

On the Foreign Economic Relations of China in the Interwar Era

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Throughout the period between the fall of empire and the establishment of communist regime, foreign trade generally played a relatively minor role. This finding is to a certain extent surprising considering the fact that foreigners were interested in trade with the Middle Kingdom as far back as the 18th century. From the very beginning, this area was unfavourably affected by significant factors which hampered its more rapid development. The consequences of the dramatic and chaotic interior development in China were among the most important ones: the foreign trade was affected by the consequences of the Japanese aggression – the invasion of Manchuria in 1931 as well the attack against China proper in 1937. Basic statistical overviews clearly indicate that the loss of Manchuria in the early 1930s substantially affected the total volume of the Chinese foreign trade,¹ also clearly influencing its commodity structure.²

¹ From the perspective of the Chinese foreign trade, the loss of Manchuria was a grave event. In 1929–1931, the three Manchurian provinces procured a full third of the Chinese export and was a recipient of 14.6% of import. F. V. FIELD, *China's Foreign Trade*, in: *Far Eastern Survey*, Vol. IV, No. 5, March 13, 1935, Institute of Pacific Relations, pp. 33–40; p. 34. The state of Manzhuguo also established its own customs service. In this context, the Customs House in Harbin, subject to the Office of the Inspector General of the Chinese Maritime Customs Service, was dissolved. It was closed down gradually, terminating all activities at the end of 1932. For more information, see *The Second Historical Archives of China, Nanjing, The Maritime Customs Service Archive* (hereinafter SHAC-MCSA), Part Three: Semi-Official Correspondence with Selected Ports (hereinafter P3), Reel 173, 679 (1) 31894, Letters from H. J. Prettejohn to Frederick Maze (20 October 1932, 22 December 1932).

² For further information, see Tables I and II. Cf. e.g. a detailed overview of the commodity structure of the Chinese foreign trade in *The China Year Book 1931*, London, Chicago, Shanghai 1931, pp. 300–306. Detailed documentation on the development of the Chinese foreign trade including statistical overviews sent from the Czechoslovak representative offices in China to the Ministry of Foreign Affairs in Prague can be found also in the Archives of the Ministry of the Foreign Affairs of the Czech Republic, Prague (hereinafter AMFA), Section 4 – National Economy (hereinafter only S4NA), folder (hereinafter fol.) 636 and 1208. A basic overview of the commodity structure of the Chinese foreign trade is also available at the Internet presentation of the University of Bristol, Department of Historical Studies, <http://www.bris.ac.uk/history/customs/datasets> (quoted Apr. 17, 2012).

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Table I: China's foreign trade in 1912–1936
(values in common prices, in mil. haikwan taels)

Year	Import	Export	Balance	Index of the total turnover of the foreign trade (1913 = 100)
1912	473	371	-102	86.7
1913	570	403	-167	100.0
1914	569	356	-213	95.1
1915	454	419	-35	89.7
1916	516	482	-34	102.5
1917	550	463	-87	104.0
1918	555	486	-69	106.9
1919	647	631	-16	131.3
1920	762	542	-220	133.9
1921	906	601	-305	154.8
1922	945	655	-290	164.4
1923	923	753	-170	172.2
1924	1018	772	-246	183.9
1925	948	776	-172	177.1
1926	1124	864	-260	204.2
1927	1013	919	-94	198.4
1928	1196	991	-205	224.6
1929	1266	1016	-250	234.4
1930	1310	895	-415	226.5
1931	1433	909	-524	240.7
1932	1049	493	-556	158.4
1933	864 (1346)	612 (393)	-471 (734)	129.1
1934	661 (1030)	344 (536)	-317 (494)	103.2
1935	590 (919)	370 (576)	-220 (343)	98.6
1936	604 (942)	453 (707)	-151 (235)	108.6

Sources: Hsiao, Liang-lin, *China's Foreign Trade Statistics, 1864–1949*, Cambridge (Mass.) 1974, pp. 23–24; Cheng, Yu-kwei, *Foreign Trade and Industrial Development of China*, Washington 1956, p. 259. Cf. *The China Year Book 1931*, London, Chicago, Shanghai 1931, p. 270.

Note: The prices featured in years 1933–1936 are in millions of Chinese dollars, equivalents in haikwan taels are in parentheses.

For that matter, it is essentially impossible to reconstruct the scope and structure of the foreign trade China-wide for the period from 1937.

First of all, this task is complicated by the lack of statistical data and other relevant information. Statistics concerning foreign trade are incomplete for many reasons. For example, they did not include information about import for the Chinese army, there was a tendency of importers to declare lower value of goods than their real one, and there is a question of the value of the goods smuggled to China.³ The problem of smuggling was a long-term phenomenon, which reached serious proportions. Smuggled goods repeatedly included gold, silver, sugar, opium and other drugs. Chinese government was thus deprived not only of the income from customs but also of tax income.⁴ In this context, we should mention the correspondence from the autumn of 1931 between the office of the inspector general of the Chinese Maritime Customs Service and the Shanghai Chamber of Commerce. These letters contain major criticism of the situation in Shanghai. The Inspector General and his subordinates complain about many problems. They criticize Shanghai merchants, who do not make an effort at aiding in the fight against smuggling. The work of the Shanghai police is perceived similarly as they do not pay much attention to smuggling and if they do catch a smuggler, they merely confiscate the goods without punishing the smuggler.⁵ Regular reports on smuggling sent to the Office of the Inspector General from the treaty ports show that not only the Chinese but also a wide spectrum of foreigners were involved in smuggling. The smuggled goods were found not only in Chinese ships (private as well as state), but also in British, Japanese, Portuguese or Norwegian ones. The above mentioned reports also demonstrated some logical “regional differences.” For example, in comparison to Shanghai, there were more Portuguese smuggler ships in Canton, while the Japanese smuggler ships prevailed in the former.⁶

³ For more information, see K. Bloch, *The Puzzle of Chinese Trade Statistics*, in: *Far Eastern Survey*, Vol. 9, No. 22, Nov. 6, 1940, Institute of Pacific Relations, pp. 264–266.

⁴ The problem of smuggling continued even in the period after World War II. Frequently smuggled commodities included also salt. Cf. e.g. the confiscation of 4235 kg of salt in January 1948. SHAC-MCSA, Part Four: The Policing of Trade (hereinafter P4), Reel 218, 679 (1) 20364, I.G. dispatch, Shanghai, No. 196142, date: 9. 1. 1948.

⁵ For more information, see SHAC-MCSA, P4, Reel 217, 679 (1) 20362, Letter from Inspector General to Shanghai General Chamber of Commerce (21 October, 1931); *Ibid.*, Letter from Shanghai General Chamber of Commerce to F.W. Maze, Inspectorate General of Customs (15 October, 1931). Documents concerning smuggling to China can be also found in SHAC-MCSA, P4, Reel 183, 679 (1) 824; *Ibidem*, Reel 218, 679 (1) 20364; *Ibid.*, Reel 219, 679 (1) 20365.

⁶ Generally speaking, the Japanese presence and trade activities were bigger in Shanghai than in Canton. As concerns the illegal activities of the Portuguese ships in Canton, the nearness of Macao played an important role. Cf. e.g. reports on smuggling activities from Canton and Shanghai from 1936 and 1937. Reports from Canton SHAC-MCSA, Part Five: The Policing of Trade (further P5), Reel 252, 679 (1) 28160, Canton smuggling

When analyzing foreign trade, we must take into account several other facts, such as the actual division of China. Unoccupied China represented one area, Manchuria under the Japanese control was the second one, occupied China, where puppet regimes were eventually established,⁷ were the third area and the north-west area under the communist control was number four. Economic ties among these areas were essentially disrupted, moreover, the nationalist government was from the end of 1937 cut off from the economically most important coastal provinces and large ports, through which a vast majority of the foreign trade was realised before the war with Japan.⁸ For example in the last year before the war, in 1936, of the total import of USD 280 mil., 59% went through Shanghai and 27% through North China ports.⁹ Some of the factors which hampered the development of foreign trade have been mentioned earlier, be it the insufficiently developed transport network, for a long time also the existence of customs in inland China, so-called likin, the predominance of traditional agriculture, which was not export oriented, low purchasing power of the population and many others. Some objective circumstances also played a negative role, such as the great distance between China and its important trade partners. Chinese foreign trade was also to some extent affected by the Great Depression, although it was somewhat delayed.

From the end of the 19th century through the fall of the nationalist regime in 1949, import exceeded export, the Chinese trade balance was thus permanently negative. The trade deficit achieved its lowest level in the period of World War I, when import was essentially at a standstill, at the same time giving more space to Chinese exporters (for more information, see Table I). Permanently highest negative balance was reached in the foreign trade realized via Shanghai – in 1936, it was USD 57 mil.¹⁰

report for November, 1936 (18 January 1937); Ibid., Canton smuggling report for December, 1936 (18 February 1937); Ibidem, Canton smuggling report for July, 1937 (19 October 1937). Reports from Shanghai SHAC-MCSA, P5, Reel 262, 679 (1) 28140, Shanghai smuggling report for November 1936 (4 January 1937); Ibidem, Shanghai smuggling report for December 1936 (19 February 1937), Ibidem, Shanghai smuggling report for July 1937 (18 September 1937).

⁷ Apart from the Wang Jingwei's collaborationist government in Nanking, Japanese established another puppet government in Beijing placing at its head a former high-ranking imperial official Wang Kemin. It was a consequence of the Tokyo's intention to initiate the establishment of several puppet regimes in the area of occupied China in order to facilitate the enforcement of occupation policy.

⁸ For the comparison of the development of individual regions in the period of 1937–1945, see *China at War: Regions of China, 1937–1945*, S. R. MACKINNON, D. LARY, E. F. VOGEL (Eds.), Stanford 2007.

⁹ BLOCH, p. 265.

¹⁰ Ibidem, p. 266.

The Chinese share in the international trade grew from 1.7% in 1912 to 2.2% in 1931 (according to the estimates of the League of Nations, the China's share in the world trade in 1933 was 2.32%),¹¹ but in relation to other countries it was still extremely small.

The customs autonomy became an important landmark from the perspective of the foreign economic relations. The loss of the customs autonomy was an unfavourable and naturally humiliating consequence of the unequal treaties signed in the 19th century, one of the sensitive issues in the relations between China and the West. The question of regaining customs autonomy was for China not only of economic importance. The change in the approach of the western countries to this issue and more willingness to concession were first manifest during the Washington Naval Conference.¹² The customs problem remained a topical issue also in the ensuing years; in 1925–1926, a conference focusing on this problem and attended by foreign representatives was held in Beijing.¹³ This problem was finally resolved by Chiang Kai-shek's Nanking government, which started to consistently strive for the termination of the unequal treaties signed in the past. Concerning the customs issue, it was the United States, which as the first of western countries took the initiative and by a treaty of July 1928 acknowledged the tariff autonomy of China (the Chinese government was to freely determine the customs to import to and export from China in the future). This treaty, which also contained the most-favoured-nation clause, was a real breakthrough in the old contractual order. Before the end of 1928, tariff autonomy treaties were also signed with other countries.¹⁴ On February 1929, China introduced a new customs tariff,¹⁵ which caused a considerable increase of customs tariffs, which, naturally, could not stimulate foreign trade, rather the contrary. On

¹¹ FIELD, p. 33.

¹² The Washington Naval Conference took place from November 12, 1921, to February 6, 1922. As a result of the Washington agreements, Chinese customs tariffs increased as of 1922. For more information, see *The Special Tariff Conference*, Tientsin Press, Tientsin 1925, p. 1, pp. 25–28.

¹³ For more information, see *The Special Tariff Conference*, passim.

¹⁴ In January 1929, Japan was the only important country which had not signed a new tariff treaty with China. This situation was a consequence of many controversial issues in relations between the two countries. An agreement between China and Japan was finally signed in May 1930, after the nationalist government had undertaken to pay old debts to Japan.

¹⁵ Cf. original instructions to the introduction of the new customs tariff by the Inspector General of the Chinese Maritime Customs Service sent to individual customs offices in the treaty ports SHAC-MCSA, Part One: Inspector General's Circulars (further P1), Reel 18, 679 (1) 26909, Circular No. 3854 (31 January 1929), signed by F. W. Maze (Inspector General).

the other hand, this step was fiscally important for the Nanking government, with the customs income being clearly one of the most important items of the state income in the ensuing years.¹⁶

Table II: Commodity structure of the Chinese import in 1913–1936 (percentage of the total value expressed in common prices)

	1913	1916	1920	1925	1928	1931	1936
Cotton goods	19.3	14.1	21.8	16.3	14.2	7.6	1.5
Cotton thread	12.7	12.4	10.6	4.4	1.6	0.3	0.2
Raw cotton	0.5	1.6	2.4	7.4	5.7	12.6	3.8
Rice, wheat	3.3	6.6	0.8	6.8	5.7	12.6	3.8
Wheat flour	1.8	0.2	0.3	1.6	2.6	2.0	0.5
Sugar	6.4	7.1	5.2	9.5	8.3	6.0	2.2
Tobacco	2.9	5.8	4.7	4.1	5.1	4.4	1.8
Paper	1.3	1.8	1.9	2.0	2.4	3.2	4.1
Paraffin oil	4.5	6.2	7.1	7.0	5.2	4.5	4.2
Crude oil	–	0.2	0.4	0.9	1.4	1.8	4.1
Means of transport	0.8	4.0	2.6	1.9	2.3	2.3	5.6
Chemicals, pigments	5.6	4.1	6.4	5.6	7.5	8.0	10.8
Iron, steel and other metals	5.3	5.1	8.3	4.7	5.4	6.2	13.3
Machines	1.4	1.3	3.2	1.8	1.8	3.1	6.4
Other	34.2	29.5	24.3	26.0	30.8	27.4	37.5
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Cheng, p. 34.

In connection with customs issues, we should mention the Chinese Maritime Customs Service.¹⁷ It was an institution, subject to the Chinese government, with foreigners of many nationalities holding executive posi-

¹⁶ For more information on achieving the tariff autonomy, see Ji, Zhaojin, *A History of Modern Shanghai Banking: the Rise and Decline of China's Finance Capitalism*, Armonk, New York 2003, pp. 171–172.

¹⁷ Interesting documents concerning the functioning of this institution can be found in v The Maritime Customs Service Archive, which is stored in The Second Historical Archives of China, Nanjing. For basic orientation in the rich material of these archives (or more precisely in its first sections) see the indexes in SHAC-MCSA, P1, Reel 1, 679 (1) 26918, 679 (8) 8, 679 (1) 27211; Ibidem, Reel 2, 679 (1) 30154, 679 (1) 27221, 679 (1) 24721, 679 (1) 27253; SHAC-MCSA, Part Two: London Office Files (further P2), Reel 63, 679 (2) 1188–9, 679 (2) 27306; Ibidem, Reel 64, 679 (1) 27307–9, 679 (9) 8572, 679 (9) 8574–6; Ibidem, Reel 65, 679 (9) 8573.

tions (with the British holding most of these positions). The Chinese Maritime Customs Service's primary role was to collect customs in treaty ports, nevertheless it was active also in other areas, such as the fight against smuggling and regular publishing of overviews of economic or even demographic data.¹⁸ Basically, we can agree with the view that long before the establishment of the Nanking government, the customs service was "*practically the only agency through which reliable economic and other information on China could be obtained.*"¹⁹ Efficient functioning of the Chinese Maritime Customs Service was quite important also for Chiang's government as it procured most of the Nanking regime's income. After the conflict with Japan²⁰ had escalated and important Chinese cities had been occupied in 1937, the Chinese Maritime Customs Service continued its work, albeit in much worsened conditions,²¹ formally still being subject to Chiang's government.²² In December 1941, this institution, first of all its headquarters in Shanghai, was seized by the Japanese who also appointed the new Inspector General.²³ The Chinese Maritime Customs Service continued its activities after World War II until the establishment

¹⁸ For the different activities of the Customs Service, see T. P. LYONS, *China Maritime Customs and China's Trade Statistics, 1859–1948*, Trumansburg (NY) 2003. Cf. D. BRUNERO, *Britain's Imperial Cornerstone in China: the Chinese Maritime Customs Service, 1854–1949*, New York 2006.

¹⁹ SHAC-MCSA, P1, Reel 19, 679 (1) 26910, Circular No. 4133 (5 November 1930), signed by Percy R. Walsham (For Inspector General).

²⁰ The very beginning of the Japanese invasion in July 1937 was not immediately important for the daily operations of the Customs Service as is documented in the correspondence between the Office of the Inspector General and individual customs offices from this period. SHAC-MCSA, P3, Reel 120, 679 (1) 32230.

²¹ For example, major personnel changes took place. Under the pressure of the Japanese bodies, more Japanese employees were hired. On the other hand, some foreigners decided to leave this institution as well as China; a high number of resignations occurred at the time of the battle of Shanghai (August–November 1937). SHAC-MCSA, P2, Reel 80, 679 (1) 31848, Letter from Mr. Macoun to Frederick Maze (6 September, 1937); *Ibidem*, Letter from Frederick Maze to Mr. Macoun (9 October, 1937). For more information concerning the second half of 1937, such as complaints of trade companies against the Japanese fleet, which imposed a blockade on the Chinese coast, see SHAC-MCSA, Part Six: The Sino-Japanese War and its Aftermath, 1931–1949 (further P6), Reel 283, 679 (1) 14857, Letter from Chief Secretary (H. Kishimoto) to the Commissioner of Customs, Canton (7 October 1937).

²² Cf. e.g. the correspondence between the Office of the Inspector General with the bodies of Chiang's government in Chongqing from 1938, which is to be found in SHAC-MCSA, Part Seven: The Sino-Japanese War and its Aftermath, 1931–1949 (further P7), Reel 330, 679 (1) 31693.

²³ Chiang's reaction to this step was an establishment of a new, to some extent interim office of the inspector general in Chongqing.

of the communist regime. The last Inspector General Lester Knox Little resigned in January 1950.²⁴

As concerns the foreign trade's commodity structure, it was rather one-sided, which certainly cannot be viewed as advantage. Essentially throughout the entire 19th century, tea and silk or silk fabric, were by far the most important Chinese export items. In 1871, their share in the total volume of exports still amounted 92%, and it was not until the last two decades of the 19th century that it dropped noticeably.²⁵ From the beginning of the republican period, the commodity structure of Chinese export changed considerably and the share of both commodities kept dropping: in 1913–1936, the share of tea averaged at 4.7% in the total volume of exports.²⁶ Silk and silk products remained ones of the most important items, nevertheless, their importance for China's total export visibly diminished. No commodity had prevailed permanently and after World War I, there was a considerable growth in numbers of exported and imported items.²⁷ The total export was marked by a significant growth of such articles as soya beans and soya bean products as well as hides, leather and furs, and we should also mention an increase in the export of ores and metals.²⁸

In the 19th century, also the commodity structure of import to China was rather narrow, with opium being its main component for decades. In the 1990s, opium was surpassed by the import of cotton fabric and cotton yarn, which around 1900 represented 40% of Chinese imports. Eventually, also this segment experienced a decline as a result of the development of the textile industry in China. Towards the end of the examined period, there was a remarkable growth in import of chemicals and pigments (in 1913–1936 by 92%), iron, steel and other metals (in 1913–1936 by 149%) and machines (in 1913–1936 even by 357%), which however has to be viewed realistically as the absolute value of the import of machines was still at a low level. Apart from the above, Chinese import also

²⁴ In the examined period, the position of the Inspector General was held by Francis Aglen (1911–1929), Frederick Maze (1929–1943) and Lester Knox Little (1943–1950). During the Pacific War, the Japanese appointed Hirokichi Kishimoto (1941–1945) as the Inspector General. For more information on the gradual dissolution of the Chinese Maritime Customs Service in 1949, see the correspondence of the Inspector General, e.g. SHAC-MCSA, P2, Reel 82, 679 (1) 31856, Letter from L. K. Little to Mr. Ensor (3 March, 1949); *Ibidem*, Letter from E. N. Ensor to Mr. Little (8 April, 1949).

²⁵ Around 1900, tea amounted to approximately half of the total export.

²⁶ The long-term decrease of tea in the Chinese export was related, among other things, to the growing competition in the world market, mainly by British India, Ceylon and Dutch East India.

²⁷ According to the data from the customs office, in 1934, the list of imported goods included a total of 483 items, while the export 356 items. FIELD, p. 34.

²⁸ For more information, see CHENG, p. 34.

featured sugar as an important item, whose share in the total import in 1913–1936 averaged 6.4% (for more information, see Table II).

Britain was China's main trade partner for a long time,²⁹ at the beginning of the 20th century it was still a recipient of over 40% of goods exported from China and procured over 50% of its import. In the interwar period, Americans, Japanese and Germans became important competitors to the British. The United States were an important partner of China primarily in export; in 1936, more than one quarter of exported Chinese goods went to the U.S. American exports to China were maintained at approximately 15%. Nevertheless, we have to realize that trade with China was at the time merely marginal for the U.S.A., although in 1932, they even ranked as number one in the total amount of trade with China.³⁰ Japan markedly strengthened its position during World War I; in 1919, it even procured approximately one third of the import to China and imported the same volume of Chinese goods. Later, Japan's share was slightly decreasing. After World War I, Germany lost its positions in the Chinese market, however, it managed to renew them before the end of the 1920s. In the 1930s, the German share considerably increased, undoubtedly due to the close co-operation of Berlin with Chiang's regime.³¹ After World War I, the role of Russia in China's foreign trade considerably weakened and it was not until 1937, that it managed to achieve a share in the trade with China that would be comparable to that before World War I. The last country worth mentioning in this context is France. Before World War I, it received approximately 10% of China's export, however, after the war this number was permanently decreasing. As concerns export to China, the role of France was merely marginal.³²

²⁹ The data for Great Britain and Hong Kong are often provided separately. The high numbers concerning Hong Kong quite complicate any serious analysis. A considerable (yet unfortunately indeterminable precisely) segment of deliveries going from Hong Kong to China (as well as in the opposite direction) consisted of re-exports. Chinese records often feature deliveries from different countries, which merely passed via Hong Kong (without any changes of ownership) and from there reached the Chinese market as import from Hong Kong.

³⁰ FIELD, p. 36a.

³¹ For information on the German economic presence in China in 1919–1928, or on the economic co-operation with Chiang Kai-shek's regime in 1928–1938, see U. RATENHOF, *Die Chinapolitik des Deutschen Reiches 1871 bis 1945. Wirtschaft – Rüstung – Militär*. Boppard am Rhein 1987, pp. 271–490.

³² For more information, see Table III. For other details on China's trade in the nationalist era, see e.g. P. RICHARDSON, *Economic Change in China, c. 1800–1950*, New York 1999, pp. 43–49.

Table III: Territorial structure of China's foreign trade in 1913 and 1923 (in mil. haikwan taels)

	Import		Export		Total	
	1913	1923	1913	1923	1913	1923
Australia, New Zealand	0.51	2.69	0.39	1.19	0.90	3.88
Austria-Hungary*	3.00	0.079	1.13	0.096	4.13	0.175
Belgium	11.5	8.70	4.77	2.20	16.27	10.90
British India	35.20	44.19	4.51	9.86	39.71	54.05
Canada	1.36	8.26	0.47	1.60	1.83	9.86
Korea	2.57	9.56	4.96	24.22	7.53	33.78
Dutch East India	4.98	10.88	1.89	6.46	6.87	17.34
France	3.86	6.83	29.70	31.66	33.56	37.69
French Indochina	3.48	14.75	1.37	3.21	4.85	17.96
Germany	20.63	25.96	12.41	9.53	33.04	35.49
Hong Kong	125.12	198.46	85.38	140.63	210.50	339.09
Italy	0.48	2.98	6.06	7.57	6.54	10.55
Japan	87.00	168.81	47.7	158.81	134.70	327.62
Macau	4.80	4.98	3.61	3.17	8.41	8.15
Netherlands	1.03	3.12	6.34	6.80	7.37	9.92
Philippines	1.01	1.08	0.55	3.18	1.56	4.26
Singapore, British Straits Settlements	6.51	7.37	5.50	14.34	12.01	21.71
Sweden	1.12	1.77	0.16	0.22	1.28	1.99
Great Britain	70.64	96.31	11.91	34.56	82.55	130.87
U.S.A.	25.82	123.55	27.44	101.44	53.26	224.99
Russia (USSR)	16.13	8.14	32.72	27.25	48.85	35.39

Source: *China, A Commercial and Industrial Handbook*, United States Department of Commerce, Washington D.C. 1926, p. 44–45.

Note * For the year 1923, the data concern the successor states. The table was compiled based on the information from the Chinese Maritime Customs Service. In 1913, 1 haikwan tael equalled USD 0.73, in 1923, it was USD 0.80.

Table IV: Import of foreign capital to China in 1902–1936 (in mil. USD)

	1902	%	1914	%	1931	%	1936	%
Direct investments	503.2	64	1067.0	66	2493.2	77	2681.7	77
Loans to the Chinese government / purchase of obligations issued by the Chinese government	284.7	36	525.8	33	710.6	22	766.7	22
Loans to private entities	–	–	17.5	1	38.7	1	34.8	1
TOTAL	787.9	100	1610.3	100	3242.5	100	3483.2	100

Source: Hou, Chi-ming, *Foreign Investment and Economic Development in China, 1840–1937*, Harvard University Press, Cambridge (Mass.) 1965, p. 13.

As concerns the import of foreign capital before 1937, direct investments clearly prevailed. Purchase of bonds from the Chinese government was a specific form of investment, as eventually they became a heavy burden for the Chinese government due to the high interest it had to pay to the bond holders.³³ Loans to private entities were somewhat in the background (see Table IV). In the examined period that is until 1937 the greatest share in the investments to China was maintained by Great Britain, 35.6%. Japan became its main competitor, primarily thanks to the specific possibilities it had had during World War I and mainly after the occupation of Manchuria in 1931. If in 1902 the Japanese share in invest-

³³ As it later turned out, the purchase of bonds issued by the Nanking government was a rather risky venture. For example in 1936, the Nanking government issued bonds mature in 1948. Considering the hyperinflation, accompanied by the collapse of the exchange rate of the Chinese currency, the sums offered by Chiang Kai-shek's government to be paid in 1948 represented a mere fragment of the invested value. Investing into Chinese bonds became an unpleasant experience also for investors from Czechoslovakia. For more information, see AMFA, Territorial Department – Open 1945–59, China, fol. 4, A copy of a later by J. Labašta to the Embassy of the Czechoslovak Republic in China dated Oct. 6, 1948.

ments to China was truly marginal (USD 1 mil., i.e., 0.1%), then in 1914 it amounted to 13.6% and in 1936 even 40%, surpassing the British. Before World War I, the Russians had an exceptionally prominent share in investments to China, comparable to the British as to the volume (1902 – 30%), which was primarily due to their economic activities in Manchuria. After World War I, their share considerably decreased and despite the significant growth in the 1930s (1936 – 8.6%), they never managed to restore their pre-war position. Germany also underwent a similar development and status in investments; during the last years before World War I, its average share was nearing remarkable 20%. However, after the war, the situation radically changed for Germany, with its investments playing, at least as to quantity, a considerably limited role in China's economy (1936 – 4.3%). France's share in investments to China was continually decreasing and in the examined period, it dropped approximately by half. The influx of capital from other countries was of little significance in the long term (for more information, see Table V).

Table V: Territorial structure of the import of foreign capital to China in 1902–1936 (in mil. USD)

	1902	%	1914	%	1931	%	1936	%
Great Britain	260.3	33.0	607.5	37.7	1189.2	36.7	1220.8	35.0
Japan	1.0	0.1	219.6	13.6	1136.9	35.1	1394.0	40.0
Russia / USSR	246.5	31.3	269.3	16.7	273.2	8.4	–	–
USA	19.7	2.5	49.3	3.1	196.8	6.1	298.8	8.6
France	91.1	11.6	171.4	10.7	192.4	5.9	234.1	6.7
Germany	164.3	20.0	263.6	16.4	87.0	2.7	148.5	4.3
Belgium	4.4	0.6	22.9	1.4	89.0	2.7	58.4	1.7
Netherlands	–	–	–	–	28.7	0.9	–	–
Italy	–	–	–	–	46.4	1.4	72.3	2.1
Scandinavian countries	–	–	–	–	2.9	0.1	–	–
Other	0.6	0.1	6.7	0.4	–	–	56.3	1.6
TOTAL	787.9	100	1610.3	100	3242.5	100	3483.2	100

Source: Hou, p. 17.

Abstract

The foreign trade did not play a very significant role in the Chinese economy during the last decades of Qing dynasty and it did not change very much after the fall of empire and the establishment of the new republic. From a fiscal point of view, the significance of foreign trade increased because of growing revenues of customs duties. However, the foreign trade's influence on both the structure and performance of the national economy stayed marginal. As for the import of foreign capital, direct investments clearly prevailed before 1937. Chinese government bonds represented an interesting phenomenon and rather risky investment. They definitely became a heavy burden for the Chinese government due to the high interest it had to pay to the bond holders.

Keywords

China, Economic History, Foreign Trade

