (1934): 345-58.

would recount after the fact in 1840 to Cushing that his shipment of tea to America and England amounted to "about a million Dollars worth of Tea,"[7] Houqua's tallying of export volume was vague in absolute dollars but concrete in terms of tonnage or chest count. This arrangement reflected the consignment nature of his trade during this period which did not specify ahead of time the sale price of the goods. The final value of the goods realized in their sale was subjected to market fluctuations and execution. Any pretense of a definite calibration using such currencies as the Mexican Dollar, the British pound sterling, or taels would deny the fluidity of the capital markets in that era and the absence of a functional currency with which traders only generations later could reduce all transactions to a common denomination. What truly mattered was the eventual purchasing power the investments would generate for the ultimate beneficiary of the funds, in this case, Houqua's descendants in Canton. It should come as no surprise then that the accounting of the ASI was to become more transparent only when John remitted the funds to Canton.

This trust fund was not only a "blind trust" in the sense that John, as its investment manager, enjoyed complete discretion over the deployment of the capital, but it also remained dormant for much of the next two decades as Houqua's family in Canton was not financially wanting. During the two decades following his death, Houqua's family needed not go beyond the portion of his estate that had remained in Canton to satisfy the capital needs of the family business and to respond to the needs of Houqua's descendants. In the meantime, John, who would not again return to China, managed the assets by investing the money in America. Cushing had retired from the business and left John totally in charge of the capital. Bennet

[7] MHS Houqua Letters, November 21, 1841.

would return to Canton again for a couple of stints at Russell & Company but by the end of the 1850s, he too had departed from China, leaving the task of communicating with Houqua's descendants to Russell & Company partners who were related to the Forbes. The issue of the trust funds in America surfaced only in the late 1850s when N.M. Beckwith, a Forbes relative by marriage who was serving at Russell & Company in Canton, came into frequent discussions with Houqua's heir.

The Different Layers of Houqua's Deep Pockets

The resumption of military conflicts between the Qing state and European powers in the late 1850s ("the Second Opium War" or "the Arrow War") proved to be just as taxing on Houqua's family as the conflicts of the late 1830s and the early 1840s. The financial burden on the Qing court, which Houqua's family was asked to help shoulder, was compounded by the military expenses against the state's domestic enemies during the Taiping Rebellion (1850-64). "The family of Wu Chongyao [Houqua's fifth son, "Young Houqua" as mentioned in the previous chapter[8]] … has risen in power through its trade with the West," wrote the court officials in a memorial, "They have accumulated huge profits and become tremendously wealthy. As such, they should strive to support financially the military efforts of the state."[9]

To make matters worse, Houqua, the family's mastermind in international trade and finance, had passed away almost two decades earlier and the family's role in global business had

[8] Houqua's second son was adopted by his brother and transferred to that branch of the family (ch. 5). For a genealogical account, see Wu Ziwei, ed., *Wushi ru Yue zupu*, 6:31a, and Wu Quancui, ed., *Lingnan Wushi hezu zongpu*, 4:45b-46b, 4:49b, 14:46b-47b.

[9] FHA 03-4128-115 (May 24, 1858). See also FHA 03-4363-003 (March 3, 1853): Houqua's family was ordered to buy rice and ship it to Tianjin as the court's troubles with the Taiping intensified.

greatly diminished. Instead of asserting their previous pivotal function in actively charting the course of business development, Young Houqua who succeeded his father as head of the family business had grown reliant on interests from loans to Russell & Company for income. The enormous capital Houqua had amassed in his lifetime provided an ample source of capital which generated tremendous interest income to fund the large expenses of the family as well as to satisfy the exactions of the Qing state. By 1858, however, the Forbes' representative working alongside Houqua's family would report noticeable erosion to the family's capital and a decided retreat from the commercial and financial markets. In a letter marked "Houqua squeeze," dated August 27, 1858, N.M. Beckwith reported that he learned "from 1340 this morning that he has concluded to back out of the $400~~M~~ [$400,000] loan." "1340" was the code that the partners of Russell & Company had developed as reference to Houqua's family account with the firm. "The gradual diminution of the family fund of 1340 for active use, is I think permanent: I don't believe they will return to his business outside," Beckwith concluded. Nor could it be helped, claimed Beckwith. As he deplored the "forced loans" Houqua's family had to make to the Qing court, Beckwith lamented, "war is a calamity which changes the condition of all, and the wealthiest most."[10]

The financial difficulties of Houqua's family in the next few years proved Beckwith prescient. Continued extortions by the Qing officials compelled Young Houqua to withdraw from its account with Russell & Company in installments of over $100,000 at a time.[11] A Russell & Company partner tallied up the withdrawals Young Houqua made from the family's

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[10] Baker Forbes, G. PSF Box 2, f. 18 1854-60, August 27, 1858.

[11] Baker Forbes, G. PSF Box 2, f. 18 1854-60, January 14, 1859.

account and reported that these withdrawals totaled between five hundred to six hundred thousand dollars over a tumultuous thirty-month period ending in September 1861. This prodigious sum had not yet involved any of the ASI funds under the management of John Murray Forbes in America. The Russell & Company partner estimated that half of the total withdrawals went towards "loans" to the provincial government in Canton while the other half footed the bill of "the general & personal expenses of a great tribe of his brothers' widows, nephews, cousins &c&c dependent upon the great 1340 estate." According to this Russell & Company account, Young Houqua expected to recover someday the money loaned to the provincial government but his American partners were not so optimistic.[12]

Even though Russell & Company was not charged with the total management of Houqua's assets in China, the partners in Canton and Hong Kong were close enough to the family's situation to form a reasonable assessment of its portfolio. Beckwith believed that the estate consisted mainly of rice lands, property in the city, and money that was employed in commercial transactions. The family's holdings of rice lands remained in good condition but the income from these assets could not provide adequate support for Houqua's clan unless they would reduce their expenses. The portion of Houqua's estate invested in city properties suffered tremendous wartime damages; most of what survived was occupied by the family and little remained to generate rental income. As for the part of the estate formerly used in trade, the majority of these liquid funds was consumed by loans to the provincial government which the partners at Russell & Company did not believe would pay even any interest. The family lacked the capital required for the reconstruction of its city properties and continued demands of the

[12] Baker Forbes, G. PSF Box 2, f. 19 Letters to (except from family) 1861-86, September 18, 1861.

government officials might compel Young Houqua to sacrifice the family's holdings of city grounds, Beckwith reported to John Murray Forbes.

The sale of land in the city could provide only temporary relief and Young Houqua might "think the hour of need arrived for which the ASI fund was laid and wish to call it in," Beckwith observed in early 1861.[13] This observation of Beckwith highlighted his understanding of Houqua's intention of leaving a portion of his estate in American investments, to be returned to Canton only as a last resort. Although Beckwith was not privy to the details of the American funds, informed by his conversations with Young Houqua and his correspondence with John Murray Forbes, he understood the "ASI" funds to be an emergency pool of capital for Houqua's descendants. Judging from the rapid depletion of the family's other assets, the moment might have come for the repatriation of Houqua's investments overseas.

Withdrawals made by Young Houqua soon surpassed the floating surplus with which he had invested through Russell & Company. Unfortunately, the family had no other resources at its disposal and could only call on Russell & Company for its repeated rounds of capital needs. During these difficult years, Russell & Company had frequently been unable to meet readily the demands of Young Houqua but he just wanted to access his family's funds with the house as soon as the partners could make them available. Given that a good portion of the withdrawals went to meet the insatiable demands of the government officials, the partners at Russell & Company could not help but sense the injustice of the dissipation of the family assets, both out of concern for Houqua's estate and for the liquidity crisis that these withdrawals inflicted on their own operations. "Everything has been done that could with any propriety to exhibit fully to him

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[13] Baker Forbes, G. PSF Box 2, f. 19 Letters to (except from family) 1861-86, January 20, 1861.

the position of his affairs & the inevitable result that would follow his large and steady calls on us for funds," lamented one partner.

The resistance of the Russell & Company partners notwithstanding, there was no getting around the issue that Young Houqua had for decades enjoyed the stupendous estate of the father and "was never much inclined or interested in business operations." Unlike his father who built the family's assets through aggressive dealings in international trade and finance, Young Houqua confined his transactions largely to the lending of the surplus funds of Houqua's estate to Russell & Company. That arrangement had served both Houqua's family and Russell & Company well. For the former, it generated interest income and for the latter, it provided a reliable source of capital. This symbiotic relationship ended as the interests of the two parties diverged towards the end of the 1850s. Houqua's descendants needed more cash than the interests generated from the funds but Russell & Company had not found a replacement of the much needed capital. Unfortunately for both parties, Young Houqua had "no where [*sic*] to turn for relief except to his funds with R&Co." The partners at the house felt that he would not be denied. "We cannot deny him & it would be of no use to do it—he knows his rights, the refusal would become known & our credit would suffer to a greater extent than the values of all his loans," understood a Russell & Company partner.[14]

As the cash that Houqua's estate had lent to Russell & Company began to dry up, the partners brought up the possibility of returning the family's assets in America to respond to the needs in Canton. Beckwith, who had to respond to the numerous calls from Young Houqua in Canton, claimed not to understand "how the American investment is situated nor who has the

[14] Baker Forbes, G. PSF Box 2, f. 19 Letters to (except from family) 1861-86, July 11, 1862.

control of it, nor anything about it." He requested help from the Forbes overseas to release those investments so that the capital calls of Young Houqua would not precipitate a liquidity crisis for Russell & Company's operations in China.[15]

The correspondence between Beckwith in Canton and the Forbes overseas revealed that even the partners charged with handling the finances of Houqua's family in China knew little about the size or the nature of the assets Houqua had entrusted to John Murray Forbes in Boston. However, Beckwith appeared to appreciate the need to shield the assets from a rapid drawdown by Houqua's family, both for the preservation of Houqua's estate for as long a period as possible and for the continued use of such resources by the operations of Russell & Company in China. Based on his limited understanding of Houqua's mandate and John's interpretation thereof, Beckwith suggested that the investments in America be returned to China. Upon repatriation, he proposed that the assets be locked up in real estate investments that would keep the estate secure for the long term yet generate income for the needs of Houqua's family. Given the turmoil in Canton, Hong Kong might provide a safe haven for the repatriated assets, Beckwith reasoned. "It would be a good thing for the decaying family of 1340, if they had half a million invested permanently in Hong Kong instead of Canton, so that they could only call for the interest." Of course, it was not just a solution for Houqua's estates but also a smart move to safeguard the capital base of Russell & Company. "[I]t would be safer for [Houqua's family] & good for the [Russell] house & might preserve the clan for an indefinite period."[16]

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[15] Baker Forbes, G. PSF Box 2, f. 18 1854-60, March 29, 1860.

[16] Baker Forbes, G. PSF Box 2, f. 18 1854-60, July 30, 1860.

Reaching into the Secret Compartment of the Deep Pockets

By the conclusion of this episode of Qing conflict with Western powers in 1861, John who had served as the safe-keeper and investor of Houqua's estate finally succumbed to these repeated appeals for the return of Houqua's funds in America. He thought it best to return the funds to Houqua's descendants. "[John] thinks it better that the [ASI] funds should be wholly withdrawn by 1340," Beckwith related to another Forbes associate, "and the a/c closed up – or – put in the shape of a terminable trust, by which the interest only could be called for till the termination of the trust, and thus the principal paid over to the heirs at Law." On this matter, John instructed Beckwith to consult with Young Houqua and see if they could set up the trust as he had envisioned it. Houqua had entrusted the funds to John for long-term investment because he did not expect any need for the capital in the foreseeable future—his assets in Canton should more than suffice. As such, John had managed the money to maximize its appreciation over the long haul. However, two decades had passed and the capital needs of Houqua's family had grown more pressing and John shifted his emphasis in his capacity as the trustee of these assets. Instead of the focus on long-term appreciation potential, John became more concerned about preservation of the assets while recognizing the demands on the funds for the continued maintenance of the expenses of Houqua's family. Hence, he proposed that a formal trust be established from which interests would be paid out to the family and principal preserved until the trust's termination.

Beckwith, however, complained that it would be challenging to create such a trust properly and that it was "difficult to make 1340 understand matters of this kind," blaming it on the lack of clarity to him of the details of John's arrangement with Houqua. He voiced his resentment that he knew "nothing or so little about the origin & intention, as to those various

loans, & funds" which he supposed "all hung together." So ignorant he felt that he would be "working in the dark."[17]

It is ironic that the funds originated from *ad hoc* shipments Houqua made to his partners in America, all done on an informal basis, but the conclusion of this trust began with a proposal to formalize the arrangement, rendering it "proper" according to legal standards and resorting to such legal definitions to dictate its final dissolution. This drastic difference in the treatment of these assets in the beginning and the end reflected partly the eroding personalistic ties between the Forbes in America and Houqua's descendants in Canton. This erosion of ties notwithstanding, John had managed faithfully the assets and expressed a commitment to account for the portfolio as a distinct account separate from other assets at his disposal. Perhaps this change is more of a reflection of the growing confidence in the use of legal channels as a framework of structuring financial dealings at the expense of personal relations and connections as the nineteenth century unfolded.

To John in America and Russell & Company in China, Houqua had left two different pools of capital. John had invested for Houqua's estate funds of a size unknown to those in China, thereby protecting the assets from their premature dissipation. The other pool of capital, left in Canton, had continued to finance in part Russell & Company's operations and generated income which, together with withdrawals of the principal, had funded the expenditures of Houqua's descendants for two decades. That the assets in Houqua's ASI account were recorded only in John's books in America shielded them from the prying eyes of Houqua's family, the Qing court, and even the Russell & Company partners who were eager to leverage Houqua's

[17] Baker Forbes, G. PSF Box 2, f.19 Letters to (except from family) 1861-86.

estate to fund their own capital needs. At this point of its unwinding, however, partners on the ground in China were anxious to aggregate what had remained of Houqua's capital held by the Forbes and Russell & Company. "If the whole fund, say loans of $200M & $100M & the ASI fund, could all be placed in trust—for an indefinite period or a limited period during which interest could be called for," suggested Beckwith in the same letter dated January 14, 1861, "it might be better for all sides." "All sides" referred to Houqua's family which stood to benefit from the interest, John who could rid himself of this continued burden, and the Russell partners who could then access the capital by borrowing from the funds. Beckwith, however, was not sure if Young Houqua "would or could make a Trust so that the loans could be used in business, or whether he could or would make a separate trust of the ASI fund - & c & c." Whether lumping together the funds in America and the capital Houqua's family had lent to Russell's operations in China or not, Beckwith questioned how Young Houqua would react: "He might be glad to have the subject brought up, & have things put in a more permanent & formed shape, and might be disturbed by the proposition, and think it meant an advantage to the other side." It could be a windfall for the R&Co. partners in China as it would provide an exceptional capital base to their operations but in light of the uncertainty of the response from Young Houqua, Beckwith wondered if he should not just "let well-enough alone, and take chance for the future."

Sizable as Houqua's estate was, the Canton portion was quickly dissipating through the combined efforts of the living requirements of his family, the deterioration of asset values during wartime, as well as the continued exaction of the Qing state. In order to keep producing ready cash for Houqua's descendants, the family's contact in China would soon have to reach into the deep pockets in America that Houqua had created for the protection of his estate. According to a Russell & Company partner in Hong Kong, John Murray Forbes began sales of the ASI in March

1862. The liquidation of these American investments started off at a measured pace for two reasons. First, stock prices fluctuated with the onset of the Civil War in America. Second, the capital requirements of Houqua's descendants were sizable but did not require the immediate liquidation of the entire portfolio in America. The Russell & Company partners in Hong Kong were delighted that the sale of these American investments coincided with "a general rise in value of stocks in consequence of the [U.S.] government victories." The plan was "to begin sales early & not be obliged to force anything but to move out gradually [so as to] have the money within reach when the need arises." The partners in Hong Kong were counting on the return of the ASI funds but according to their calculation, the balance of loans from Houqua's family would meet their capital calls in the near term. Perhaps with the anticipation of tapping into another pool of funds, Young Houqua was "as friendly with the house as ever."[18]

The anxiety over their financial needs soon subsided either because the extractions of Houqua's estate by Qing officials abated or the gradual sale and remittance of funds from America proved sufficient to respond to their needs. In either case, Houqua's family remained an important stakeholder in Russell & Company throughout the 1860s. In 1865, the house recorded liabilities of 200,000 dollars towards "1340" and this loan would remain outstanding into the late 1870s.[19] In addition, the various Russell & Company offices would continue to conduct trade on the account of the ASI, probably with the funds remitted from the United States. The office in Shanghai shipped drills for the "ASI account" in 1868 for which the partners even

[18] Baker Forbes, G. PSF Box 2, f. 19 Letters to (except from family) 1861-86, July 11, 1862.

[19] MHS Forbes Reel 37B/No.18, Folder 1-3.

purchased insurance in the name of ASI.[20] Moreover, besides the $200,000 loan due "1340," the house often carried on its books such liabilities as "Houqua's funds for T[ea]" in the range of $100,000, not an insignificant amount when the partners' capital aggregated around half a million and the total assets of the firm barely exceeded two million dollars.[21]

Houqua's family continued to make withdrawals from their account with the American partners in the 1860s and into the 1870s, albeit in lower amounts and at more infrequent intervals. For instance, the partners in Shanghai noted in an April 13, 1870 correspondence that "Houqua has made a call on us for $50000 which are [*sic*] met."[22] No complete records have survived to enable us to tally up the total withdrawals Houqua's descendants made during this period but the archival entries made it clear that these capital calls crescendoed into an orchestrated program in 1874 which yielded $300,000.[23]

The Size of and the Holdings in this Treasure Trove

The 1874 records also revealed for the first time the exact holdings in the ASI. Of the sales in 1874, the largest investment in a single business concern was in "CB&Q." Some twenty six percent of the proceeds from the 1874 sales came from the disposal of "CB&Q", "CB&Q7s" or "CB&Q7%" (Chicago, Burlington and Quincy Railroad 7 percent bonds) which yielded

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[20] Baker Forbes, Series L. J.M. Forbes & Company papers, 1834-1988, Subseries I: Financial records, 1838-1968, v. L-13 JMForbes & Co. Letterbook May 23, 1868 – March 29, 1870, 11, 117, 161.

[21] MHS Forbes Reel 37B/ Number 18/ Folder 1-3, Accounts and other documents between Francis Blackwell Forbes and Russell & Co., 1868-1886.

[22] Baker Forbes, G. PSF Box 2, f. 19 Letters to (except from family) 1861-86, April 13, 1870.

[23] Baker Forbes, Series F. John Murray Forbes papers, 1829-1891, Subseries III: Forbes family trust and estate papers, 1834-1988, Box 16, folder 9, Houqua, 1873-1879, August 4, 1874.

anywhere between $97 and $106 plus accrued interest for each bond of $100 face value, depending on the date of sale. Another five percent of the proceeds came from the sale of "Bur & Ills RW RR 8% Convts" (Burlington & Illinois Railway Railroad 8 percent Convertible Bonds), realized also along with accrued interest.

Most of the smaller holdings were in railroad companies as well. The sale of bonds in "Ill Gd Tk" (Illinois Grand Trunk Railway) constituted five percent of the total. Yet another five percent came from the sale of "Phil Wil & Balts" (Philadelphia, Wilmington and Baltimore Railroad) which yielded some $53 per unit of investment with no accrued interest, reflecting perhaps that the investments in this concern were in the form of stock and not bonds. The ASI holdings in "Am. Central" (American Central Railway) the sale of which constituted eleven percent of the total proceeds, however, included definitely both stocks and bonds. There were the "Am Central 8s" (8 percent bond) and the "Am. Central Shrs" (shares, or stock). In addition, there were investments in "Quincy Warsaw Shrs" (Quincy and Warsaw Railroad shares), "Dixon P&H" (Dixon, Peoria and Hannibal Railroad), and "Carthage & Bur" (Carthage and Burlington Railroad). Fourteen percent of the proceeds came from investments labeled "Ottawas" and another four percent from "Nebraska," both business enterprises involved in the construction of railroad. All told, these investments in railroad companies represented some three quarters of the portfolio liquidated in 1874.

Besides railroad investments, the other notable holdings of Houqua's estate in America were United States government debt. The sale of three series named "US 6% 1881," "US 5/20 1867," and "US 10/40 1867," completed on August 12, 1874 at premiums varying from 113 ¾ and 118 3/8 per bond of $100, fetched in the aggregate $50,206.25, representing close to twenty

percent of the total proceeds in the 1874 sales.[24] Apparently, through the assets Houqua had entrusted to John Murray Forbes, the descendants of Houqua who stood to benefit from the ASI were unwitting participants to the financing of the Civil War in America, just when the family was held responsible for China's own civil war, the Taiping uprising.

It is important to note, however, that Houqua's descendants appeared to be largely oblivious to the nature of the ASI holdings. Houqua's assets were instrumental to the financing of America's railroad and the funding of the American Civil War. Nonetheless, the nature of this "blind trust" that Houqua left in John Murray Forbes' care represented the total confidence Houqua and his family had in John' ability to invest on their behalf without any periodic reporting of the holdings. Our knowledge of the precise holdings in the ASI came not from John's briefing the beneficiaries of the ASI on the investments but internal records in America regarding the sales of ASI assets.

It should not come as a big surprise that John invested Houqua's American assets in such ventures because they reflected the significant economic developments in the United States at the time and thus comprised a substantial portion of the opportunity set available to investors in America during that period. Surely, Houqua's estate contributed to the construction of railroads in America and not China. However, the sense of crisis in national economic development did not arise until after Houqua's time. For the transnational investor in the early- to mid-nineteenth century, the search for profits knew no national boundaries and needed not follow any patriotic agenda. Though not transparent to Houqua's heirs, the transnational partnership between the two financiers-cum-investors, Houqua and John Murray Forbes, allowed the management of

[24] Baker Forbes, Series F. John Murray Forbes papers, 1829-1891, Subseries III: Forbes family trust and estate papers, 1834-1988, Box 16, folder 9, Houqua, 1873-1879.

Houqua's estate to transcend political boundaries and extended Houqua's investment options beyond holdings in physical assets, land and real estate in the local area of Canton, the only vehicles for wealth accumulation according to our conventional view on China's capital market at the time.

The correspondence between the Forbes in Boston and Russell & Company's officers in Hong Kong indicates that the sale in 1874 was to produce $300,000. In a letter dated August 4, 1874 signed in Chinese Haoguan (浩官) and in parentheses "Houqua," Houqua's heir instructed the Forbes in Boston to send to "Messrs Russell & Co. … Three hundred thousand dollars United States currency ($300,000 U.S. currency), which draft please honor to the debit of the A.S.I. account." Trusting the Forbes in Boston in deciding the manner in which to "disperse of such bonds or stocks belonging to this fund as may seem best in [their] judgment," Houqua's heir issued his instruction on the liquidation of one half of Houqua's ASI holdings.[25] "ASI quite satisfactory, Howqua has authorized us to withdraw from America *one half*," (italics mine) the partners in Hong Kong had communicated to the Boston office on July 24, 1874.

In response, the Boston office reported on August 17, 1874 that they had "accordingly begun sale of the securities," that they planned to "continue sales as fast as they can be made without injury to the account and trust" and that they expected to be "able to close the necessary account within a month or two."[26] The aforementioned sale of securities in railroad companies and U.S. government bonds did indeed close within the next few months, between July 29, 1874

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[25] Baker Forbes, Series F. John Murray Forbes papers, 1829-1891, Subseries III: Forbes family trust and estate papers, 1834-1988, Box 16, folder 9, Houqua, 1873-1879, August 4, 1874.

[26] Baker Forbes, Series L. J.M. Forbes & Company papers, 1834-1988, Subseries I: Financial records, 1838-1968, v. L-14 Foreign letter book, April 1, 1870-September 18, 1874.

and October 27, 1874 to be precise. That the financial records approximate the intended withdrawal communicated in the correspondence confirms that the balance of Houqua's investment in America stood at some $600,000 (twice the withdrawn amount of $300,000) before the withdrawals in 1874. Along with the withdrawals made before this orchestrated program of liquidation, total ASI investment should have been anywhere between three quarters of a million and a million dollars.

One cannot be certain what percent of Houqua's estate the ASI represented. The oft-cited estimate of Houqua's net worth is that provided by William Hunter, an associate in Russell & Company, who asserted that Houqua offered on one occasion in 1834 the figure of $26 million, taking into consideration "his various investments in rice-fields, dwellings, shops, and the banking establishments known as shroffs, and including his American and English shipments."[27] There is no confirming evidence to Hunter's assertion of Houqua's calculation and the illiquidity of many of the investments which constituted Houqua's portfolio would have rendered any estimate approximate at best. Nonetheless, if we base our calculation on this oft-cited estimate, the ASI would have represented some three to four percent of Houqua's assets, not a significant portion of his overall net worth but a respectable diversification in markets overseas, especially in light of the investment conditions at the time.[28]

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[27] Hunter, *The "Fan Kwae" at Canton*, 48.

[28] Although their portfolios included some of the same American securities, Houqua's estate and the investment portfolio of his partner Cushing stood in sharp contrast. While Houqua's ASI represented an impressive diversification from Chinese holdings into investments overseas, Cushing turned away from foreign investments as he increased his focus on American investments by the late 1830s (Henrietta Larsen, "A China Trader Turns Investor," 351). Their increased allocation to American assets, albeit to different degrees, served their portfolios well, reflecting largely the changing landscape of international finance in the second half of the nineteenth century. Noteworthy here is the agility both investors showcased as they traversed the world of investment opportunities.

Dissolution of the Trust and Gradual De-Personification of the Relationship

The tone of Houqua's heir as he issued instructions to liquidate one half of the ASI holdings was more formal than that found in any previous documentation concerning the American investments. However, even the wording of the August 4, 1874 letter signed "Houqua" and Haoguan in Chinese (浩官) continued to underscore the intimate connection between the two families which had functioned well as partners in trade and investments. Acknowledging the origin of the funds which were entrusted to John Murray Forbes during Houqua's lifetime, this son of Houqua who had assumed the role of the second representative of Houqua's estate after the death of his brother in 1863 wrote, "I now confirm all that you have done with the funds originally placed in your hands by Messrs Russell & Co. for investment on account of my Father." Then he showed his gratitude to the Forbes for their service, "avail[ing] of this opportunity to express my approval of your management of said funds for my Father during his life, for my brother during his life, & for myself during the time you have been responsible to me."[29]

By 1874, the management of the ASI had already endured over three decades which witnessed the passing of Houqua and Young Houqua, his fifth son and the first heir to his estate. This first heir had made the acquaintance of John Murray Forbes during his stay in Canton. His brother, Houqua's seventh and only surviving son by 1874, who had become the second representative of Houqua's estate, was fourteen years old at the time the ASI was established at the conclusion of the Opium War. Therefore, he had never worked alongside John (see Figure

[29] Baker Forbes, Series F. John Murray Forbes papers, 1829-1891, Subseries III: Forbes family trust and estate papers, 1834-1988, Box 16, folder 9, Houqua, 1873-1879, August 4, 1874.

5.1).[30] Without any formal accounting for the balance of the trust on a periodic basis, Houqua's family had entrusted its management to the Forbes in Boston for over three decades, communicating only intermittently through their representatives in Canton and Hong Kong. On this occasion when the family requested the repatriation of half of the investments, Houqua's last surviving son thanked the Forbes in America whom he had barely known personally but in whom he had placed tremendous trust because of the confidence his father and brother had shown towards these partners.

Even after the withdrawal from America of half of the ASI funds, the balance of Houqua's estate invested with the American partners remained significant. Benefitting from the continued accrual of interest and fluctuating with market valuations, Houqua's account with Russell & Company in 1877, recorded under the name of "JMF Trustee 'H,'" stood at 428,978 taels, or some $600,000 at the exchange rate of $1 to 0.72 tael, representing over one third of the company's outside liabilities.[31] This amount probably included some of the assets repatriated in 1874 but not yet distributed to Houqua's family. The repatriation of the assets to Hong Kong and Canton was but a first step to the program. Once the capital reached the local offices of Russell & Company, the partners there were charged with the investment of the money locally for income generation and capital preservation for Houqua's family before the funds were liquidated to meet capital requirements. No doubt, the investment of such funds in China not only served the purposes of Houqua's family but also alleviated the perennial capital needs of

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[30] He was actually Houqua's seventh son by birth but the second son was adopted by Houqua's brother. For a genealogical account, see Wu Ziwei, ed., *Wushi ru Yue zupu*, 6:49b, and Wu Quancui, ed., *Lingnan Wushi hezu zongpu*, 4:46b.

[31] MHS Forbes Reel 37B/No.18, Folder 1-3.

Russell & Company. Therefore, despite the express intention of Houqua's heir to retrieve half of the investments in America, the financial dealings between Houqua's family and Russell & Company continued to make their fates intertwined.

Without much fanfare, the Forbes in America had resumed the sale of Houqua's ASI again by 1879. The Forbes in Boston received a telegram sent on March 1, 1879, notifying them, "Houqua wishes you to sell at your discretion investments for his account. Net proceeds can be held awaiting documents." Another telegram dated March 14, 1879 stated that "all documents connected with ASI have been signed."[32] A letter sent from the Hong Kong office of Russell & Company via San Francisco dated March 17, 1879 confirmed the telegraphed message as it reiterated "Houqua's desire to have the balance of the ASI account remitted to China." As for the reason of this final withdrawal, the letter offered this: "The demands of his family for increased allowances makes [*sic*] him anxious to take advantage of any favorable opportunity to add to his income." The beneficiaries of Houqua's estate in China had gone through the previous remittance at a rapid pace; the $300,000 repatriated in 1874 hardly lasted five years.

[32] Baker Forbes, Subseries III: Forbes family trust and estate papers, 1834-1988, Boxes16, f.10 Houqua, 1873-1879, March 14, 1879.

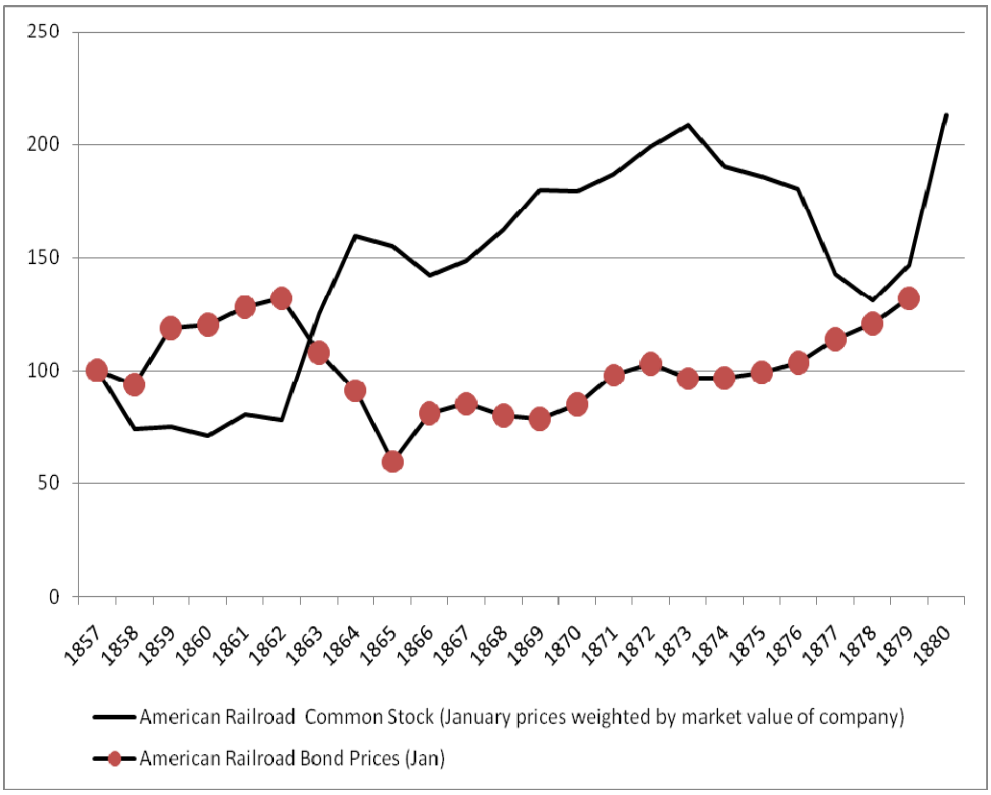


Figure 6.1. Indices of American Stock and Bond Prices around the investment lifespan of the ASI. Source: Frederick R. Macaulay, *Some Theoretical Problems Suggested by The Movements of Interest Rates, Bond Yields and Stock Prices in the United States Since 1856* (New York: National Bureau of Economic Research, 1938; reprint, London: Risk Books, 1999), A208, A221.

From the graph above, it is evident that this sale in 1879, just as the sale in 1874, responded not to opportunities of cashing in on price appreciation of the investments but to the needs of the beneficiaries of the ASI. American Railroad stocks had dropped in value, having lost over twenty percent in value since 1874. Bonds, however, had seen a rise in valuation over the same period. Nonetheless, the order from Canton was not to select securities for sale based on their valuation but to dump everything in the portfolio to generate cash for repatriation and ready access.

Houqua's descendants were not the only beneficiaries of the repatriated ASI, however. As the remainder of the ASI returned to China, Houqua's heir had agreed to offer a loan in Shanghai to be secured "by the hypothecation of Real Estate," most likely for the use of the

partners of Russell & Company there. It was therefore reasonable that in relaying the gratitude of Houqua's heir to the Forbes in America "for the care taken of his property & for the handsome increase realized," the Russell & Company partners in Hong Kong and China added their own thanks and expressed their hope that "when the present loan expires Houqua may be induced to again place the care of his interests in your [the American Forbes'] hands."[33] There was on the one hand the severing of financial ties between Houqua's estate and his old partners in America. There was on the other hand the intensified mingling of assets between Houqua's heirs and the operations of Russell & Company in China.

Extant records for this second tranche of the sale are even less complete than the orchestrated liquidation in 1874. The portfolio of ASI must have continued to include many railroad securities because the Forbes were still crediting the ASI for interest payments from holdings such as Nebraska Railway Bonds and Chicago Burlington & Quincy Railroad in 1878. There also remained in the portfolio U.S. public debt: the ASI received interests of $675 for "27000$ US 10/40 Bonds" on March 7, 1879. On the same day, the Forbes also recorded receipt "for sales of securities of ASI under orders from Russell & Co. Hong Kong who are to produce authority in due course" $6,096.25 from the sale of "US 6% Bonds of '67," $10,210.25 from the sale of "Republican & RR 6% Bds 102." In less than a week, the ASI account received proceeds, net of commissions, of $34,446.79 for the sale of "Ottawa Oswego & FRV RR Bonds," shares in "Burr & Mo Riv RR in Neb," "Leav. Lawrence & Gal. RR Bonds," "Nebraska R'y Bds," and "Ch. Bur & Q RR 7%." Recorded over the next few days were further sales of ASI holdings: $9,016.25 for 75 shares of "Bur & Mo Rev RR," 1,445 shares in "Ch. Burr & Q RR," and a total

[33] Baker Forbes, Subseries III: Forbes family trust and estate papers, 1834-1988, Boxes16, f.10 Houqua, 1873-1879, March 17 1879.

of $32,025.62 for 105 shares in "Phil Wil & Balt RR," 25 shares of "Bur & Mo Rev RR," and $9,000 face value of "Eastern RR Bonds." Thereafter, the ASI would continue to record proceeds from further sales, many in installments of over $100,000, but these entries did not include details on the securities sold. To sum up the proceeds of these sales, an entry on April 30, 1879 credited the ASI account "[f]or prds of former & as rec'd Ap'l 30 '79 to fd to latter, sales under orders from Russell & Co att'y for Houqua owner of the securities" in the amount of $490,772.24.[34]

What had begun informally as Houqua's consignment entrusted to John Murray Forbes along with his brother Bennet and cousin John Perkins Cushing concluded with a formal documentation certifying the account's dissolution. Included in the Forbes' records of the ASI was a document dated July 12, 1879, signed Wu Chonghui Haoguan in Chinese (伍崇暉 浩官)[35] with a red dot seal.

This legal document opened with the drafter's vague understanding of the genesis of the American investments of Houqua's estate: "before the fifteenth day of August in the year one thousand eight hundred and forty-two, certain sums of money were deposited with and remitted to and put into the hands and possession of John Murray Forbes, now of Milton, in the State of Massachusetts, for care and investments by How Qua, a merchant of China, which sums of money with all additions and increments thereto." The drafter took pains in specifying in this document which was deemed to be legally effective the names and places of residence of the parties involved, John Murray Forbes and Houqua (rendered here as two separate words and with

[34] Baker Forbes, Series L. J.M. Forbes & Company papers, 1834-1988, Subseries I: Financial records, 1838-1968, v. L-22 Journal, 1878-1881.

[35] See Footnote 32.

a "w"). However, for the date of establishment of this trust, the document could offer nothing more definitive than that Houqua had entrusted the capital to John by a certain date in 1842. Nor was the writer capable of specifying an exact amount entrusted; but he knew that the capital came in various installments as "additions and increments." This lack of specificity reflects the origin of this fund in the capital generated by Houqua's consigned goods to America on different ships at various times, and the fact that at the time of its establishment, Houqua could not be sure of the proceeds sales of such goods would produce.

The text continued, "except so far as they have been paid or transmitted to the legal successor of the said How Qua, or his lawful attorney, [the sums] have come to the possession of the partnership consisting of the said John Murray Forbes, and his sons William Hathaway Forbes and John Malcolm Forbes doing business under the style and name of J.M. Forbes & Co." Thus began the crux of the document when Houqua's surviving son, the signatory of this document, acknowledged the receipt of remitted funds from time to time by "legal successors" of Houqua. The rest of the capital apparently had gone only to John Murray Forbes and his two sons who had formed together a partnership to function as the trustee of the assets. The archives of Russell & Company and the Forbes paper indicate clearly that not all Russell & Company partners were privy to the nature or size of the trust. The exclusivity of the information had actually gone further: even John's brother Bennett and his cousin John Perkins Cushing had not exercised their roles as consultants to John in the management of the funds.

A description of the event that had precipitated the closure of the funds follows: "it is now intended and desired that all the moneys due from the said firm of J.M. Forbes & Co. to the estate of the said How Qua or to his heir or successor, or to the person entitled by the laws of China to receive the same, shall be paid, and all accounts arising from the dealings of the said

John Murray Forbes and of the said J.M. Forbes & Co. with the said How qua and with his successors, heirs, or legal representatives, shall be settled, adjusted, and the said John Murray Forbes and J.M. Forbes & Co. discharged from all liability therefor." Houqua's heir had initiated this liquidation process and the recipient of the funds had to be the legal beneficiaries of the trust. John and the company he had formed with his two sons were to be released from all responsibilities thereafter. The document was to serve as a representation of Houqua's surviving son as the legal heir to Houqua's estate. It did not matter that at the time of the trust's creation the beneficiaries were ill-defined because its establishment was predicated on the mutual understanding between Houqua and John Murray Forbes as to who Houqua's true heirs should be. After all, John had worked alongside Houqua and knew his family. However, by 1879, many of the personal relationships had dissolved with the deaths of many and the numerous parties on the Forbes side who had succeeded as the contact person for Houqua's family. Therefore, by signing this document, Houqua's surviving son indemnified John and his two sons against conflicting claims of rightful inheritance of Houqua's estate. In establishing the trust, the parties known personally to one another needed only an implicit understanding of the purpose and nature of the funds. In closing this financial arrangement, however, the Forbes brought to bear what they considered to be effective legal protection to avoid further claims against them on the basis of their having served as trustees to Houqua's assets.

This only surviving son of Houqua continued,

> Now therefore, I Ng Shing Fai How Qua, of Canton, in China aforesaid, do for myself, my heirs, executors, administrators, successors, and personal representatives of every name and description, covenant with the said John Murray Forbes, William Hathaway Forbes, and John Malcolm Forbes, their heirs, executors and administrators, jointly and severally, that I am the lawful successor, heir and personal representative of the said How Qua first named, and of his first successor and heir Ng Shing Yow How Qua, that I am the person lawfully entitled by the laws of China to demand, collect and receive all debts

> and demands due to the estate of the said How Qua first named and to his first successor and heir aforesaid or either of them; and that I will indemnify and save harmless the said John Murray Forbes and the said partnership of J.M. Forbes & Co. form and against all claims by or on account of any and all moneys paid by them or either of them to me or my lawful attorneys on account of debts due to said How Qua first named or his first successor and heir aforesaid, asserted by any person whatsoever.

This is a carefully drafted legal document specifying the various parties involved. Houqua who established the ASI needed not provide his Chinese name at the outset. Nor was his Chinese name necessary in this legal document when references to him were made. It was fine for the Forbes to have referred in the internal documents to the successive heirs of Houqua's estate simply as "Houqua." However, it would not suffice in this legal document. The signatory "Ng Shing Fai How Qua" had to represent himself as the heir to "the said How Qua first named," following his brother "Ng Shing Yow How Qua." Just as important as the specification of the parties involved on Houqua's side, it was as imperative to indemnify *only* John Murray Forbes, his two sons and their company against future claims. The financial dealings of Houqua's family with John's family in America had ceased but that only channeled more of the remitted funds through Russell & Company with whom Houqua's family remained financially entangled. Of course, this indemnity extended not to other Forbes family members or Russell & Company associates. Extending the indemnity would not only have misrepresented the financial calculation in Canton but also implicitly precluded future use of capital from Houqua's estate in the operations of Russell & Company.

Nothing could be left to chance for the execution of such an important document. The signing of the document was witnessed by the U.S. Consulate in Canton who certified that "Ng Shing Fai Houqua" whom had had "personally know[n]" executed the document "as his free act

and deed."[36] As evidence of his witnessing this act, the Consul signed and pressed his official seal on the document. The deliberate employment of official paraphernalia on this document is evident. John and his sons had demanded this legal document along with the additional reassurance of the U.S. Consulate's confirmation to guard against any legal proceedings anyone might launch against them for any further demands on them in conjunction with the ASI. Unlike the personal letters between the Forbes and Houqua which established the trust, the preparation of the documents of dissolution was not to be handled by amateurs but legal professionals in America. For the "[l]egal service on a/c A.S.I.," in particular, on "consultations, advice, and examination of papers, in relation to settlement with estate of How qua and drawing contract of indemnity," Messrs. J.M. Forbes & Co. had paid E.R. Hoar $150 by April 30, 1879. This set of documents might not have held much legal power in China but it could have proven effective in a U.S. court of law should the occasion arise. The search for profit knew no national boundaries but the protection from legal claims was highly specific to territorial jurisdictions.[37]

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[36] Baker Forbes, Subseries III: Forbes family trust and estate papers, 1834-1988, Boxes16, f.10 Houqua, 1873-1879, July 12, 1879.

[37] By September 23, 1879, the ASI account had been closed in the books of Messrs J.M. Forbes & Co. However, Russell & Company opened in its place an account called "John M. Forbes Jr. Trustee" which took over "everything pertaining to" the ASI account. This namesake of the one who partnered personally with Houqua was not his own offspring but his cousin. John Murray Forbes, Jr. (1844-1921), along with his brother Francis Blackwell Forbes ("Frank") (1839-1908), was active in Russell & Company around the 1880s. As John wrote to Frank on January 18, 1881 when he was preparing for a return trip to China, he was to "come to Shanghai en route to Hong Kong in order to go into the future arrangements of R&Co. with you & to see about 1340 Trust funds." This new trust which took over from the ASI in 1879 continued to channel unfinished business of the ASI for the next few years. On December 1, 1882, John M. Forbes, Jr., in his capacity as "Trustee for Houqua," recorded the receipt of $1,312 and additional securities which included "Certf No. 24831 for 4 sh. Chicago Burlington & Quincy" as well as railroad bonds with face value of $40,000 and coupons from four to six percent. Baker Forbes, Subseries III: Forbes family trust and estate papers, 1834-1988, Boxes16, f.10 Houqua, 1873-1879, September 23, 1879 and December 1, 1882; MHS Forbes Reel 27/ Number 5/ Folder 7/116 docs/ Business letters from John Murray Forbes, Jr. (1844-1921; FBF's brother) in Boston, New York, and China, 1879-1906, January 18, 1881.

That the conclusion of the ASI entailed such a carefully crafted legal document echoes Lydia Liu's observation on the power dynamics imbued in the translation of international law.[38] Although the document Houqua's heir signed was designed for efficacy in the American court of law, just as in the case of the translation into Chinese of Henry Wheaton's *Elements of International Law* for the Qing, it represented not just a textual and diplomatic event but also an epistemological shift that helped justify the subjugation of Chinese participants in relationships that had started out on more equal footing. Houqua had executed with his signature brush stroke documents written in English that carried no greater weight than the contracts he signed in Chinese.[39] Business partners in pre-Treaty-era Canton had communicated in pidgin English (and pidgin Chinese) with no obvious cultural insinuation so as to bridge the language gap and to facilitate economic exchanges.[40] By the 1870s, such fluid juxtaposition of linguistic media had given way to a vision of the global in which Western concepts dominated, all in the pretense of a mission to civilize the uninitiated into a reified universal regime.

Thus ended the investment of Houqua's estate overseas thirty six years after his death. The lasting legacy of Houqua's investments with the Forbes through Russell & Company, however, endured. Even after the repatriation of the assets, the financial entanglement between Houqua's estate and Russell & Company lasted another twelve years and did not dissolve until the failure of the latter in 1891. On August 4, 1890, W.H. Forbes, who was struggling with the financial collapse of Russell & Company, wrote to his cousin, Frank, "The Houqua Trust is

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[38] Lydia H. Liu, *Clash of Empires: The Invention of China in Modern World Making* (Cambridge, MA, USA: Harvard University Press, 2004), ch. 4.

[39] See Chapter 3.

[40] See Chapters 3 and 5.

giving us most trouble & as this account account [*sic*] it has become necessary for Tomes [Charles Alexander Tomes (1854-1933)] & myself to go into bankruptcy here."[41] As the Forbes weighed in on the matter, John Murray Forbes, the one who had worked alongside with Houqua, had thought that it might have been possible "to tide them over, as it was said that about $300,000 would do this." However, he soon realized that "the liabilities were very much greater." The partners then became convinced that it was impossible "to interest friends in a limited company without full details as to the liabilities & position of the house." First among the factors they listed as major hurdles for any rescue effort was "[t]he complications with Houqua."[42] Their predominant concern of the partnership's indebtedness to Houqua's family, relative to the $300,000 infusion that they had thought could have kept the firm afloat, suggests that Houqua's family could have continued to tie up half a million dollars or more in Russell & Company as late as in 1891, comprising repatriated proceeds of the ASI and any remnants of surplus capital Houqua's family had lent to Russell & Company.

Russell & Company did not survive this crisis of 1891 and gone with the collapse of the firm was the lasts remnants of Houqua's investment in and through his American partners, deployed overseas and locally. Half a century after the genesis of Houqua's investments in America and almost as long since his death, Houqua's descendants received the last payment for the capital their illustrious ancestor had entrusted to his allies in international trade and finance.

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[41]MHS Forbes Reel 29/Number 6/Folder 2 Letters to Francis Blackwell Forbes from Russell & Co. officials, including G[eorge]. H. Wheeler, William Pethick, F. D.[W?] Hitch, and F[rederick]. D. Bush, about the failure of Russell & Co. and other subjects, 1861-1892, August 4, 1890.

[42] MHS Forbes Reel 29/Number 6/Folder 2 Letters to Francis Blackwell Forbes from Russell & Co. officials, including G[eorge]. H. Wheeler, William Pethick, F. D.[W?] Hitch, and F[rederick]. D. Bush, about the failure of Russell & Co. and other subjects, 1861-1892, June 16, 1891.

According to Charles A. Tomes who started a new partnership from the ashes of Russell & Company, the Shanghai property of Russell & Company was sold for 400,000 taels. After commissions and fees, "all the Howqua family gets is about Tls 300,000."[43]

The End to the Partnership

The final fate of Russell & Company revealed the critical role Houqua's funds had played in the financial operations of the partnership. Compared with the practice of renegotiating the composition of R&Co. partners and the associated recurring reconstitution of partners' capital, Houqua's estate formed the most permanent source of capital for the operations of the firm. Without the loans from Houqua's family, the firm would not have outlasted the many partnerships that had gone bankrupt during the various global financial crises of the nineteenth century. Nor would the firm have operated on the same scale. On the other hand, Houqua's family generated handsome interest income from the loans and more importantly, benefitted tremendously from this arrangement which sheltered the family's assets from both official extractions and dissipation by Houqua's descendants.

This symbiotic relation worked better when the assets remained in the United States under the care of Houqua's personal friend and partner but even he could not prevent Houqua's heir from calling the money back for the family's use. John Murray Forbes did not receive a clear mandate from Houqua, at least not in any document articulated legally or otherwise. However, he invested his partner's funds as he knew best in his world of opportunities of American economic development and these investments preserved the capital and generated

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[43] MHS Charles A. Tomes Letterbooks 1886 – 1914, Box 2, Book 1: Letters 1892-1895, September 15, 1893.

profits in a manner consistent with the commercial and financial strategies Houqua employed during his lifetime. In keeping with the reason Houqua initiated these American investments, John protected for decades the funds from unwarranted withdrawals. Despite the less than optimal conclusion to Russell & Company, the ASI enriched Houqua's descendants through the different rounds of repatriation and measured distributions.

Judging from the repatriation of the ASI, Houqua's trust in his American allies paid off. It might have been a stroke of luck that John Murray Forbes, who outlived Houqua by more than half a century, enjoyed a long life and honored the trust Houqua had placed in him. However, such personalistic ties should not be considered a suboptimal form of business arrangement in the context of early- to mid-nineteenth century global commerce. In an environment where the enforcement of legal contracts was highly territorially defined, Houqua took the pragmatic approach of viewing legal recourse as a last resort and relied instead on his ability to assess and balance risk, as well as his careful selection of partners. The use of legal apparatus not in the establishment of the ASI but at its conclusion reflects partly the erosion of personal ties between the Forbes and Houqua's family and partly the increasing popularity of institutional arrangements in global transactions as the nineteenth century unfolded. As much as the severance documents ossified the fluid dynamics between Houqua and his American partners, their use also underscores the compartmentalized operations which separated the Forbes in America from their associates of Russell & Company in Hong Kong and China. In the end, such institutional arrangements might have limited the losses of the Forbes in America as Russell & Company collapsed. The demise of the old joint venture between Houqua's family and the Forbes ended not just because Houqua's descendants failed to live up to the enterprising talents of the great Chinese merchant, but also because the later partners of Russell & Company proved

less capable than their predecessors in overcoming the turmoil in the international marketplace. Institutional arrangement was no substitute for personal talent.

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This "Swiss Account" Houqua established with his American trustees served to separate the fiduciary ownership of the assets of Houqua's heirs from the management of the assets entrusted to the partners in the U.S. who commanded better information flow. On an informal basis predicated on personal ties, Houqua structured this separation of ownership from management, a separation that became popular later under the formal arrangement of business incorporation. In this regard, Houqua was truly ahead of global trends and his business maneuver reflected less of an orchestrated attempt to structure professional management distinct from ownership than a calculated strategy established on his tremendous trust in John Murray Forbes. Indeed, if Houqua's successors had proved to be as adept as he was in directing the development of global trade and finance, they might have leveraged Houqua's wealth in promoting economic development in China and China might not have taken a different path at the fork in the road of the Great Divergence.[44] That was the predicament of Houqua that also affected the course of China's development. Houqua enjoyed a long life of seventy four years but because of that, he also outlived all but two of his seven sons, among whom were heirs he

[44] Houqua's business engagements and investments in conjunction with his global allies *and* in opposition to his international rivals represented a critical juncture in China's economic development vis-à-vis certain Western economies. His story forms at an individual level the pivotal moment of China's economic decline relative to the West that historians have analyzed at a macroeconomic scale. For the macroeconomic factors for the Great Divergence, see Elvin, *The Pattern of the Chinese Past*, Huang, *The Peasant Family and Rural Development in the Yangzi Delta, 1350-1988*, Pomeranz, *The Great Divergence*, Wong, *China Transformed*, Li Bozhong. *Duoshijiao kan Jiangnan jingjishi, 1250-1850* (Beijing: Sanlian shudian, 2003) (Translated as Li, Po-chung, *Agricultural development in Jiangnan, 1620-1850* [New York: St. Martin's Press, 1998]).

had groomed for his succession.[45] Succession issues notwithstanding, Houqua's actual accomplishments demonstrated how this Chinese merchant operated on at least an equal footing with his Western partners well into the nineteenth century. Of course, even the most successful entrepreneur had to function within the geopolitical context of his time but the fortunes of empires could be contingent on the strategy of exceptional individuals in charting their course of business.

That the Chinese capital market was less vibrant relative to its counterparts in certain European and American cities in the nineteenth century was a limitation only for the narrowly minded Chinese investor, but not for Houqua the enterprising global entrepreneur who saw the world as the canvas against which he fashioned his investment portfolio. For Houqua's generation of investors, loyalty to one's country needed not confine productive resources to politically defined spaces. Albeit a modest percentage of his total assets, the ASI he entrusted to his American partners served not only to diversify Houqua's holdings internationally, but also to protect his assets from official exactions and premature withdrawals. His investments in America first served as his ticket to break free from British ascendency, then as a shelter from Chinese officials' exaction. National divides certainly presented constraints to nineteenth-century traders but for the resourceful Houqua, circumvention was not only possible but economically rewarding. Rather than viewing spatial separation as a form of risk, Houqua saw it as a source of protection, bridged by personal connections he had cultivated with his handpicked allies.

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[45] Wu Lingli, ed., *Wushi Putianfang Fulonggong Guangzhou Shisanhang zhimai zu yinpu*, 46.

The contribution of the ASI to the portfolio of Houqua's estate was immense, in light of the global investment environment at the time. This enduring partnership between Houqua and his American partners, in particular, John Murray Forbes, provides testimony to Houqua's sagacity in investment. Houqua deployed capital for long-term investments through his trusted partners and extended his portfolio to overseas markets during periods of geopolitical uncertainties. His trust in his allies enabled him to ascertain his risks over the long haul, well beyond the usual mindset of calculating profits by each shipment; his global perspective not only enabled his investments to transcend national boundaries and profit from opportunities overseas but also allowed the portfolio to leverage political divides to shelter funds from unwanted attention. Long before it became fashionable to set up offshore "Swiss Accounts," Houqua, along with his trusted American partners, had designed his investment vehicles for similar purposes by leveraging his faith in his allies and his ingenuity in the world of early modern global finance.

Conclusion

Fusing Networks: Local, Regional and Global

The story of Houqua is at once local, regional, and global. Houqua's business success certainly amplified the economic vitality in Canton. However, this analysis of his business success is less an examination of the Canton system than a study of the impact of an exceptional operator within this system who, through his personal business endeavors, set in motion changes that had ramifications for China's development and the global system at large. I have reexamined through the study of Houqua and his successors an episode that has been studied in detail as an issue of high politics and international conflict with a view towards the social, cultural, and economic forces that animated changes at the macro level. Houqua's business story sheds new light on China's place in the world before the introduction of a West-centric world order and informs us of the birth of global trade in the early modern world. His success in global business illustrates the construction of networks of trust for the purpose of facilitating economic exchange in the advent of an enforceable, unified international system of arbitration. The experience of his successors tells the story of the diverging economic fortunes of global traders operating formerly on equal footing. This is a story not only of an exceptional individual but also of the dynamic setting of transnational business when regional networks negotiated their connections in the emerging modern world.

China's integration into the global economy by 1800 was evident in the flow of goods through Canton. Long before the introduction of the Canton system in the mid-eighteenth century, China had traded with various Western partners through different configurations of trading networks. However, the sale of Chinese tea crescendoed towards the turn of the nineteenth century and formed the bedrock of an ongoing economic exchange between China

and the West. No bulk commodity before had commanded such persistent appeal and generated sales in such high volume year after year.[1] In this regard, the sale of Chinese tea under the Canton system ushered in an era of global integration between China and the Western world at a level unprecedented in the history of China's economic dealings with the outside world. This track record of China's consistent annual exchange with the West by the turn of the nineteenth century refutes the notion that the Chinese economy was only forced open by the West in the aftermath of the Opium War.[2] Even before the imposition of a West-centric system of economic exchange, China was by no means disconnected from the rest of the world, certainly not economically. However, neither was this connection with the West, at least at this level of integration, attained centuries ago in China's *ad hoc* exchange with peripheral partners. China merged onto the trading routes of the world in earnest around the turn of the nineteenth century, just as the flows of goods and capital accelerated in the emerging modern world, decades before Western powers dictated the opening of China's treaty ports.

Global business flows require the coordination of an organizational structure or a configuration of networks. In the era subsequent to the period of analysis undertaken by this

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[1]Through the vantage point of a Vermeer's painting which opens many windows into the world of the seventeenth century, Timothy Brook examines the emergence of the interconnectedness among peoples in different parts of the world at "the dawn of the global world" (see Timothy Brook, *Vermeer's Hat: The Seventeenth Century and the Dawn of the Global World* [New York: Bloomsbury Press, 2008]). These global encounters were certainly becoming more predictable, as Brook masterfully portrays. However, it would take another century before the exchange of curious items blossomed into sustained trade in certain bulk commodities that the connectedness with China became demonstrably regular and the exchange appreciably significant in economic terms.

[2] A classic discussion of this notion can be found in John K. Fairbank, *Trade and Diplomacy on the China Coast: the Opening of the Treaty Ports, 1842-1854* **(**Cambridge: Harvard University Press, 1953). See also John K. Fairbank and S.Y. Teng, "On the Ch'ing Tributary System," *Harvard Journal of Asiatic Studies* 6 (1941): 135-246, in which they highlighted the breakdown of the tributary system as it failed to accommodate the maritime trade of the West, thereby ending the modern period of Chinese exclusiveness. For yet another example, see Peter Ward Fay, *The Opium War, 1840-1842: Barbarians in the Celestial Empire in the Early Part of the Nineteenth Century and the Way by which They Forced the Gates Ajar* (Chapel Hill, North Carolina: University of North Carolina Press, 1975).

study, the emergence of the modern firm privileged the more hierarchical corporate organization that facilitated administration coordination, engendered professional management, and allowed for more permanence for the business entity.[3] During the earlier era of global exchange in which early-nineteenth-century Canton served as a nexus, however, few participants relied on such corporate organizational forms to regulate business flows. The rare exception was the British East India Company and even in that case, the organizational form contributed just as much to the procedural management of business as to the formalization of the symbiotic political and commercial interests (the latter being an important differentiation between the British and Chinese partners in the Canton trade on which I will elaborate below). With the exception of this important outlier, organization forms did not dictate business operations in the global trade of early-nineteenth-century Canton; instead, business flows followed the routes of networks underwritten not by formal rules but by personal connections. The entities which did not assume formal corporate organizational forms participated in the global trade as family businesses (or business structures expressed in the idiom of family relations) and fixed-term partnerships (such as the Russell & Company which had to be reconstituted at the end of each term). These business entities, be they corporate organizations, family enterprises or fixed-term partnerships, had to be connected together to form circuitries of goods and capital and to generate economic profits for the participants.

Despite the critical functions these networks served in the early period of global trade, studies of business networks have focused on configurations predicated on commonalities in provincial or ethnic origins, thereby lavishing attention on regional networks and rarely

[3] Alfred Chandler, *The Visible Hand*: *The Managerial Revolution in American Business* (Cambridge, Mass. And London: Belknap Press, 1977).

venturing into the analysis of global arrangements. In the case of analyses of the West for the period under question, this focus on the regional favors networks consisting of business entities built on the (largely Anglo-Saxon) belief in the sanctity of property rights, the law, and free markets. In the case of Chinese businesses, examinations of networks highlight the role of overseas Chinese in the trade and commerce of an area that remained Sinocentric in its cultural orientation or limited to East and Southeast Asian in its geographical reach.[4] In this study, I have endeavored to underscore the global dimension of the Canton trade and emphasize the active effort of the key participants in rewiring the circuitries of business flows to their advantage as local conditions and geopolitical developments worldwide disrupted the business networks and presented new opportunities for the shrewd enterpriser.

Global networks link together preexisting regional formations. As regional networks merge, participants need to reconcile the different rules governing business flows in their respective areas if they want to formalize a set of regulations that could be applied on a trans-regional basis. Otherwise, they improvise and negotiate the regional standards to serve their business interests. A good example of this pragmatic approach to business in Houqua's fluid world of global trade was their view towards the application of law in different jurisdictions. In the absence of any reliable recourse in any court of international law, Houqua and his partners demonstrated their practical business sense in resolving financial disputes. As some of his American business transactions went sour in the 1810s, Houqua, with the help of Cushing's business affiliates in the U.S., considered pursuing the debt collection on behalf of Houqua

[4] See, for example, Chan Kwok Bun, ed., *Chinese Business networks: State, Economy and Culture* (Singapore: Prentice Hall; Copenhagen: Nordic Institute of Asian Studies, 2000) and Gary Hamilton, ed., *Business Networks and Economic Development in East and Southeast Asia* (Hong Kong: Centre of Asian Studies, University of Hong Kong, 1991).

through the legal channels in America. This business endeavor which extended Houqua's business presence to the other side of the globe underscores the collective ability of Houqua and his trusted partners of tapping into the resources afforded them by the legal regimes in different countries. More revealing, however, was their decision not to prosecute debtors who would have found it impossible to pay. That decision indicates their sense of financial pragmatism and their view towards legal institutions as a means of last resort.

This flexible appeal to regional regulations stands in sharp contrast to the dogmatic application of what was to be touted as international rules in later periods. The imposition of a West-centric mode of business transactions in later periods has drawn our attention to the important role of contracts and the critical function of laws. This focus on contracts and laws has generated academic interests among scholars of Chinese business history to find their equivalent which might have provided order and structure to commercial transactions in China before the introduction of the Western model.[5] Informal arrangement such as the policing of business conduct through reputation in ethnic groups also served similar purposes although such informal institutions would only work in established networks of business associates.[6] However, in the evolving business world of Houqua who charted an ever expanding geographical network, these institutions, legally defined or ethnically constructed, provided no lasting solution.

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[5] See, for example, Madeleine Zelin, Jonathan K. Ocko, and Robert Gardella, eds., *Contract and Property in Early Modern China* and David Faure, *China and Capitalism: a History of Business Enterprise in Modern China* (Hong Kong: Hong Kong University Press, 2006).

[6] My discussion in Chapter 4 offers a more in-depth comparison with another group of long-distance traders analyzed by Greif. See Greif, "Reputation and Coalitions in Medieval Trade," "The Organization of Long-Distance Trade: Reputation and Coalitions in the Geniza Documents and Genoa During the Eleventh and Twelfth Centuries," "Contract Enforceability and Economic Institutions in Early Trade," *Institutions and the Path to the Modern Economy*.

To penetrate the vast markets overseas, Houqua depended more on his cultivation of trust with handpicked partners. Houqua placed no greater trust in anyone than in John Perkins Cushing and his Forbes cousins who succeeded him. As Cushing planned his exit from Canton, this partnership continued only with the almost unbroken chain of personal relations of Cushing from America who stationed by Houqua's side. This constant stream of representatives from Cushing's American relatives, many of whom stayed for years in Canton as well, perpetuated Houqua's dealing with one tight-knit group of American merchants which constituted an informal business institution in and of themselves. The mutual understanding between Houqua and his American partners allowed for an enduring relationship and minimized the pains (or transaction costs) associated with each round of personnel handover. The mutual trust between Houqua and his select American partners was all the more impressive because, unlike other tight knit business partnerships which involved people of similar backgrounds, theirs transcended ethnic, social, and cultural boundaries. Economic motivations certainly propelled this relationship Houqua maintained with his American team, at least in the early stages. With the promise of bigger transactions and higher profits every year, no rational economic actor would jeopardize these business ties but only perpetuate the relationship by ensuring the supply of an unbroken chain of business confidants to work alongside Houqua.

Ties which link regional formations to form the global networks are delicate and bonds between business partners are more easily established than sustained. How then did Houqua cultivate such enduring trusts which seemingly defied economic calculations? As he relied not on legal channels of conflict resolution, it is not surprising that Houqua did not place a preponderance of trust in the fine prints of business contracts. After all, how could one take into consideration all the business contingencies for transactions which traversed such immense

distances and covered such long stretches of time? Instead Houqua allowed his American confidants remarkable latitude in their executions of his trades. Without any reliable institutional framework, established legal infrastructure or standardized business routine with which Houqua could organize his alliances, he had to improvise connections to bridge his Canton-based trading hub to the outposts overseas manned by his trusted partners. The orchestrated dissemination of his portraits gave Houqua the comfort that his business partners were constantly reminded of their business sponsor in the faraway port of Canton. His iconic image transcended linguistic boundaries in securing and cementing his business ties with his partners, especially those in America. The extant portraits of Houqua still hanging in the living rooms of descendants of his American partners provide testimony to the enduring connections he nurtured with his allies in the United States. The bond of trust Houqua cultivated with his handpicked partners came to be embodied in his portraits which spoke volumes to their mutual understanding on their business ventures that no written contract could replicate. In addition, the exchange of token gifts allowed for a cordial acknowledgement of their continuing business ties when months of separations (from his partners as well as his goods) tried Houqua's nerves of steel tempered through decades of daring business exchange. At the conclusion of the Opium War, Houqua took care to assure his partners of the commercial viability of his network, ensuring them that it was no end game for their business dealings. A mutually beneficially economic calculation provided the material underpinnings to the trust that endured in their trading network. However, it would not be fair to discount the personal connection between Houqua and his select partners.

The operations of Houqua and his partners in specific areas around the globe bespeak the requirement of local presence in any global or regional configuration. Business networks cannot function in the absence of the stabilizing force of anchors. In Houqua's case, his critical position

in the global network of trade pivoted on his presence in Canton. The Qing state had mandated that Canton be the sole legal port of call for Western traders in China for ease of control and revenue collection. On the one hand, this official mandate allowed Houqua and other enterprising traders to capture tremendous profits by positioning themselves at this funnel of China's trade with the West. On the other hand, the system also dictated that Houqua and the *Hong* merchants position themselves in Canton to handle the China trade, thereby proscribing their geographical mobility alongside entrepreneurial business seekers among the Chinese diaspora.

Just as the Western merchants arriving at the port of Canton, the Chinese disapora had demonstrated its impressive ability and willingness to travel far and wide, often to exploit economic opportunities. Until the advent of navigational techniques towards the second half of the eighteenth century which allowed Western seafarers to circumvent local knowledge in the South China Seas, these Chinese migrants had dominated the region by fashioning a network of trade that linked together the various ports stretching from the coast of southeastern China to Southeast Asia. However, the business requirement that tea from China be transported as fast as possible to the consumers in the Western world privileged the technologically superior Western vessels. This difference in navigational knowhow, along with the need of Houqua and other *Hong* merchants to station themselves in Canton, provided the technological rationale and the institutional framework that allowed Western ownership of the sea routes in and out of Canton.

Scholars analyzing the role of the state in national (or local) economic development often question whether the governments spearheaded, or at least guided, industrialization of their

economies.[7] The story of Houqua reminds us that even at an earlier stage state policies conditioned, sometime inadvertently, configurations of commercial exchange that affected economic development. The spatial configuration of Houqua's network was largely a reflection of the differences in institutional support provided by political regimes that underwrote the commercial ventures. Operating on an equal footing, Houqua and his partners from the West provided their respective linkages critical to the completion of the trade. Houqua commanded access to the goods from China's interior desired by Western consumers while his Western partners owned the sea routes from Canton to the markets in the West. This specific configuration of the global connections of the early nineteenth century spurred the desire of Western countries to penetrate the Chinese marketplace by breaking out of the Chinese-controlled stranglehold in Canton. The gentlemanly capitalists of Britain partnered with their political authorities at home and generated the twin engines of military and economic expansion.[8] Houqua's dealing with his Qing state followed a different path. In exchange for his license to profit from funneling China's trade with the West, Houqua agreed to the sporadic "contributions" the Qing Mandarins exacted from him. However, this arrangement between Houqua and the Qing state resulted in no productive symbiotic relationship between the merchant in Canton and the political base in Beijing, leading only to transactional exchange between a subject of the empire and the state bureaucracy that generated no roadmap for

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[7] See, for example, Rondo Cameron, ed., *Banking in the Early Stages of Industrialization* (New York: Oxford University Press, 1967).

[8] For a discussion of the development of "gentlemanly capitalism" in the case of Britain, see P.J. Cain and A. G. Hopkins**,** *British Imperialism: Innovation and Expansion, 1688-1914* (New York; London: Longman, 1993) and P.J. Cain and A.G. Hopkins, *British Imperialism: Crisis and Deconstruction, 1914-1990* (New York; London: Longman, 1993).

extended growth. The policy of the Qing state provided no expansionist impetus for its merchants and structured a defensive posture for China's trade with the West by confining the Western traders, as well as the *Hong* merchants, in Canton. Houqua stands out as a rare case of business success in the face of such institutional hurdle only because he undertook business initiatives to break free from this confining arrangement.

The connections between the local network to the regional and the global are not static. Entrepreneurs need to devise networks to reconfigure business flows to circumnavigate the hurdles they face. Anchoring himself in Canton for the global flow of goods and capital as sanctioned and required by the Qing state, Houqua had to fashion a transnational network that would enable him to extend his reach and project his presence at important nodes of trade on which he would never set foot. To accomplish this formidable task, Houqua leveraged the constant flow of Western traders through his city of Canton. From his early days, officers of the British East India Company had already provided him with a stable avenue for the deployment of his goods and capital. The longstanding presence of the EIC in Canton provided the requisite comfort for Houqua to structure with the British transactions which entailed tremendous risks. These risks stemmed from the terms of their agreements over deliveries of goods and receipt of payment which stretched over vast territories around the world and took months to complete. To alleviate these risks over time and space, Houqua had the reassurance of the established presence of the EIC in his hometown. However, the reliance on this one creditworthy partner did not favor Houqua in the power dynamics of the trade in Canton. Just as the British EIC had to nurture alternative vendors among the Chinese *Hong* merchants, Houqua had to cultivate alternative trading channels to counteract the mounting hegemony of the British.

To channel business flows to their advantage, business enterprisers have to rewire the circuitries of trade to bypass the points of resistance in the network. At a minimum, redirecting business opportunities to alternative points of distribution would alleviate the problem of overpowering partners. In Houqua's case, he found his answer in the American traders who became increasingly active in Canton by the opening decades of the nineteenth century. These new arrivals from America allowed Houqua to circumvent the British in his dealings with the West. They shared many of the business practices of Houqua's British partners. No less important was that they shared the same language which lowered the linguistic barrier for Houqua as he developed new relationships with these aspiring China traders. The opportune arrival of the Americans on the scene of international trade in Canton provided Houqua the enterprising trader with an alternative onramp as he merged his China trade with the global economy. As the regional networks of Europe and the U.S. encountered the Chinese regional economy, the local exchange in Canton completed a circuitry of global business flows negotiated by the various participants to serve their economic interests.

Elements of Flows

In addition to the active positioning and repositioning of traders, the global exchange centered in early-nineteenth-century Canton entailed a specific pattern of the flows of goods and capital. Enabled by technological advances and conditioned by geopolitical forces around the world, commercial and financial exchange gathered momentum by 1800 and coalesced in Canton, the port through which China funneled its trade with the West. At this emporium, Houqua, the Chinese merchant who engineered the flows and made himself the nexus on whom this exchange pivoted, directed the traffic of international exchange and captured tremendous

economic profits through transactions completed both in Canton and at different locations worldwide.

Economic exchanges are predicated on a mutual desire of goods produced by the trading partners. In this regard, western traders' enduring search for an export item of appeal to China underscores the difficulties in structuring a lasting two-way trade. Houqua and his fellow-Chinese exporters could count on Western demand of Chinese tea even though the discovery of tea as a global commodity resulted less from any grand design of Chinese exporters than by chance. Conversely, their trading partners from the West, from the British East India Company to the American merchants, struggled. The British could only force Houqua and their other Chinese partners to accept woolen products, bundled as part of their purchase agreement of tea, even though these woolen products did not find a receptive end market among Chinese consumers. In the face of the concentrated buying power in British hands by the turn of the nineteenth century, Houqua and the other *Hong* merchants could not but accept these undesirable woolen products as part of the deal, treating any losses on the woolens as an operating cost of the business. Similarly, early U.S. traders at Canton attempted the sale of American ginseng and fur, neither one of which could sustain sales in volumes high enough to pay for their tea purchase. The failure of these products to penetrate the Chinese markets resulted largely from cultural factors. What one country produces and finds valuable to its own domestic market, consumers in another country may not consider appropriate for their local conditions. Decades after what Western powers deemed their forced opening of the Chinese markets, Western traders continued to search in vain for merchandise to export to China. That lack of success on the part of Western traders contributed to the idea of China being closed economically to the outside world. The experience of the Sino-Western trade in this earlier period reminds us that the imposition of an

open market by means of military might could not solve the problem of culturally undesirable merchandise.

This problem of finding a reciprocal product for a two-way exchange was as much of an issue for Houqua's period of the China trade as it is today in our world of modern commerce. Mutually beneficial exchanges require the availability of desirable merchandise on either side that holds comparable economic values for a balanced trade. The absence or insufficiency on either side of such merchandise demanded in high enough volumes leads to balance of trade issues all too common in today's world. Political rhetoric cannot be the solution. Bringing military might to bear would only alter the power structure without solving the underlying economic problem.

To sustain a two-way trade without a viable merchandise in both directions is an untenable proposition. The British finally found the answer in opium produced in India. The Americans also found a variant in Turkey for inclusion in their China-bound freight. It was the addictive quality of these substances, tea and opium, that guaranteed the annual return of the buyer in global business. Undoubtedly not comparable in the effects of their consumption, tea and opium both commanded a loyal base of repeat customers who generated reliable sales and produced a predictable pattern of global exchange. However, the legal regimes did not allow for a simple symmetrical trade. That the opium trade was illegal in China prohibited Houqua and the *Hong* merchants from entering into the opposite side of the tea trade and required that their trading partners structure business configurations that facilitated this problematic exchange. The British East India Company continued to be the buyer of tea from China and funneled the proceeds to the British country traders who purchased opium in India for export to China. As for Houqua's American partners, they also structured their operations (e.g., with one Forbes brother

dealing in opium while another handled Houqua's legitimate transactions) so as not to implicate their Chinese trading partner in the opium business. Enterprising businessmen improvised structures to respond expediently to political and legal requirements. These expedient arrangements notwithstanding, however, the opium issue percolated to the surface every now and then and caused problems for Houqua and his *Hong* merchant brethren. Indeed, opium was what precipitated the conflict that ended the Canton system which had undergirded China's trade with the West through 1842. The lack of legitimate merchandise of comparable value and appeal for a reciprocal trade was not only problematic for the trading partners involved but also inherently destabilizing for the network of trade.

The circuitries of business goods and capital in global networks of trade can only be sustained with a balanced transmission of economic articles. That Houqua and his fellow-*Hong* merchants were denied the business opportunity of participating in the opposite side of the tea-opium trade (whether they had found the opium trade morally offensive or not) propelled them to explore other avenues of profit. Houqua found the answer in the capital markets, both locally in Canton and internationally in his American partners' web of global finance. Locally, he deployed the mass capital base he had accumulated to fund the operations of the British East India Company which faced the perennial problem of capital insufficiency. In particular, while the EIC endeavored to nurture new talents among *Hong* merchants to alleviate its dependence on Houqua and other well-funded *Hong* merchants, the British officers in Canton who had to provide financing for the new *Hong* merchants found themselves repeatedly in positions of capital shortage. Houqua would then lend his funds to the British company and earn a dependable interest income on the loans. Although the new *Hong* merchants were the financial beneficiaries who had to rely on these loans for their operations, the EIC remained the borrower

of record for these loans from Houqua, thereby ensuring timing repayments of such loans. At the interest rate of one percent per month or twelve percent per annum, these loans generated a stable and profitable income stream for Houqua who bore but marginal risks of default and nonpayment, thanks to the credit standing of the EIC. Expanding beyond his commercial activities of selling Chinese goods to Western buyers, Houqua diversified into the financial market of providing funds for his British partner.

The flow of goods came to be elaborately connected to the flows of capital. Not only is this move with which Houqua redefined the scope of the business indicative of his entrepreneurial streak but it also demonstrates the understanding and skills select Chinese businessmen commanded of capital markets in China. The capital market in Canton by no means resembled any image of retarded financial development; instead it was a site of vibrant financial exchange which transcended nationalities and involved enterprising startups as well as established multinational companies.

The circuitries of capital flows for the Canton trade were not confined to the local area alone. In addition to leveraging local opportunities, Houqua tapped into the international capital markets as he viewed the payments he received from his sale of tea overseas not simply as a unit of account but a commodity the sale of which generated profits.[9] He received various forms of metallic monies as well as bills on foreign entities. Rather than converting consistently these funds into Chinese silver taels, Houqua exhibited remarkable comfort in trading them for profits at financial centers around the world. Silver monies were not created equal and monies

[9] This observation on Houqua's view echoes David Faure's analysis of the Chinese accounting system's emphasis on cash flow rather than the provision of a capital summary (see David Faure, *Emperor and Ancestor: State and lineage in South China* (Stanford: Stanford University Press, 2007), 230-231).

represented commodities the trading of which afforded profit opportunities for international dealers. Houqua was informed of the discounts and premiums of various forms of silver currencies and he instructed his partners to capture profits for him by buying and selling on his account. Not merely was he aware of the different monetary regimes, Houqua showcased an eager effort to apply such knowledge for economic gains through dealings in different metallic currencies and commercial papers. His effort and success in arbitraging silver currencies reveal his expert understanding of currency regimes that macroeconomic analysis of silver flows between China and the West cannot capture.[10] For Houqua the expert currency dealer, profit opportunities expanded far beyond the bimetallic currency regime of copper coins and silver taels in China. Similarly, Houqua traded in bills of exchange through his partners at centers of international finance. This Chinese financier was no stranger to what amounts to the predecessor of today's foreign exchange markets. Through Houqua's networks, China was linked to financial markets worldwide, long before Western banks established operations in Asia. His sophisticated dealings in the international capital markets, just as his financial dealings in Canton which transformed the business landscape, underscore that China was intricately linked to financial centers in the West and that enterprising Chinese dealt adroitly in the global marketplace of finance and managed to profit from participation in these markets.

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[10] For a detailed macroeconomic analysis of China's mounting issue of silver circulation in a global context. see Lin, Man-houng, *China Upside Dow: Currency, Society, and Ideologies, 1808-1856* (Cambridge, Mass.: Harvard University Asia Center, 2006). Houqua's story illustrates von Glahn's general observation that the elite in China understood monetary markets. In fact, Houqua's understanding of economics beyond China's boundaries far exceeded the Chinese intellectuals' appreciation of the role of silver in statecraft that von Glahn demonstrates (see Richard von Glahn, *Fountain of Fortune: Money and Monetary Policy in China, 1000-1700* (Berkeley, Calif.: University of California Press, 1996).

Thus constructed, the configurations and interworking of people, goods and capital that Houqua and his partners fashioned to facilitate global flows assumed a pattern specific to this period of global interactions.

Directing Flows and Shaping History

As a principal participant in his global network of trade, Houqua was instrumental in the configuration and reconfigurations of business flows and his story informs our understanding of this juncture of historical development. The success of this Chinese entrepreneur on the global stage also refutes any notion of China's passivity in the merging of regional economies as the modern world took shape. In addition, Houqua's sophistication in dealing with financial markets in the burgeoning world of global finance dispels any assertion of inadequate Chinese understanding of, or lack of Chinese participation in, capital markets during this early period. Moreover, as the strategic positioning of Houqua and his partners anchored their web of exchange, the geographical movement of these people and the cultivation of their trading network tell the story of how business partners transcended political, social, and cultural boundaries and improvised systems of exchange that sustained their economic activities against the tumultuous currents of geopolitical developments.

The creation of organizational structures and the fashioning of networks entail not just the initiatives of individual participants but also the contingency of historical developments. Just as corporate and banking organizations proliferated in the century after the collapse of the Canton system with the development of the enabling technologies of railroad, telegraph and radio, China's participation in international commerce came to involve increasingly the

American traders through Houqua's initiative, thanks to the fortuitous geopolitical environment in the West which allowed for expanding U.S. presence in Canton.

Permanence, or at least continuity, is a major challenge to any business configuration underwritten not by an institutional structure but the business acumen of particular individuals. However, for such compromise on continuity, the personalistic configuration gains agility. The success of Houqua & Co. pivoted largely on the entrepreneurial ingenuity of one individual Houqua himself. This reliance on a single individual the loss of whom could spell the demise of the business was also the strength of the enterprise. The centrality of a single individual not bound by an institutional framework allowed tremendous flexibility for Houqua's business maneuvers. Houqua held court at the global business center of Canton from the turn of the nineteenth century till his death in 1843. During his long period of business success, he witnessed tumultuous changes in international trade as a result of both geopolitical upheavals in Europe which tilted the balance in Britain's favor as well as the brewing military conflict at home with the Qing government coming under the threat of Western powers. He had to reposition his business enterprise repeatedly to cope with and to profit from these global currents.

No corporate charter or document of incorporation would have accounted for all these contingencies and guided the business development of Houqua's China trade business. He was, of course, not oblivious to the structural dimensions of the business world. His understanding in this regard is most evident in his estate planning for which he brought to bear adoption strategies customary to the Chinese, formal asset division contracts in conformance to local practices, as well as an official application for a change in account name with the British EIC which reflects his transnational outlook for his business and the global nature of big businesses in Canton. Such formal arrangements could only guarantee his desired distribution of profits and equity

ownership upon his death, however. For the daring and nimble business maneuvers which accounted for the accomplishments Houqua sustained in the global trade, there was no institutional substitute for the entrepreneurial bent of Houqua himself.

While formal organizational structures can help perpetuate business flows, there is no substitute for the entrepreneurial ingenuity of visionary enterprisers who chart the course of business. Houqua, with the help of his select American confidants, was responsible for the tremendous business success of their collective enterprise for the first half of the nineteenth century. Despite all the challenges befalling the business world of Canton, Houqua and his partners steered the flows of goods and capital not just to stay away from catastrophic mishaps that could have undermined the entire venture but also to chart new courses of business to reap profits from unexplored territories. To survive in such a volatile environment, not to mention to prosper, required a balanced approach to risk taking which Houqua seemed to have mastered. He fostered his ties with the Americans until he found his trusted partners. He entrusted vast amounts to these partners for deployment around the world and worried not about the constant repatriation of the proceeds for tabulation at home. Instead, he allowed the capital to be reinvested for gains at locations far removed from his native Canton. His audacity and the impressive performance of his calculated business moves were truly exceptional for a Chinese trader, or for that matter, any trader, at the time.

The death of its entrepreneurial founder is always trying for any business, be it a corporate organization or a sole proprietorship. Houqua died in 1843, months after the conclusion of the Opium War and the demise of the Canton system. During his last months, he busied himself with reconstituting his business networks to continue his role as the gatekeeper of China's trade with the West. Canton did not fade away readily and Western traders, most

evidently Houqua's American partners, returned promptly to conduct their business with their old Chinese partner. One would never know how Houqua's fortune, as well as that of China's economy, would have unfolded had he partaken in the subsequent Treaty Port era.

Houqua's long life of some three quarters of a century contributed to the durability of his business empire but also saw the passing of all but two of his sons. His only son who was old enough to succeed him in the business world at the time of his death proved not to be as enterprising as the father. In business, this son of Houqua intensified the family's reliance on the American partners. Although these American partners continued to generate income for the family for decades after Houqua's death, the lack of a forceful entrepreneur to succeed Houqua deprived the family of any central role in global business dealings. The family continued to flex its muscle by leveraging the immense wealth Houqua had amassed in his lifetime and his American partners would advise them on strategies to tap into the resources available in the reconfigured world of business. However, among his blood relations, Houqua had no successor to inherit his critical function of balancing the interests among the partners linked together in his transnational business web. Houqua's son, in his effort to perpetuate the status of Canton on the world's map, privileged not the commercial centrality of the city on a global scale but the cultural participation of Canton in the Sino-centric world. He put his emphasis on the inherent values of what he considered to be the cultural inheritance of a longstanding Chinese history that would inform their choices in times of difficulties. Such lessons from the venerable sages of his Sino-centric world proved to be no match for the pragmatically minded entrepreneurs from the West arriving in China with the express mandate from their governments to expand their paired interests in commerce and politics. Houqua had managed to channel goods and capital for profits around the world alongside the gentlemanly capitalists of the West but his son showed

more of an inclination of a Chinese scholarly gentleman and less proclivity for capitalist endeavors.

Houqua's groundbreaking investments overseas also invite comparison with the investment strategy of the mounting capital accumulated in China today. Just like Houqua, savvy Chinese investors diversify into international markets. These overseas investments, however, remain a small portion of their overseas portfolio because returns at home are expected to be much higher than what can be earned overseas. Similarly, Houqua's family kept the majority of their wealth close to home, investing it in businesses and properties around Canton. That proved not to be a winning strategy as much of their wealth was wiped out during the Opium Wars and the Taiping Uprising. It is easy to criticize their plans in retrospect but few could have expected such upheavals and the imminent danger they brought to Canton, the established nexus of global trade for also a century. Houqua's investment in America served the intended purpose of diversification, just as the overseas assets of today's Chinese investors would should the prospects of global markets not prove to have become too correlated. However, the fortune of Houqua's family underscores the significance of business and investment strategy not just for profits to be expected during times of normalcy but also in the event of seismic changes in the global environment.

The introduction of the Treaty Port system represented a radical shift in the basis on which global networks could be fashioned but Houqua did not live to take part in this reconfiguration which affected not just the fortune of his family but also helped shape the manner in which China's economy interacted with the rest of the world. To be fair to his successors, Houqua's daring ventures into global trade buttressed by the connections he cultivated with select partners and his expert assessment of risks provided no easy blueprint for

those who had to continue to chart new business courses in the face of new institutional challenges. Analyzing the development of global trade and finance at this level of the critical players underscores the contingency of the lot of the national economy on specific individuals. From the standpoint of commercial exchange, Chinese merchants continued to operate on an equal footing with their Western counterparts until the 1840s. The subsequent divergence of their paths stemmed not from systematic issues of economic cycles but from the personal potential of particular individuals who found themselves in the position of crafting the terms of engagement in global exchange.[11] Backed by their stronger military might, Western business interests began to triumph over Chinese aspirants by the second half of the nineteenth century but that is no evidence of the superiority of institutional business structure to personal configurations in a fluid environment. Western institutional forms only came to dominate global business because of the imposition of a West-centric infrastructure. The ascendancy of the West did provide a new framework for the transaction of business but it also stymied efforts that had grown indigenously in China to navigate constraints in transnational trade.

Analyses of China's economic development in the period after the Canton era often highlight the country's grudging acceptance of technologies and institutions of Western origins. Such efforts in adapting things Western required the assistance of Western tutors or, at best, overseas Chinese, particularly from Nanyang, who had the experience of handling with these foreign inventions.[12] While these analyses rightfully portray the ascending importance of a

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[11] For an attribution of China's economic demise in the nineteenth century to systematic factors of economic cycles, see Andre Gunder Frank, *ReOrient: Global Economy in the Asian Age* (Berkeley: University of California Press, 1998).

[12] See, for example, Michael R. Godley, *The Mandarin-Capitalists from Nanyang: Overseas Chinese Enterprise in the Modernization of China, 1893-1911* (Cambridge: Cambridge University Press, 1981).

West-centric world order, it is perplexing that one seldom questions the absence of any role played by the Canton-based merchant families that had served for most of the preceding century as the interface of China with the West.

The Canton system of the first half of the nineteenth century facilitated a period of global exchange, just as its successor the Treaty Port system would in the second half of the century. These systems of global interactions, just like other structures deemed to be global in nature, encompassed not the entire world but certain nodes of exchange connected by webs threaded together by personal and institutional undertaking. Conditioned by the opportunities and challenges the political climate presented at the time, the configuration of the web fashioned by Houqua in the first four decades of the nineteenth century weaved China's economy into a system of exchange that enveloped many of the important centers of commerce and finance in the West. Houqua was indeed an exceptional participant in this configuration without whom global trade would have taken a different shape during this period and China's involvement therein would not have been the same. Today, we can continue to learn from the success of Houqua & Co. in structuring their partnership, especially as the long-established West-centric rules of engagement become increasingly inadequate to contain the ever-expanding transnational networks of interactions and the reemergence of China on the global scene.

Epilogue

In weaving together his global network, Houqua did not once have to travel outside of China. The allure of his Canton was enough to draw his partners to him. To satisfy the curiosity of those in the West, a special arrangement made it possible in 1848 for Houqua to grace the Western consumer with his presence. Those who would like to meet with this master of global trade whose operations had facilitated the shipment of teas into their homes needed to go no farther than the City of London. Following the route that had taken many a box of his tea to the West, Houqua made it across the oceans from Canton to London and would remain there for decades. Visitors seeking a meeting with Houqua would find him in the good company of Shakespeare and Voltaire, for in that year, Madame Tussaud expanded its budding exhibit to 136 sculptures and included in it its first Asian celebrity, Houqua.[1] In Madame Tussaud, Houqua would remain the sole representative of the Orient for almost half a century.

The guidebook explained that Lamqua, the Canton-based artist, had fashioned this likeness of Houqua expressly for Madame Tussaud and Sons. The same artist had done it again; Lamqua was precisely the Chinese artist whose production of multiple Houqua portraits allowed Houqua to disseminate his likeness to his trading partners as a reminder of the quality of the tea he sold and a reflection of the reach of his network. Houqua was introduced as "the celebrated tea merchant," underscoring the widespread recognition of his name in England.[2]

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[1] There was no mention of Houqua in the catalogues as late as 1847. See *Biographical and descriptive sketches of the distinguished characters which compose the unrivalled Exhibition of Madame Tussaud*, *& Sons* **(**London: Printed for Madame Tussaud and Sons, 1847).

[2] *Biographical and descriptive sketches of the distinguished characters which compose the unrivalled exhibition of Madame Tussaud and Sons* (London: Madame Tussaud and Sons, 1851).

In fact, a label of "Houqua's Tea" (sometimes spelt "Howqua's Tea") had emerged in England, and gathered momentum around the middle of the nineteenth century. An advertisement for the label boasted a caption in large capital fonts, reversed coloring of white letters against a black background, boxed, which read, "HOWQUA'S TEA / IN PACKAGES". It also cited the endorsements of local newspapers:

> "It was justly remarked by a great writer that 'he who supplies the public with any article of general consumption on better terms, or better in quality, than they have before been able to procure it, deserves that patronage from his countrymen which their own interests should secure him.' This observation has been brought to our mind by the great treat [of] a cup of *Howqua's tea* … a cup of *really good and genius tea*" *—Brighton Gazette,* October 29.
>
> "…that excellent article known as 'Howqua's mixed black tea.' The reputation this tea enjoys, is, we can venture to say, from our own knowledge, well merited, and we safely recommend it to our readers as a most agreeable and economical beverage."*—Brighton Herald,* October 31.[3]

These Houqua labels must have held such a significant commercial value that legal battles erupted in England over the use of Houqua's name in the marketing of tea. In May 1837, a Mr. Willcock was a representative of John Rhodes, the self-alleged one-time commander in the East India Company's maritime service, seeking an injunction in the Vice-Chancellor's Court to restrain William Brocksopp from selling tea under the label of "Howqua's mixture" or "Howqua's small-leaf gunpowder". They were being sold in packages Willcock asserted were an imitation of those of John Rhodes Pidding. Willcock presented affidavits of Pidding and others, which stated that Pidding had participated in the China trade for twenty-nine years, during which time he "had intimately known Howqua, the chief of the hong merchants at Canton, and had become acquainted with a mixture of black tea which Howqua made for his own private use and

[3] *Brighton Patriot and Lewes Free Press etc.* (Brighton, England), Tuesday, November 24, 1835; Issue 40.

with the chops or marks which distinguish[ed] the fine qualities of teas forming that mixture." In other words, Pidding asserted that through his personal acquaintance with Houqua during his years at Canton, Houqua had purportedly shared with him the recipe of a special blend which Houqua had reserved for his own consumption. This case came to be widely publicized in England as newspapers reported the court's decision in London, Bristol, Manchester, Ipswich, Southampton, Worcester, Exeter, and Colchester.[4]

Pidding's case was dismissed a few short weeks after the initial injunction was issued, and there was no indication of his ties to the namesake of the powerful brand. However, this legal case in Britain over the use of his name indicates the tremendous recognition of Houqua's name and explains why he would be no stranger to the British tea drinker who would meet him face-to-face at Madame Tussaud. In fact, recognition of Houqua's contribution to the global marketplace would prove to be more enduring among British consumers than in his native China as British newspapers continued to carry advertisements of teas named after Houqua well into the 1870s when the influence of Houqua's family in China had waned and their fortune dwindled.[5]

Proud as Houqua's sculpture might have sat as he received visitors at Madame Tussaud, the British perspective towards Houqua whose name had stood for quality tea had begun to give

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[4] *The Standard* (London, England), Tuesday, May 9, 1837; *The Bristol Mercury* (Bristol, England), Saturday, May 13, 1837; *The Manchester Times and Gazette* (Manchester, England), Saturday, May 13, 1837; *The Ipswich Journal* (Ipswich, England), Saturday, May 13, 1837; *Hampshire Advertiser & Salisbury Guardian Royal Yacht Club Gazette, Southampton Town and Country Herald, Isle of Wight Journal, Winchester Chronicle, and General Reporter* (Southampton, England), Saturday, May 13, 1837; *Berrow's Worcester Journal* (Worcester, England), Thursday, May 18, 1837; *Trewman's Exeter Flying Post or Plymouth and Cornish Advertiser* (Exeter, England), Thursday, May 18, 1837; *The Essex Standard, and Colchester, Chelmsford, Maldon, Harwich, and General County Advertiser* (Colchester, England), Friday, May 26, 1837.

[5] See, for example, *The Belfast News-Letter* (Belfast, Ireland), Thursday, January 17, 1878.

way to an appreciation of Houqua and the his namesake product as an exotic, mysterious object that the West had brought into focus by confronting them face-to-face. Adorned with the same clothes and ornament that Houqua had worn in life, the Houqua in Madame Tussaud was "to give an idea of the peculiar appearance and costume of China." "Peculiar" might be the key word here for this Houqua sculpture would for now find a home in the "Seventh, or Armour Room," which gathered together an "Interesting Group of historical characters, in magnificent suits of Armour and Costumes, in order to convey an idea of the splendor of ancient times; the whole faithfully in character, every attention having been paid to the person represented."[6] Splendid Houqua might have been considered, but he also hailed from the "ancient times," housed in the same room with individuals who had died centuries ago even though his family had not even observed the tenth anniversary of his passing.

An article in a British periodic reflects the British reception at the time as it reported on this new addition to the Madame Tussaud exhibition. This article described Houqua's sculpture thus: "a Chinese gentleman in the original clothes he wore at Pekin [sic], and who must have accordingly parted with his wardrobe to some Chinese old-clothesman in order to enable Madame Tussaud to represent him with the accuracy that is always professed in the saloons of Baker Street. The individual in *quesito* is supposed to have been the generous HOWQUA." The Tussauds had forecasted accurately that the public's interest would gravitate towards the curious costume of Houqua, which, to them, could mark the authenticity of the replication. That view paralleled the underlying principle behind the production of Houqua's portraits: the culturally distinct costume was to be the hallmark that distinguished Houqua. Equally telling in this

[6]*Biographical and descriptive sketches of the distinguished characters which compose the unrivalled exhibition of Madame Tussaud and Sons*, 1851.

introduction was the geographical reference. The Canton system had not broken down for more than six years but the reference to China had shifted away from the old commercial cosmopolitan of Canton to the political center of "Pekin."

What resonated most with the viewing public in Britain of Houqua's likeness was, not surprising, the association of his name to brands of tea. "We believe," the article continued, "that HOWQUA's last moments were divided between CAPTIN PIDDING and MADAME TUSSAUD, by his giving to the first recipe for combining the hundred teas, and making the latter the legatee of his Chinese wrap-rascal, and Pekin twedish trowsers, in which he is now to be seen side by side with HER MAJESTY, JENNY LIND, PIUS THE NINTH, TAWELL, BURKE, HARE, and the other waxen *illustrissmi* and *illustrissimae* of our era."[7] The writer imagined through the introduction of the wax sculpture Houqua's last act of dividing his legacy. He was supposed to have bestowed on Pidding his secret recipe through which he had amassed a tremendous fortune in the global tea trade. He was also supposed to have entrusted his funny outfit to Tussaud in order to earn the rights to stand alongside celebrities more worthy of a wax sculpture in the exhibit.

Returning to the early guidebook which provided a glimpse to the life of this worldly figure, the visitor would learn that "Houqua was peculiarly distinguished among the *Hong* merchants for his exceeding cheerful disposition." Apparently, the British people were aware of the *Hong* merchants of China. This description of Houqua, however, was a tongue-and-cheek portrayal of the *Hong* system in Canton: that Houqua could have been construed as "exceeding cheerful" implied that that was a broken system from which most *Hong* merchants had suffered.

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[7] "A Lass of Wax," *Punch* (London, England), Saturday, July 08, 1848, 19.

That Houqua prospered in such a system, without the benefit of the imperial infrastructure that the British merchants had come to enjoy in their expanding empire, was exceptional, a true testimony to Houqua's resourcefulness and his ability to succeed against all odds. The guidebook would continue to instruct the visitor that Houqua was to be remembered "for his great attachment to the English nation." That was to be an ambivalent statement. Houqua was certainly attached to the British nation because Britain represented to him the single largest market for his global merchandise; however, the guidebook conveniently made no mention of Houqua's ingenuity in subverting the mounting British hegemony in the global market of tea, which formed the basis for his "cheerful disposition." "He died in 1846," concluded the guidebook erroneously.[8]

The penetration of Houqua into the realm accessible by the British public extended his global reach as those who had never journeyed to the place of origin of their staple, tea, could now come within close range with this famed procurer in Canton. This sculpture put a face, along with Houqua's small Oriental frame and his Mandarin garb, to his namesake brand that had long enjoyed its signifier as quality tea for years. Houqua had certainly initiated this process as he dealt reliably with traders from around the world many of whose homes had been tastefully appointed with his portrait. This posthumous extension of his global fame, however, did not unfold on his terms or those of his family. Just as Captain Pidding had made his contentious legal and marketing claims on the basis of his dubious ties to Houqua for his own economic benefits, this wax sculpture of Houqua generated name recognition for the sales of his namesake products but no financial returns to his successors. The value of his global brand would come to

[8]*Biographical and descriptive sketches of the distinguished characters which compose the unrivalled exhibition of Madame Tussaud and Sons*, 1851.

be totally appropriated and the network he had developed for his international trade would be rerouted to conform to the imperial contours of the British Empire.

In the first couple of decades since his introduction, Houqua would first gain in status in Madame Tussaud and Sons. By 1866, he had moved up the list to Number 56 of a larger collection of 313 sculptures. On one side of Houqua, the visitor would find the mother of Queen Victoria, "Her Royal Highness the Duchess of Kent" whose death in 1861 was "deeply lamented by the nation." On the other side of Houqua stood George Washington, "dressed as the President of America," whose memory was "held in great veneration by all nations, as he wielded the power that Providence gave him for the good of his country." Keeping his "peculiar appearance and costume of China," Houqua stood between these two great figures well liked by their countries, recognized "for his great attachment to the English nation," explained the 1866 guidebook[9]

Thereafter, Houqua's standing continued to rise as the British must have enjoyed his company for by 1873, Houqua had assumed his position as the second statue to greet visitors at Madame Tussaud's Exhibit. The first American president managed to keep pace with Houqua as he took on the Number 3 position. The mother of the reigning monarch, however, had fallen behind.[10] For decades, Houqua remained the only Oriental face in the Exhibition until he was joined towards the turn of the century by the Empress Dowager of China, the Emperor of China, and Li Hongzhang, the chief minister in the Qing court. The appearance of these three, however,

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[9] *Biographical and descriptive sketches of the distinguished characters which compose the unrivalled exhibition and historical gallery of Madame Tussaud and Sons* (London: G Cole, 1866).

[10] *Biographical and descriptive sketches of the distinguished characters which compose the unrivalled exhibition and historical gallery of Madame Tussaud and Sons* (London: Printed by M'Corquodale & Co., 1873).

did not displace Houqua from the lineup. Against this lineup of new arrivals, Houqua, "the celebrated Chinese tea merchant" held his own. However, no longer did the guidebook emphasize his "peculiar appearance and costume." The novelty of Houqua had worn off as his curious appearance had been rendered not unique as the Western spectator could scrutinize the costume of a better dressed Chinese high official and regally clothed royalty. Houqua's commercial legacy endured, however. He was "[g]reatly distinguished among the Hong *Kong* merchants for his exceedingly cheerful disposition" (emphasis added).[11] The British public would continue to recognize Houqua's contribution to the global tea market but the memory of the *Hong* merchants had faded, yielding to the new configuration of trade through the treaty ports and the British colony of Hong Kong. The guidebook included historical references such as those of the *Hong* merchants, now incomprehensive to the British audience, in the form of accessible but erroneous reinterpretation, inadvertently reflecting the usurpation of the command of Canton in the web of international trade by British powers as conveyed in the reference to Hong Kong.

Houqua would be joined by another Cantonese in the second decade of the twentieth century as the representation of the Qing court yielded to Sun Yat-sen, the leader of the revolution which overthrew the last imperial dynasty in China. Unlike Houqua, however, Sun did make it to London in his lifetime, and during his ten-day stay in London in November 1911, he requested and "was permitted to visit Madame Tussaud's Exhibition one Sunday morning to inspect this model of himself which had just been added." There, the two of them remained,

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[11] *Madame Tussaud's Exhibition. Guide. Written by Geo Augustus Sala (Catalogue. Official Guide and Catalogue). Official Souvenir & Guide* (London: Madame Tussaud and Sons' Exhibition, 1909).

with Houqua being the last of the cast donning a Mandarin garb, standing in front of Sun to greet visitors as he had for more than half a century.[12]

Although the interpretation of Houqua's success was to be filtered through the lens of subsequent developments, the memory of him as the "celebrated tea merchant" outlasted the dynasty in which he lived and he stood firm alongside the heroes of later national movements which brought into high relief the boundaries of political divides that Houqua had so successfully transcended and profitably maneuvered with the global network he constructed. His wax sculpture might have rekindled in the minds of many more Western visitors to Madame Tussaud the memory of his transnational trade had it not been lost to the only power to which Houqua would succumb—nature. The passing of this reminder of Houqua's legacy came in 1925. On March 18, a great calamity befell the Madame Tussaud Exhibition as a fire engulfed the collection and in an hour, "little was left except smoke-blackened walls and a heap of ruins."[13] In life, Houqua had rebuilt his business in Canton after many a fire destroyed the city. In death, however, he could not but be subjected to the mercy of posterity.

As the Madame Tussaud collection rose from the ashes of the 1925 fire, some of Houqua's old neighbors would make another appearance. Voltaire took his place in the French Section. Washington assumed his leadership among American Presidents. Shakespeare would also resume his rightful position in the Literary Corner.[14] But the representation at Madame

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[12] *Madame Tussaud's Exhibition: Catalogue* (London: Printed for Madame Tussaud & Sons, Ltd., 1918, 1920, 1925).

[13] *The New Madame Tussaud's Exhibition: Official Guide and Catalogue* (London: Madame Tussaud and Sons, 1930), 13.

[14] *The New Madame Tussaud's Exhibition: Official Guide and Catalogue* (London: Madame Tussaud and Sons, 1928).

Tussaud of Houqua was no more. After enduring more than three quarters of a century, witnessing the coming and going of notable figures, Chinese or otherwise, Houqua's memory was extinguished from among the cast of important international characters. His likeness, a product of Chinese hands, had followed the global routes of the tea trade from Canton to the consumer markets in the West, reminding the tea drinker of the great distances Houqua's network had covered. The initial observations of his "peculiarities" and celebration of his ties to England would secure for his places of honor in this British exhibition and there, Houqua had endured rising tides of British supremacy and the changing order of international politics which altered the memory of him as recorded in the guidebooks. However, not once during his seventy six years of residence in London was Houqua to take leave from the Western audience. Only could an act of nature destroy this representation of the global marketplace centered on Canton and relegated Houqua's memory to a bygone era.

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Baker Perkins. Perkins & Company Records. Baker Library Historical Collections. Harvard Business School.

CHS Oliver Wolcott, Jr. Oliver Wolcott, Jr. Papers, Connecticut Historical Society, Hartford, Connecticut.

EIC. East India Company Records, the British Library, London.

FHA. Number One Historical Archive of China 中国第一历史档案馆, Beijing, China.

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JM. Jardine Matheson Archives, Cambridge University.

MHS Charles A. Tomes Letterbooks 1886 – 1914, Massachusetts Historical Society

MHS Forbes. Forbes Family Papers, Massachusetts Historical Society.

MHS Houqua Letters. Houqua's Letterbook, Massachusetts Historical Society.

MHS Samuel Cabot papers, Massachusetts Historical Society.

RIHS Carter-Danforth. Carter-Danforth Papers, Manuscripts Division, Rhode Island Historical Society.

RIHS Dorr. Thomas W. Dorr Collection, Manuscripts Division, Rhode Island Historical Society.

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