Chinese Trade

Introduction Chinese society created a stable, high-functioning and integrated economy in the bronze and iron ages. As was true of all early societies, its foundation was a thriving and well-managed agricultural sector. Farming sustained massive populations, provided a reliable basis for taxation and enjoyed domestic micro-economic trading zones. It produced excess in most years, which allowed for large segments of society to specialize in sectors other than farming. Chinese growers were extremely capable and worked in concert with the government to build and manage infrastructure projects that all used to their advantage and in which all took great pride. Even though ancient and post-classical Chinese dynasties occupied a geographic space that encompassed half the territory of contemporary China, the sheer size and scope of the world's largest population worked as an advantage most of the time. When unified and well-led, the Chinese economy was a powerhouse and dwarfed all nations around it. When economic fortunes reversed, however, that same population suffered on a similarly grand scale. For most of Chinese history, other East Asian peoples watched the Chinese economy carefully and traded on terms that emperors dictated. At the beginning of the 19th century, however, conditions changed worldwide and China entered a 150 year period of economic contraction and humiliation. It had missed the industrial revolution. For much of that time, hunger was a specter haunting large segments of the population. In the past four decades, the Chinese economy has expanded dramatically. Hunger has been vanquished and China has reclaimed its place among the economic giants of the world. Though not wealthy on a per-capita basis, China's emerging middle class alone (approximately 400 million people) dwarfs the entire population of every other nation except India. The future looks bright.

PREHISTORY—The Neolithic age (10,000 BCE-2000 BCE)

Trade. It is not known the extent to which early Chinese engaged in commerce. But it undoubtedly existed. It is possible that shells or other high value items such as jade or gold might have acted as a currency. More likely, however, since there was no common currency, commerce would likely have been based mostly on the barter system. Farmers or craftsmen who were able to grow or create certain items in excess, or more cheaply than others, would have traded for goods, services, food or other needed items. Hunters might have traded meat, hides, bones and sinew to, for example, a shaman in exchange for spiritual wisdom or healing. This interaction would have required some level of communication and trust between settlements and played an important role in the cultural and economic integration of small economic and social regions.

BRONZE AGE (2000 BCE-600 BCE)

Trade and Currency. The monetary system of the Shang period (1600 BCE to 1050 BCE) is unknown. It is believed that there was no minting of coins and the like. Jade was sometimes used as currency, as were some kinds of sea shells. It is not clear what specie taxes were paid in or how markets functioned in the absence of coinage. During the Zhou Era (1046 BCE-476 BCE), coins were minted for the first time. They were made of bronze and copper. They do not appear to have had much intrinsic value, but bore the mark of the monarch and therefore carried the weight of officialdom. However, it is not clear how widespread their use was and how well controlled they were by the government. Nonetheless, commerce as we understand it was possible for the first time in the Zhou Era.

IRON AGE (1000 BCE-500 CE)

Trade and Taxes. As more land was brought under cultivation and the land already under cultivation was made more productive, property and goods could be more effectively exchanged and taxed. This enriched treasuries, made possible more stable governments and created predictable government budgets. One of the initiatives the Qin (221 BCE-206 BCE) were known for was standardizing the monetary system and for bringing the minting of coinage under the control of the central government. This allowed for the proliferation of markets and facilitated the exchange of goods and services. Taxes were paid both in an amount of the government's choosing and in a specie of its choosing. It was also possible to apply this new-found tax revenue to the military, which was also using new iron weapons to great effect. In essence, the shift from Bronze Age technology to Iron Age technology created the conditions which made possible the unification of China. It also led to some of the greatest bloodshed known to man at that time.

POST-CLASSICAL PERIOD (500 CE-1500 CE)

Trade. . Though China is known historically for its macro-economic regions, the Grand Canal made possible for the first time the transportation of bulk goods from the densely populated regions of the south to the more sparsely populated regions of the north. This created a functioning, national economy. Rice and other food stuffs, in particular, are well known for being transported in bulk along the Grand Canal.

The Pax Mongolica. The above mentioned initiatives were all labor intensive and required constant monitoring. Law and order, stability and peace, above all, were required to maintain an effective nationwide economy. When this period of relative peace came to an end with the Mongol invasions, the economy of north China disintegrated. Tens of millions of people in the north were removed from the work force and the population collapsed. Of course, the Silk Road thrived under the Mongols. For the first time in history, it was possible for someone with permission from one of the Mongol monarchs to travel without harassment from Beijing all the way through Persia to Europe and back. Silk, porcelain and tea were particularly valued commodities in Europe. Marco Polo from Venice and others such as the historian Rashid Al Din are well known for having made the trip. Of course, the Pax Mongolica was relatively short lived and came at a tremendous cost. Domestically, the Mongols ruled China after the conquest using many of the same Confucian elites who has served the Song (960-1279) and so, after the recovery, maintained the economy at a diminished, but sufficient level.

Economic Recovery under the Ming. When the Ming came to power after the ouster of the Mongols in 1368, the economy of China returned to its traditional boundaries. The Silk Road was no longer safe and freely accessible. The economy in China, though smaller, continued to thrive. Agriculture existed much as it always had. Peasants worked the land, some as free-holders, others tied to the land as something like serfs. In the devastated and depopulated areas of the north, the first Ming emperors provided incentives for peasants to resettle and return land to cultivation. Road and canals were rebuilt and irrigation projects were again prioritized. For a century or so, the economy of Ming China grew dramatically. China prospered.

EARLY MODERN PERIOD (1500-1800 CE)

Trade. With increased specialization came advances in commerce and industry. The late Ming and Qing periods are well known for the creation of guilds for non-agricultural products. Guilds oversaw the supply of goods to make sure that the market was neither flooded nor without goods to sell. Guilds also dispersed and protected trade secrets and provided guidance on the training of apprentices and the like. Artisans and skilled craftsmen, in particular, mentored apprentices for many years until they had developed sufficient expertise. Certain areas of the Chinese economy in the early modern era were particularly well-known for the production of export items. Among them were silk and porcelain producers. Tea was also produced for export. But it was silk and porcelain that distinguished Chinese commerce. Indeed, fine porcelain in the early modern era so dominated the world market, to say nothing of the domestic market, that in much of the western world, it is still simply called "china." In addition to it being of very high quality, it was also produced in vast quantities.

Self-Sufficiency. The Chinese economy was largely self-contained. Virtually all of the items needed for consumption by the Chinese: food, energy, raw materials, pharmaceuticals, clothing, building supplies and the like were produced domestically. The importation of goods from abroad was largely unnecessary. (Foreign ideas were equally unwelcome.) It is because of international commerce that China began to encounter a group of people who had heretofore been known to them, but who had not really been very important or influential: Europeans. Because the Chinese exported so many goods and products but imported virtually nothing, the Europeans began to become concerned about the imbalance of trade. Chinese merchants demanded payment in silver, the specie in which one paid tax, and when denominated, the unit of currency. Silver therefore began to be in short supply in other parts of the world. The Europeans wanted to parley with Chinese representatives, but the Chinese were totally uninterested. This set off a series of diplomatic rows which left the Europeans seething for decades. In a well-known exchange between the Emperor Qianlong and King George III (1738-1820) of Great Britain, Qianlong rebuffed the British request to trade by saying "I set no value on objects strange or ingenious and have no use for your country's manufactures."

The 19th CENTURY

Trade and Economic Trouble. The Chinese commercial economy in the 19th century suffered one setback after another. There was a problem with the outflow of silver associated with the opium trade. Given that more and more Chinese were willing to pay westerners in silver to support their drug habit and because silver was the specie with which one paid the tax, scarcity and inflation in the Chinese economy became the norm in the years leading up to the Opium War (1839-1842). (Western economies also suffered from time to time from silver shocks in the 19th century.) Indeed, one of the reasons that the Emperor Daoguang (r. 1820-1850) gave for his campaign to suppress opium was the damage it did to the economy of south-east China. This disruption was hard on the imperial treasury and put a damper on macro-economic trade as well. The other great disruption in the commercial economy in 19th century China was the Taiping Rebellion. Roughly 1/3 of China was under the control of other political entities (Taiping or Nian) for more than a decade. The most expensive activity a government can engage in is war. When it is a civil war, the costs multiply exponentially because areas being destroyed are a part of the economy and are also at the same time not paying tax to the government. In the case of the Taiping Rebellion, the economic damage was so widespread that entire areas of the Yangtze River Valley did not recover for more than a generation. Given the extent of economic development and industrialization taking place in most of the western economies (and Japan) in the late 19th century, China experienced political instability and economic collapse at precisely the wrong time. China didn't just slowly fall behind other expanding, industrial economies, its fortunes were dramatically reversed in both real and comparative terms. By the turn of the 20th century, China was no longer the world's greatest power. Instead, it can best be described as a failed state, incapable of controlling or caring for its people. But it was on the cusp of even greater humiliations still. Dismemberment and a loss of sovereignty became a real possibility in the 20th century.

Early 20th CENTURY (1900-1950)

Trade. If a nation is to have a fully functioning, integrated economy, certain conditions must exist. There must be a strong, effective government capable of creating and environment of predictability. The government must have a monopoly on violence and the extraction of revenue. There must be a common currency, access to capital and relative peace and calm in the realm. Finally, the population must be willing to accept these conditions. These things were not in evidence for most of the first half of the 20th century in China. In the warlord era, China was divided into areas controlled by local or regional strongmen. Trade between the various areas, although possible, was problematic. Nonetheless, the macro-economic zones which had characterized the Qing Era (1644-1912) and which had emerged organically during the long period of peace began to fragment in the early 20th century. It became difficult to transport goods between regional areas because of problems with the transportation infrastructure and because the space between warlord-held territories often teemed bandits and rebels. And since there was no national currency, an economy based on a barter system emerged. This placed serious restrictions on the flow of capital. In short, it was possible to buy and sell goods within small, micro-economic zones—in the big cities and the like. But a national economy did not exist until the Guomindang sought to create one in the late 1920s and early 1930s. And, of course, even this ceased to exist during the war with Japan. It is also safe to say that there was extremely limited large-scale industrial development outside of the major population centers and very little domestic capital one could draw upon if one wanted to open a factory or to develop a manufacturing concern. Cottage industries were widespread, and of course, foreigners operated industrial concerns in the concession areas. When the civil war between the CCP and Guomindang ended in 1949, the CCP surveyed an economic landscape scarred by decades of war, destruction and neglect. The economic road ahead would be long, difficult and bumpy. Tens of millions of Chinese would die of starvation, malnutrition and other privations before the economy would begin to supply the goods and services needed by the population.

Late 20th Century (1950-1999)

Trade and Economic Liberalization. When Deng Xiaoping (1904-1997) emerged to be the paramount leader of China in 1978, he took stock of the economic situation and was not particularly pleased to see that most of Mao's attempts at social and economic engineering had not produced the desired effects. China, though an increasingly industrialized nation, was still considered to have a "developing" economy. There were pockets of extreme poverty in China and shortages of most consumer goods. The economic element of communism seemed to have failed. In response, Deng liberalized the economy and set about creating the conditions which allowed for the privatization of some of China's state-run industries. It also freed some workers (who had previously all worked for the state) to decide for themselves what sort of job they wished to do. Of course, this could only happen following the regulations of the communist state, which meant that workers could not just move anywhere to take any sort of job without permission. This would change later and Chinese laborers moving (sometimes illegally) to the cities produced an excess labor force willing to work in industry for extremely small sums. The government also strictly controlled the flow of capital in and out of the country, limiting the development of the industrial and financial sectors in the early 1980s. Nonetheless, when allowed some freedom, Chinese entrepreneurs and budding industrialists demonstrated that they could compete with any company worldwide. As the business environment in China improved, foreign companies began to use Chinese industrial capacity to produce goods for their home markets. It was cheaper for many western companies to build a factory in China, pay well-educated and highly motivated Chinese workers a pittance to do a job and ship goods home than it was to produce the same items at home. Of course, Chinese industry was also producing for the domestic market as well and successful domestic companies soon far outnumbered foreign concerns. The economy grew at a remarkable rate. For more than four decades, China has enjoyed many years of double-digit growth rates. Today, it is the second largest economy in the world and is projected to become the world's largest within two decades.

Readings

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