1 Britain and China: From Imperial Relations to Formal Equalization

When discussing Anglo- or foreign-Chinese relations in the modern era, it must be remembered that the period preceding the outbreak of the Opium War was characterized by 'foreign' apprehension vis-à-vis the unknown and unpredictable Chinese. At that stage, the West had only limited experience of Chinese military capability and readiness to use force in defence of any perceived encroachment upon their ancient country and civilization. On the whole, experience had taught foreigners that the Chinese were a proud and unbending people. Thus, for example, China permitted the development of some foreign trade, treating it as part of the system by which vassal states paid tribute to the Empire in return for imperial largess.

Similar anxieties existed on the part of the imperial Chinese but only to a degree. Being a self-absorbed and proud people, they failed to appreciate the changes (and the challenges) taking place on their doorstep. In any case, were actions taken by the 'barbarians' of any real significance? Paradoxically, it often seems that Chinese aloofness and relative passivity served to create a false impression of strength. To the West it seemed as if the Chinese were simply lying in wait, ready to pounce. ¹

This 'unbalanced equality', based on the distorted image created by the foreigners, helped the Chinese to maintain the upper hand. Yet this could not, and indeed did not, last long. The two contending parties had eventually to collide in order to discover the real balance of power for themselves; they had to calculate their steps on a new and more realistic basis. It is in this light that the historical watershed of the Opium War must be viewed.

The victories of the foreigners during the course of the Opium War totally altered the existing 'unbalanced equality'; the Chinese no longer enjoyed their comparative advantage, and their real strength, or rather their comparative weakness, was publicly unveiled. The Nanjing Treaty of 1842 and the dictated 'unequal treaties' which followed brought about a completely new situation, one that gave the foreigners, the British in the main, an undeniable advantage for many decades. This advantage included the secession of territory and the opening of designated 'treaty ports' in which the foreigners enjoyed rights of extraterritoriality, the restriction of

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Chinese customs duties and ultimately the provision of the right of foreigners to establish industries in the treaty ports.

By the mid-1870s China had begun to borrow foreign capital. Small loans were contracted with foreign institutions—most of them British—secured on the general resources of the country. Between 1894 and 1901 China was obliged to apply for huge foreign loans in order to finance her war with Japan and to pay the indemnities imposed on her by the Japanese and by the powers involved in quelling the Boxers. Subsequently, the foreign powers succeeded in obtaining railway concessions for their nationals. Most of the loans for railways, like the one needed to pay the Boxer indemnity, were secured on customs and other revenues. This, as a consequence, led to a large measure of the control over China’s financial and fiscal policies being held by foreign powers.2 According to one estimate, China owed Britain over US$109 million in 1902, over US$195 million in 1914 and US$150 million in 1936.3 Furthermore, China was almost wholly dependent on the outside world for fuel oil, gasoline and lubricants, as well as industrial supplies and machine tools. She had no option but to use her agricultural and native products in exchange for these essential commodities.4

‘The coming of the Europeans ranks among the major forces shaping China’s modern history. Not only steamships, factories, and machine guns, but Christianity, democracy, pragmatism, socialism, and communism figure in the long list of outside influences on China development’, writes Rawski in his study on China’s pre-war economy and adds that in the broader sense, ‘no one can deny the significance of foreign, especially European, influence on any aspect of modern Chinese life’.5 He notes, however, that as far as his thesis is concerned, a much narrower question is at issue, that is whether or not ‘the special circumstances attending foreign-linked economic activity exercised a strong and decisive influence over the timing, pace, and pattern of long-term economic change in pre-war China’. He maintains that within a broad framework that included European influence, ‘the course of China’s economic evolution was shaped mainly by market forces and was not decisively affected by the special conditions attached to the foreign economic presence in China’. While it is obvious that foreign participation stimulated rather than retarded economic growth and structural change in China’s domestic economy, ‘the direct and specific influence of foreign activity’ was generally a minor one in the following areas:6

1. the size and composition of farm output
2. the rate and pattern of modern-sector growth