

Historical Transformation of Coastal Urban City Networks in East China Sea Zone: From Pusan-Nagasaki-Ryukyu-Southeast Asia Channel to Yinchon-Shanghai-Kobe Channel

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Abstract

This paper tries to trace back to 16th-18th century in which tributary trade system in East Asia and Southeast Asia was functioning as a wider regional system with an institutional structure with combination between official tributary trade and private trade in it. Ryukyu networks with overseas Chinese merchants in them were important factors which connected formal and informal trade networks, which were called floating and shipwrecked trade. They utilize the rule of sending back to their original home country they left in the tributary system on the one hand and they intentionally changed their status from private merchants to floating castaways near the coast they wanted to trade. These trade networks closely related to migration.

Key Words: tributary trade, wider regional system, floating, migration, Ryukyu network

Introduction

This paper tries to trace back to 16th-18th century in which tributary trade system in East Asia and Southeast Asia was functioning as a wider regional system with an institutional structure with combination between official tributary trade and private trade in it. Ryukyu networks with overseas Chinese merchants in them were important factors which connected formal and informal trade networks, which were called floating and shipwrecked trade¹⁾. They utilize the rule of sending back to their original home country they left in the tributary system on the one hand and they intentionally changed their status from private merchants to floating castaways near the coast they wanted to trade. These trade networks closely related to migration. We also should note the role of seas of Asia in the history of Ryukyu networks. And I tried to examine the role of

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1) The Record of Ryukyu Kingdom: Rekidai Hoan(Precious Documents of Successive Generations. The First Series), Yoneo Ishii ed., *The Junk Trade from Southeast Asia: Translation from the Tosen Fusetsu-gaki, 1674-1723*, Institute of Southeast Asian Studies, 1998.

networks which played intermediate role between formal official institutions in tributary trade system and informal private trade networks².

1. Sea and State

Countries functioning as territorial states have traditionally distinguished themselves from others by their boundary lines, extending their territory even out to sea, often causing disputes with other states, such as within 200-mile sea zones and issues involving conflicting claims to islands, as in the case with the Spratly Island issue. The state has long been regarded as the only attribute to which all things belong, and in the days when all things were thought to belong ultimately to the state, both negotiations and conflicts focused foremost on exclusive possession of territory and division of territory by boundary lines. However, the state itself can be considered historically a form of local government, and regions are multifaceted in both content and composition. In this age of regionalization, I believe that there ought to be diversity in regional concepts³.

The meaning of the seas cannot be fully appreciated as long as they are seen as opposed to the land and with focus on the land. The seas should be viewed as that which forms and sets the conditions of the land. The seas and the land are not separated by the coastlines, but the land is part of the seas.

Looking at Asia from the viewpoint of the seas brings into focus the features that identify Asia above all as a maritime region. The seas along the eastern coast of the Eurasian continent forms a gentle S curve continuing from north to south. The chain formed by the seas that outline the continent, its peninsulas, and adjacent islands can be seen as shaping the premises of Asia's geopolitical space throughout history. The "maritime areas" thus formed are smaller than an ocean and not as closely associated with the land as with bays or inlets.

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- 2) J. K. Fairbank and S. Y. Teng, "On the Ch'ing Tributary System," in *Harvard Journal of Asiatic Studies* No. 6, 1941; J. K. Fairbank, *Trade and Diplomacy on the China Coast: The Opening of the Treaty Ports. 1842-1854*, Cambridge, Mass., 1953; J. K. Fairbank ed., *The Chinese World Order. Traditional China's Foreign Relations*, Cambridge, Mass., 1968; Morris Rossabi, ed., *China among Equals: The Middle Kingdom and its Neighbors. 10th-14 Centuries*, Los Angeles, 1983, H.B. Morse, *The Chronicles of the East India Company Trading to China, 1635-1843*, 5 vols. Oxford Univ. Press, 1926, 1929; John K. Fairbank, "The Early Treaty System in the Chinese World Order" (in *The Chinese World Order*), Key-Hiuk Kim, *The Last Phase of the East Asian World Order; Korea, Japan, and the Chinese Empire. 1860-1882*, Berkeley, Univ. of California Press, 1980. Chang Tsun-wu, *Ch'ing-Han Tsung-fang Mao-i. 1637-1894*, Academia Sinica, 1978.
- 3) K. N. Chaudhuri, *Trade and Civilisation in the Indian Ocean*, Cambridge, Cambridge Univ. Press, 1985. Wong Lin Ken, "The Trade of Singapore, 1819-69", *Journal of the Malayan Branch of the Royal Asiatic Society*, Vol. 33. pt. 4, Dec. 1960.

Let us follow the “Asian seas” from north to south. The Sea of Okhotsk shapes Kamchatka and Siberian Russia. Further south, it merges into the Sea of Japan; then comes the Bohai and the Yellow Sea. These, with the East China Sea, embrace the Korean Peninsula, the Japanese archipelago, and the islands of Okinawa. The chain of seas then is divided in two. On the east side is the Sulu Sea leading to the Banda, Arafura, Coral, and Tasman seas. On the west side is the Java Sea that stretches west and connects with the Strait of Malacca and thence to the Bay of Bengal. From the intersections of these seas trade networks formed pivoting on places like Nagasaki, Shanghai, Hong Kong, and Singapore.

Asian studies have revolved around the history of land-based states; it is necessary from now on to study Asia in terms of the movement and exchange that takes place among maritime zones.

2. Emergence of Maritime Zones in Asia

If the areas called East Asia and Southeast Asia are considered to be the maritime realm determined by the East China Sea and the South China Sea, the historical land-sea system of the region can be understood more logically. The maritime world that functions here is not merely that of seas.

The maritime world is composed of three elements. One is the coastal area where land and sea interact. In the seventeenth century Qing emperor Kangxi issued an order forcing the population along the Chinese coast to move inland in the attempt to separate them from the influence of the powerful anti-Qing leader Cheng Cheng-kung (Guoxing). This demonstrates how coastal areas had peculiar elements in the maritime world.

Another important element is the sea-rim zone made up of coastal areas. Along this rim are trading ports and cities that center on the maritime area. These ports are not so much outlets to the sea for inland areas as points that connect one maritime zone to another. Historically, the merchants of Ningpo on a Chinese coastal sea, for example, can be considered to have amassed wealth through coastal and maritime trade rather than from continental trade. Ningpo merchants played a particularly important role in trade with Nagasaki. Notably, the maritime concept has reappeared today in the concepts of the Japan Sea-rim and Yellow Sea-rim trade zones.

The third element of the maritime world is the port cities that develop as links among maritime regions. Among cities of this type are Naha, Guangzhou, and Macao, and Hong Kong, which replaced these cities in the nineteenth century. Port cities linking the South China Sea and Indian Ocean include Malacca, and later Singapore, which replaced Malacca after 19th century, and Atjeh in Indonesia.

Unlike the land, the maritime world made up of these three elements - coastal areas,

coastal rim, and linked seas - can be said to have been an open, multi-cultural realm that was diverse and well-integrated⁴.

3. Maritime Society: Movement of Goods, People, and Folk Belief

To understand under what principles the maritime world operated and how it was organized, it is necessary to examine the political, economic, and cultural factors that unfolded there.

1) Tributary Trade System

The major historical principle that loosely unified the maritime world was that of the “middle kingdom versus barbarian states,” governed by tribute relations, which functioned from the time of the Tang through Qing dynasties of China. This principle was not necessarily China-centered; even Korea, Japan, and Vietnam asserted themselves as “centers” vis-a-vis the smaller neighboring states under their sway. The principle was sustained by a hierarchical order led by the Confucian “rule of virtue.”

In the China-centered order, tributary states regularly sent tribute missions to the Chinese capital, and each time the rulers of those states changed, the Chinese emperor dispatched an envoy to officially recognize the new ruler. Tribute relations were not only political but involved economic and trade relations as well. In exchange for the gifts carried to the Chinese court, the tribute bearers received silk textiles and other goods from the Chinese emperor⁵.

2) Trade in Peking among licensed merchants

In addition, specially licensed traders accompanying the envoy engaged in commercial transactions at designated places in the capital within limited numbers of merchants and officials.

3) Port and Border Trade on tributary trade routes

Over ten times as many merchants as these special traders with tributary missions exchanged commodities with local merchants at the country's borders and at ports. From the maritime viewpoint, the sea routes and major ports of call of the tribute missions sent by Ryukyu, for example, were clearly established. Navigational charts were devised based

4) Takeshi Hamashita, *Tributary Trade System and Modern Asia*, Iwanami Shoten, 1997. (in Japanese)

5) Ming Hui-tien, vols. 105-108 (Ch'ao-kung), Ch'in-ting Ta-Ch'ing Hui-tien Shih-li, Kuang-hsu ed., Vol. 503 (Ch'ao-kung), Hsi-Yang Ch'ao-kung Tien lu, 1982 edition, John E. Wills, Jr., *Embassies & Illusions, Dutch and Portuguese Envoys to K'ang-hsi, 1666-1687*, Cambridge, Mass., 1984.

on seasonal winds and on the points and lines established by surveying the coasts and observing the movements of the stars.

Not only overseas Chinese merchants based in East Asia and Southeast Asia but Indian, Muslim, and European merchants participated in this tribute trade, testifying to the linkages, between maritime zones.

4) Floating and Shipwrecked Trade, Migration, and Private trade

A maritime zone, therefore, was also a tribute and trade zone. Under this layer of function of the maritime world, there was a sphere of human migration and private trade along with coasts, cross seas. Stories about floating and castaways were often told to stress the absence of order on the seas and to inspire fear, discouraging people from attempting to leave land. In fact, however, there was a rule that if castaways were discovered they were to be taken along the tribute route back to their home country at that country's expense. Thus, by utilizing this rule in the tributary relations, there emerged new participants to cross-sea trade from private trade area. They were floating traders in between tributary trade merchants and private trade merchants who broke part of their ships intentionally to change their status from private merchants to castaways to accept official return treatment under tributary relations. Along the coast of Kyushu, private Chinese trade ships often took advantage of this rule, intentionally drifting up along the coast, and engaging in a brisk trade before the officials arrived to do their duty⁶).

5) Mazu worship

The maritime zones where the movement of people and goods were organized were maritime societies conforming to the workings of nature. They did not try to control nature itself, and various guardian deities appeared from coastal societies. The worship of the sea goddess Mazu, widespread in the seas of East and Southeast Asia, originated in Meizhou in China's Fujian province. The name of Macao is derived from the word Macao, which were shrines dedicated to Mazu.

The genesis of the Mazu deity is the story of the rescue at sea of a local woman of Meizhou. Interestingly when China tried to exert political power in the maritime zone, it granted Mazu court rank, giving the deity the title "heavenly empress," and thus the sea goddess was incorporated into the emperor's "virtuous rule." Thus sea deities worshipped by the people of the maritime areas were placed under the rule of the Chinese emperor—a harmony of interests between the dynasty that governed the seas and the peoples who

6) Kaneyoshi Uehara, *Sakoku to Han Boeki*, (The Closing up Policy and [Liu-ch'iu-Satsuma] Provincial Trade) 1981. Diana H. Murray, *Pirates of the South China Coast: 1790-1810*, Stanford Univ. Press, 1987.

lived there. In this way, the maritime areas were controlled as a maritime society where people’s daily lives were, albeit loosely, controlled. It was a trade zone, a zone of human migration, and a religious zone at the same time, a world distinct from the land.

4. Tribute Trade and Ryukyu Network

To see what a trade zone was like, let us look at the history of Ryukyu. The first volume of the *Rekidai hoan*, a collection of official tributary trade records, tells that when the Ming dynasty ruled China, Ryukyu engaged in commercial transactions with various parts of Southeast Asia, such as Siam, Srivijaya, Java, Malacca, Sumatra, Annam and Patani. The frequency of missions the Ryukyu king sent to southeast Asia in order to buy tributary commodities to Ming and Qing were as follows.

Table 1. Ryukyuan Relations with Southeast Asian and East Asian Countries (Frequency of Correspondence on Trade Mission from Ryukyu between 1424-1697 in the Record of Ryukyu Kingdom: *Rekidai Hoan* (Precious Documents of Successive Generations. The First Series)

	Ayutthaya	Palembang	Java	Korea	Japan	Malacca	Pattani
1425		2					
1426		1					
1427		1					
1428		1	3				
1429		2					
1430		1	2	1			
1431		1	2		2		
1432		2					
1433		3					
1434		2			2		
1435		1					
1436		1					
1437		2					
1438		2	2	1			
1439		1					
1440			2	1			
1441				2			
1442		1		1			
1461				1			
1463							1
1464		2					1
1465		2					1
1466							1
1467				2	1		2
1468							1

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1469	1		2	
1470		1	2	
1472			2	
1479	1		1	
1480	4		2	
1481	2		1	
1509	2		1	
1510			1	
1511			1	
1512	1			
1513	1			
1514	1			
1515	1			1
1516				1
1517	1			
1518	2			
1519				1
1520	1			1
1521	1			
1526	1			1
1529	1			1
1530				1
1533	1			
1536	1			
1537	1			
1538	1			
1540	1			
1541	1			
1543				1
1545		1		
1550	1			
1554	1			
1564	1			
1570	1			
1597		1		
1598			2	
1599			1	
1601		1		
1606		1		
1607			1	
1609			3	
1610			4	
1612		1	1	
1613			1	
1621		1		
1623		2		
1626		1		
1628		1		

1631	1
1634	1
1636	1
1638	1

It can be assumed that China was added as a main tributary trading country with every two or three years to these Southeast and East Asian countries, thereby linking Ryukyu in an extensive trade network⁷. Particularly, Ryukyu confined their trade activities between China and Japan after Qing period.

These trade relations, which can be called the Ryukyu network, were founded upon the Ryukyu tribute trade with China. Its trade with Southeast Asia was aimed to obtain pepper and sapanwood, which were included in its list of tribute gifts to China.

The following documents from *The Record of Ryukyu Kingdom: Rekidai Hoan* (Precious Documents of Successive Generations. The First Series) show the actual situation of trade between Ryukyu king and Siam king and trading activities.

(I) The King of Chuzan, country of Ryukyu, [now writes] with respect to tributary affairs. (Volume XL, Document No.1)

Recently Envoy Kakihana and Interpreter Ryo Fuku have informed us of the following. In the 17th year of Yung-lo [1419], the commissioned envoy, Araka, and others boarded three ocean-going ships and proceeded to the country of Hsien-lo [Siam], carrying some gifts. After they had presented the gifts and returned to our country, they reported that they had heard from local officials [of Siam] that their gifts were insufficient. The porcelains [which they had taken with them] were, they further stated, traded only under government supervision, and no private purchase of sapanwood was permitted, with the result that they had to supplement their ship money [the fund to defray the cost of their voyage].

[Kakihana and Ryo] noted that this matter was a grave one and much to our disadvantage. [They said further that] it was natural that those who voyaged nowadays as envoys should entertain great awe upon receipt of an order from the King [of Siam to the effect that no private transaction was permitted], and thus express a sentiment appropriate for those who had come a long distance.

In view of this information, we have increased our gifts since Yung-lo 18 [1420], and we have dispatched Envoy Kakihana, Interpreter Ryo Fuku and others aboard seagoing ships, which have until now traversed scores of thousands of li over the sea.

It is enough of a difficulty to go through winds and waves; [and yet], despite the fact

7) Sarasin Viraphol, *Tribute and Profit: Sino-Siamese Trade, 1652-1853*, Cambridge, Mass., 1977, Chapter IV. Harukatsu Hayashi, Nobuatsu Hayashi eds., *Ka-i hentai*, I, II, 111. (Conditions Accompanying the Change from the Ming to the Barbarian Ch'ing), 1958-59 edition, Toyo Bunko.

that we proceed to your country taking presents, we are made increasingly subject to official supervision by your local officials in the sale of our porcelains. Because of this funds for our voyages have been depleted, and this is very disadvantageous to us. Our envoys cannot, therefore, comply with our orders to undertake missions. They have repeatedly asked for enforcement of better measures. For this reason we suspended the voyage in Yung-lo 22 [1424].

We also note that over the period from Hung-wu to Yung-lo, [i.e.], from the time of our royal great-grandfather through the times of our grandfather and father down to this day, we have frequently dispatched our envoys to take our gifts to present to your country.

Over past years we received your affection, and we kept in mind that the world is one family. As we received the precious gifts and hospitality you extended to us, people coming to you from afar, [and because you were] always ready to further our trade free from official control, we were deeply touched indeed.

We are now forwarding a dispatch to your country. We hope that in view of the above situation, you will offer sympathy to the men from afar who have to undergo the hardships of the voyage, and that you will exempt them from government control in their sale of porcelains, allow them to purchase sapanwood, pepper and other goods, and let them come home to our country.

We hope that intercourse will be long maintained, hospitality extended to men from afar, and good treatment accorded to strangers.

We list the items of our presents below. Let this dispatch be given to the addressee.

The following:

Woven-gold satin	5 bolts	White satin	20 bolts
Sulphur	3,000 chin hsiao		
(Pao	2,500 chin cheng)		
Swords	5	Folding paper fans	30
Big blue vases	400	Small blue bowls	2,000
Despatch to the Country of Siam			
Hung-hsi 1/-/- [-1425]			

(II) The King of the Country of Siam respectfully sends this dispatch in reply to Your Majesty the King of the Country of Ryukyu. (Vol.XXXIX, Document No.11)

We respectfully submit. Living under Heaven and following the right way, we should shepherd the people with virtue. We are not alone in trying to practice great virtues but hold benevolence and affection as precious [qualities of all princes]. It is praiseworthy that our two countries, from ancient times up to the present, have carried on trade, coming together and separating, and ex-changing what we have for what we do not have. Envoys have been continuously dispatched and never ceased to come.

Your envoys Tamanafa and others who were dispatched the year before last came here but unfortunately met with misfortune and lost their ship and property. Such is Fate.

Having made arrangements for a new ship, we especially commissioned, among others, Nai Boonhiang Chaota as Chief Envoy, Nai Chuen Chaota as Vice Envoy, and Nai Yound as Interpreter, to take our local products and accompany your Chief and Vice Envoys and party on their return to your country.

When the ship approached [Ryukyu], it again encountered a storm and sank into the ocean, its men being lost and its property scattered. We have learned of this in the dispatch which we have recently received [from Ryukyu]. Such is the will of Heaven. If there should be any of our natives who escaped from the calamity and still survive, we rely upon you to send them back home, which good deed will truly deserve our appreciation.

We have been honored to receive your envoy Tara [or Taira?], interpreter KoKin and others who bore a dispatch, and we have duly received the generous gifts after checking each item [against the list enclosed]. Much as we wanted to requite you, we have not been able to do so, and we could not but feel ashamed if we were to receive this [without doing anything in return].

We are now dispatching an escorting official Nai Noi, together with three native seamen, to take a dispatch and presents and accompany your envoys to your country. We humbly request that you accept them with open arms. We thus express our humble concern for the presentation of gifts. We would appreciate it if you could send our accompanying envoys back to our country as soon as possible.

Let this dispatch be given to the addressee.

We now list our presents:

Sapanwood	3,000 chin	Red cloth	10 bolts
Return present: Sapanwood	20,000 chin		
Dispatch to the King of the Country of Ryukyu			
[Ch'eng-hua 16/3/23 (May 2, 1480)]			

The trade network had two distinctive features. One was that the trade with Siam and other Southeast Asian countries was vigorous between the early fifteenth century and the mid-sixteenth century⁸⁾. The other feature was that, as far as we know from *Rekidai hoan* (*Litai Paoan*), records of the trade with Southeast Asia declined while those of the trade with Korea and Japan increased.

8) Hisanori Wada, "Tonan Ajia ni okeru shoki kakyo shakai (Early Chinese Society in Southeast Asia)" *Toyo Gakuho*, 42-1, 1959. Hisanori Wada, "Jugo-seiki no Jawa ni okeru Chugoku-jin no tsu-sho katsudo (Trade and Commerce of Overseas Chinese in Java in the 15th Century)" in *Ronshu Kindai Chugoku Kenkyu*, 1981.

This phenomenon prompts us to ask two questions concerning the Ryukyu network: What happened with the trade with Southeast Asia after the mid-sixteenth century? What was trade like with Manila, Luzon, as part of Ryukyu's trade with Southeast Asia?

In examining these questions, we can assume that Ryukyu was involved in two trade routes between South China and Southeast Asia, as found in the sea linkages we earlier discussed one route running along the island chains in the eastern side of the South China Sea from Luzon to Sulu and the other stretching along the coast of the continent on the western side of South China Sea from Siam to Malacca.

The eastern route started from Chuanchou (or Fuchou), stretching between Ryukyu, Taiwan, and Sulu. This route not only carried the trade with Southeast Asian tributary states but also, from the sixteenth and seventeenth centuries onward, the transit trade with Spain centered at Manila - for silk - and with the Dutch East India Company centered on Taiwan. At the same time, the route ran farther north from Fuchou docking with the soybean and soybean meal trade of North China and thereby meditating trade between the North and South of China's eastern regions.

The western route, starting from Kuangchou, linked various parts of Southeast Asia by coastal routes. It represented the trade with major Southeast Asian tributary states, such as Siam, Malacca, and Sumatra. Considering that rice, marine products, and spices were major trade articles, we can assume that this route was closely related to food products produced in the Kuangtung, Kuanghsi, Hunan and other parts of South China, and notably, that rice and sugar imports from Southeast Asia and South China's rice and sugar production complemented each other.

In this connection, in 1666, ninety-six years after the records of official trade with Southeast Asia stopped appearing in 1570, the Ryukyu king Sho Shitsu asked that spices - which were not produced locally be excluded from the list of tribute goods and that approval was granted. This means that by that time, without relying on official trade, Ryukyu was able to obtain spice, which had been among tribute goods for nearly one hundred years. In the backdrop of this development, there was an increase in rice trade with Siam, which in turn expanded Chinese merchants' route of trade with Siam, bringing more merchants from the Chinese coast to Southeast Asia. As a result, Ryukyu obtained pepper and sappanwood either by joining up with the Chinese merchant trade in Southeast Asia or by direct purchase from Chinese merchants⁹⁾.

5. Ship Wrecks and Floating Trade

Maritime world was formed of different layers of functions under the tributary system.

9) Hamashita, op.cit.

Chinese overseas merchants were engaged in the trade activities as either officially nominated tribute trade merchants or privately joined merchants by utilizing several privileges in the tribute trade system¹⁰⁾.

The records of interviews to traders and seamen were compiled in the Ka-I Hentai, official records by Tokugawa shogunate officials in Nagasaki compiled chronologically, and Professor Yoneo Ishii edited *The Junk Trade from Southeast Asia: Translation from the Tosen Fusetsu-gaki, 1674-1723*(Institute of Southeast Asian Studies, 1998)¹¹⁾.

(I) 1-20 Ship No. 93, 10 September 1686

Several ships come here from Siam every year and they all greatly admire your benevolent government. We left Siam on the 11th day of the 5th month [1 July]. We had our rudder damaged unexpectedly at the river-mouth [of the Chao Phraya] and were forced to re-enter the river to repair it. We left Siam again on the 11th day of the 6th month [30 July]. This year unlike other years, strong winds were blowing which endangered us several times. Our ship was on the verge of capsizing, so we threw some of our cargoes into the sea to reduce the weight of the ship. We managed to survive and reach this port.

Unlike recent years, this year a number of ships are visiting Siam from the Great Qing to conduct their business smoothly and return home. Small ships are continuing to come from Siamese territories, in particular. Nevertheless, we have had no news about suspicious people being on board these ships. According to some information we got from a man from Guangnan [Hue], Captain Yan Ziguan suffered damages to his ship near Wai Luo [?] in Guangnan on her return voyage from Nagasaki, losing not only his cargoes but also the lives of five passengers and gong-she [sailors] at sea.

As usual the Moors are traveling overland to Siam for trade. Also, one Dutch ship came from Batavia to procure goods for the Japanese market.

Since she left Siam before we did she must have arrived already. A number of small ships arrived in Siam, but these small ships are mostly from the vicinity of Siam and are not disrespectful towards Siamese laws. We have not seen any ships of Suspicious appearance.

The ship of Chu Chaoguan, who arrived here last year as the captain of a Siamese ship, was wrecked at sea and we have had no news of the ship since then. Neither ships from the Great Qing nor ships from other places have alerted us to the possibility of her drifting to any country. She may have sunk at sea.

Our small amount of cargo on board is mostly sundries. In fact, we have no intention

10) *ibid.*

11) Yoneo Ishii ed., *The Junk Trade from Southeast Asia: Translation from the Tosen Fusetsu-gaki, 1674-1723*, Institute of Southeast Asian Studies, 1998.

of taking either gold or silver from here. We would be happy if we could procure enough goods to take back so as to make at least a small profit. Therefore, as we have pleaded earlier, we would be extremely grateful if you could generously allow us to make an extra-quota transaction on a barter basis.

Peace prevails in the Great Qing, in Beijing and other places. As has been reported by the ships which came here this spring, Siam and the other “inner” countries enjoy profound peace. We have seen no suspicious ships. Strictly adhering to the existing Japanese law, we have made no stops at any Japanese port. There is nothing else to report to you.

(The 23rd day of the 7th month, Year of the Tiger.)

(II) 4-7 Ship No 95, 19 July 1697

Our ship was originally fitted out in Xiamen. In the 12th month last winter we went to Songkhla, a vassal state of Siam, conducted some trading and stayed there for a while. On the first of the 4th month [1 May] this year we left there with 73 tojin on board planning to come here directly. Because we thought that the direct passage to Japan with insufficient cargo is inadvisable, we called at Xiamen on the 2nd of the 5th month [1 June] to load some crystallized sugar, and we left there on the 6th day of the same month. We sailed into the wrong prevailing course, and we spent more days at sea than expected. Especially on the 2nd day of this [6th] month, it was extremely foggy at sea and we failed to identify any mountains and had to cast anchor in the territory of Satsuma. We fired a gun shot as a signal. A patrol boat emerged immediately to place us under close guard. Tugboats pulled us to this port today. Except for casting anchor in the territory of Satsuma, we did not stop anywhere else in Japan. During our voyage we saw no ships. No ship was following us from Songkhla. We came alone. Our captain Zhou Baoshe is the one who left Fuzhou in the 7th month the year before last and on his way to Japan encountered a storm which wrecked his ship in the territory of Satsuma, and in the 6th month last year he was finally sent here. This is the first voyage to Japan for this ship. In Songkhla nothing has changed. It is peaceful all over the country. We heard that in Siam and her neighbouring “inner countries” no disturbances have happened. We had heard that some merchant ships will be coming to Nagasaki from the main port of Siam. But we do not know how many.

We heard in Xiamen that peace prevails in the Great Qing. The details should have been reported by captains from the various ports of the Great Qing. There is nothing else to report to you.

(The 21st day of the 6th month, Year of the Ox.)

In these records on shipwrecks, we can find many possibilities on so-called floating trade in which they utilized tributary trade system. Many ships from Southeast Asia

stopped by coastal area of south China before they arrived to Kyushu coast of south Japan. Most probably they could sell several commodities on their way to Nagasaki by claiming their shipwrecks. Consequently, shipwrecks and floating trade were the main forms for semi-official and private merchants to enter cross-sea trade from Southeast Asia and East Asia.

6. Overseas Chinese Banking Network in Yinchong, Kobe, and Shanghai

From the mid-nineteenth century to the turn of the twentieth century, trade was conducted throughout East Asia not only with Europe and the United States but also between open ports and their hinterlands and coastal regions. Multilateral trading activity was based on commercial treaties brought about by changes in the Chinese tributary system due to factors within the region¹²⁾. After its opening by the West in the 1850s, Japan created economic ties with East Asia by vigorous participation in the long-established commercial networks of Chinese merchants and overseas Chinese¹³⁾.

Research on Japan-Korea relations in the late nineteenth century has focused on Japan's growing involvement in the peninsula, the process that culminated in its annexation as a Japanese colony in 1910. Over the course of this commercial penetration, however, China was an important actor in Korea and Chinese businessmen proved formidable competitors. From Korea's perspective, opening the country involved not only dealing with Japan but also expanded contacts and trade along the northern border and in coastal areas¹⁴⁾. The opening of ports enabled many local economies, the backbone of

12) Hamashita Takeshi, "Choko to Joyaku: Higashi Ajia Kaikojo o Meguru Kosho no Jidai, 1834-94 [Tribute and treaties: Era of diplomatic negotiations and the open ports of East Asia, 1834-94]", in Mizoguchi Yuzo, Hiraishi Naoteru, and Miyajima Hiroshi, eds., *Ajia Kara Kangaeru 3, Shuen Kara no Rekishi [Asian perspectives 3: history from the periphery]* Tokyo Daigaku Shuppankai, 1994, 273-302.

13) Kagotani Naoto, "1880 Nendai no Ajia kara no "Shogeki" to Nihon no Hanno: Chugoku Boeki Sho no Ugoki ni Chumoku shite ["Shocks" from Asia in the 1880s and Japan's reaction: A focus on Chinese merchants]", *Rekishigaku Kenkyu*, 6-8 (December 1990), 1-18.

14) Trade and contacts between Japan and Korea from the mid-nineteenth century have been extensively studied. This article builds on earlier research on the tributary trade system between Qing China and East and Southeast Asia, while reexamining the post-1850 period. See the following: Hiraki Minoru, "Chosen Jidai Zenki ni okeru Kosho Koeki o Megutte [The pepper trade in the early Yi Dynasty]", *Chosen Gakuho*, 153, (October 1994); Wada Hisanori, "Ryukyū to I-shi Chosen to no Kosho-15 seiki Higashi Ajia Tonan Ajia ni okeru Kaijo Koeki o Chushin ni [Negotiations between the Ryukyus and Yi Dynasty Korea: maritime trade in East and Southeast Asia in 15th century]" in Ishii Yoneo, Karashima Noboru, and Wada Hisanori, eds., *Tonan Ajia sekai no rekishiteki iso [Historical phases in Southeast Asia]*, Tokyo Daigaku Shuppankai, 1992; Takase Koichiro, "Nihon Iezusu Kai no Ki-ito Boeki [Jesuits and the raw silk trade]", *Kirisutokyo Kenkyu*, 13, (March 1970); Chon Hae-jung.

larger economic units, to build multilateral and regional ties. The trade triangle of Inchon-Shanghai-Osaka created linkages that stretched to Tianjin, Yingkou¹⁵⁾, and Vladivostok in Northeast Asia and Nagasaki, Hong Kong, and Singapore in Southeast Asia. This trilateral grouping, plus Nagasaki, was an integral part of the larger network of trade and payment settlements¹⁶⁾.

In this essay I will reassess several major conclusions of earlier scholarship on Japan's economic history and then raise other issues¹⁷⁾. An overview of the field yields four salient

Han-Chung kwanagyesa yongu [History of Korea-China relations] Ilchogak, 1970; Pak Su-i, *Icho muyok chongch'aek yongu* [Yi dynasty trade policy], Minjung Sogwan, 1974; Tashiro Kazui, *Kinsei Ni-Cho Tsuko Boekishi no Kenkyu* [Diplomatic relations and trade between Japan and Korea in the early modern period], Sobunsha, 1981; Hamashita Takeshi, *Kindai Chugoku no Kokusaiteki Keiki: Choku Boeki Shisutemu to Kindai Ajia* [Modern China's international perspectives: tributary trade and modern Asia], Tokyo Daigaku Shuppankai, 1990.

- 15) Kose Hajime, "Jukyu seikimatsu Chugoku kaikojokan ryutsu no kozo: Yingkuo o chushin to shite [Networks among China's open ports in the late nineteenth century: the case of Yinkuo]", *Shakai Keizai Shigaku*, 54-5 (January, 1989), 30-58.
- 16) The recent debate about overseas Chinese capital networks provides a useful methodological framework to delineate the relationships among the open ports. In the 1980s, Gary Hamilton and others stressed overseas Chinese networks, noting their importance in capital investment before economic reforms on the Mainland, and explored the idea of a Confucian cultural and economic region. Today, however, with changes in the Mainland economy, we cannot discuss the economy of East Asian, South China, or Southeast Asia in terms of linkage to overseas Chinese capital, which itself is becoming multinationalized.

Networks must be repositioned between the market and the organization. Defending its own interests against the market, the network is selfish, somewhat closed off, and occasionally shows signs of exclusivity. On the other hand, regarding organizations, the network sometimes changes transaction parties in response to situations and is very adaptable. In the past, the emphasis was on the strong bond formed by network linkages. Today we need a new debate. The conceptual and methodological issue is how to express the Janus-faced quality of networks. Theories of the market or institutions do not explain this sphere. How can we describe the distinctive aspects of a regional economy and its actors. For reference see: Hamilton, Gary G., *Hong Kong and the Rise of Asian Capitalism*, Hong Kong University, 1996; Furuta Kazuko, "Ajia ni okeru Koeki, Koryu nettowaku [Trade and Exchange Networks in Asia]" in Hirano Ken'ichiro, ed., *Koza Gendai Ajia Chiiki Shisutemu to Kokusai Kankei* [The International System in Modern East Asia], Tokyo Daigaku Shuppankai, 1994; Hamashita Takeshi, "Kindai Higashi Ajia no kokusai taikai [The international system in East Asia]" in K. Hirano, ed., *Koza Gendai Ajia Chiiki Shisutemu to Kokusai Kankei*; Hamashita Takeshi, "Chugoku to Tonan Ajia [China and Southeast Asia]" in Ishii Yoneo, ed., *Koza Tonan Ajia Gaku 4, Tonan Ajia no Rekishi* [Southeast Asia, 4, The history of Southeast Asia], Kobundo, 1999, 112-44.

- 17) For reference see the following sources (listed in chronological order of publication): "Kitagawa Osamu, Nisshin Senso made no Nissen Boeki [Japan-Korea trade to the Sino-Japanese War]", *Rekishi Kagaku*, 1-1 (May 1932); Minami Tokuko, "Nisshin Senso to Chosen Boeki [Korea trade and the Sino-Japanese War]", *Rekishigaku Kenkyu*, 149 (January 1951); Kang Toksang, "I-shi Chosen Kaiko chokugo ni okeru Cho-Nichi Boeki no Tenkai [Korea-Japan Trade after the Opening of Korean Ports]", *Rekishigaku Kenkyu*, 265 (June 1962); Peng Zizhou, *Meiji Shoki Nichi-Han-Shin*

characteristics. First, whether researchers were looking at Korea-Japan, Japan-China, or Japan-Korea-China, the unit of analysis was the country or national economy, with economic traffic between regions subsumed under country-to-country trade. Second, scholars examined economic indicators that showed trade flows, but did not include investment, labor migration, remittances, and other vital aspects, especially multilateral financial arrangements. Third, trade was treated as a political issue between governments, notably as a factor in the Sino-Japanese War (1894-95). Fourth, rivalry over trade was associated with the annexation of Korea, adding a nationalistic dimension to research. Generally, economic ties symbolized by trade were a given in studies of international politics.

On the treatment of trade, the following points deserve attention. Concentration on the inflow-outflow figures for gold and silver led to a simplistic equation: an inflow surplus represented an increase in “wealth” and an outflow surplus a loss of wealth. Economic development was regarded as a shift from commercial capital, which was accorded a special transitional role, to industrial capital. Analysis of China’s trade with Korea centered on Uiju; the Shanghai-Inchon nexus was overlooked. Finally, there are monographs on the certain activities of Chinese merchants relevant to Japan, however, the Korea-China connection was outside this purview.

Through a critical reexamination of these conclusions and lacunae, I shall treat the economic relations of Japan, Korea, and China as a regional network of open ports in the East China Sea and examine the patterns of commerce, particularly the financial network.

7. Expanded Qing Influence in Korea and the Canton (Guangdong) Merchants

Li Hongzhang, the Superintendent for Trade for the Northern Ports, sought to increase trade with Korea in line with his policy of expanded foreign ties. On August 23, 1882, Li signed the Regulations for Maritime and Overland Trade Between Chinese and Korean Subjects (hereafter Sino-Korea Trade Regulations), removing many restrictions on commerce and officially authorizing coastal trade. In form a treaty, the preamble explicitly stated that Korea was a dependency, a status confirmed by the difference in rank of the signers. Li Hongzhang was a special plenipotentiary, Kim Hong-jip a mere vice-envoy.

Phrased in the conventional language of the tributary system, China extended Korea

Kankei no Kenkyu [Japan-Korea-China Relations in the Early Meiji Period], Hanawa Shobo, 1969; Ch’oe Ryu-gil, ““Nisshin senso” made no Han-II Boeki: Boeki Shisu no Suikei Shisan [Estimated Korea-Japan trade to the Sino-Japanese War]”, *Ikkyo Ronso*, 60-6 (June 1973); Pak Chonggun, “Nisshin Senso to Chosen Boeki [The Sino-Japanese War and Korean Trade]”, *Rekishigaku Kenkyu*, 536 (December 1984).

“certain advantages as a tributary kingdom.” In 1883, two additional agreements were concluded for frontier areas: the Regulations for Trade Between Fengtian and Korea (Zhong-Jiang Trade Regulations) dated March 14, 1883 and the Regulations for Trade Between Qilin and Korea (Huining Trade Regulations), dated in June 1883. Both documents reflected the suzerain-dependent status of the tributary system, broadening commercial contact with Korea under terms favorable to China. Chinese merchants gained the right to trade within Korea, for instance, while Koreans were denied access to China’s interior. The agreements were also intended to strengthen control over the border areas, an attempt to check immigration and settlement north of the frontier.

The trade agreements, a response to local situation in a region under Chinese authority, enabled the Qing government to strengthen its suzerainty over Korea and acquire such rights as extraterritorial jurisdiction, residence in Seoul, and mining privileges. The way was clear for China to set up trade offices in the open ports and dispatch officials to handle diplomatic, commercial, and consular affairs.

On September 16, 1883, the Qing government established a commercial office in Seoul and appointed Ch’en Shuchang to a two year term as High Commissioner of Trade. A native of Canton, Ch’en had spent a decade in the United States/ including three years as consul at San Francisco, and was reputedly very knowledgeable about trade. Branch commercial offices, staffed with experts on Korea and Japan and interpreters for both languages, were also opened in Inchon, Pusan, and Wonsan.

In Seoul, Ch’en Shuchang had a staff of sixteen/ and in Inchon Li Nairong led ten personnel. In 1884, branches were opened in Pusan and Wonsan headed by Chen Weikun and Lui Jiacong, respectively, each with a staff of nine¹⁸⁾. With this official support, many Chinese merchants went to Korea, mostly from the Canton clique (bang) that rose to prominence with Western trading firms on the Southern trading route. Merchants from the Shandong clique quickly followed, however. There had long been extensive coastal trade between the Shandong Peninsula and Inchon, from such places as Yentai, Weihaiwei, and Shidao.

The first Canton merchant in Inchon after the port was opened to trade was Tan Jiasheng, a native of Gaoyao County, who in 1874 had started the Tong Xun Tai company in Seoul. When Korean soldiers revolted in 1882 and China intervened militarily, more than forty Chinese merchants accompanied Chinese troops to Korea, and others arrived after the Sino-Korean Trade Regulations were signed¹⁹⁾.

A report by trade commissioner Ch’en Shuchang shows the influx of Chinese merchant

18) Tan Yong-song, *Chosen Makki no Shinkoku Shonin ni Kansuru Kenkyu; 1882 kara 1838 made [Chinese merchants in the late Yi Dynasty, 1882-1885]*, Tan Kook University Graduate School, Master’s thesis, 1996.

19) Yang Zhaoquan and Sun Yumei, “Chaoxian Huaqiao Shi [Overseas Chinese in Korea]”, *Zhongguo Huaqiao Chuban Gongsi*, 1991, 124-29.

groups to Seoul, Mapo, and Incheon:

Seoul: The Zhejiang clique has six companies-Tong Yu Xiang, Tian Feng, Gong Ji, Zhao Kang, Gong Ping, and Xie Chang Mao-and eighteen persons; the Shandong clique has thirteen shops-Zheng Hua Xing, He Xing Xun, Hui Ji, He Yang, Heng Tai Xing, Gong He Xun, Ren, Feng Zhan, Fu Xiang Sheng, Yong Yuan Xun, Fu You Hao, De Xing Cheng, Gong Sheng He, and Fu Xing-and forty-one persons.

Mapo: There are four firms-Shandong Ru Chang, seven persons; Shandong De Xiang, five persons; Tai He, two persons from Canton, three from Zhejiang; and Xie Yuan Xun with one vessel and six Shandong merchants-for a total of 23 persons.

Incheon: The Canton clique has three companies-Zhi Shong He, Tai An, and Guang Sheng Long-and seventeen persons, plus Yong Long Xun with one vessel and six persons; the Shandong clique has two shops-Yong Yuan Zhan and Gong He Zhan-and thirteen persons; the Zhejiang clique has two shops-Dai He Xun and Gong Ji-and eighteen persons²⁰.

Merchants from Shandong, Jiangsu, Zhejiang, Canton and other coastal areas went to the newly opened ports and proved more than a match for Japanese traders, an alarming development to Japanese officials. In a February 1895 report, Consul Kato in Pusan expressed apprehension that Chinese merchants would dominate trade in the Korean ports “we opened”²¹.

8. Rice and Gold in Sino-Korean Trade

The Korean Maritime Customs Service was established in 1883 and supervised customs at Incheon, Wonsan, and Pusan. From 1885-1893, customs duties and statistics were based on the statistical methods used in the Chinese customs service, enabling scholars to trace trade flows in Korea’s opened ports in the same way China’s trade is analysed.

To understand regional economic relationships, we must first elucidate the ties between trade ports, open markets, and the open ports. Did the open ports have a special trading partner? What items were sold to which port? Did the open port complete trade income and outgo? How were accounts settled?

20) Zhongyang Yanjiuyuan Jindaishi Yanjiusuo, *Qingji Zhong-Ri-Han Guanxi Shiliao [Historical Materials on Chinese-Japanese-Korean Relations during the Qing]* vol. 3, Taipei, 1972, 1337-40. Ch'en's undated report was cited by Li Hongzhang on February 2, 1884. The report does not mention the Chinese merchants in Wonsan and Pusan.

21) Hisho Ruisan Kankokai, eds., *Hisho Ruisan Chosen Kosho Shiryo [Secret Documents Related to Negotiations with Korea]*, 2, 1936, and Hamashita, Choko to joyaku, 290-92.

By country, Korea's trade in the 1880s broke down as follow: Britain-54 percent (mainly cotton cloth), Japan-24 percent, China-13 percent, Germany-6 percent, and United States, France, and Russia-1 percent each²². Cotton cloth formed a large share of the trade with England.

Korea's major exports to Japan were soybeans, rice, and cowhides. Soybean sales reached a significant level in 1887. Prior to then, Koreans had discarded any surplus; thereafter Japan became dependent on Korea for soybeans. A major change in rice exports also occurred in the 1880s. The principal rice-growing areas in Korea were Cholla and Kyongsang provinces in the south and Hwanghae Province in the north. Construction of a Japanese-owned rice mill in Inchon in 1890 boosted exports. Some hulled Korean rice was mixed in Japan with other rice and reexported, and more Chinese rice was imported to Korea for domestic consumption²³. From the late 1880s cowhides, previously sold mainly to Europe, went to Japan.

Earlier researchers, who focused on bilateral Japan-Korea trade, noted a one-way flow of rice and gold from the Korean peninsula to Japan. Yet adding the Shanghai-Inchon dimension shows exports from Shanghai to Korea of rice and English shirtings, the mainstay of Chinese merchants. Lacking a suitable domestic product for the Korea market, Japanese traders initially bought British cotton cloth from Shanghai and shipped it to Korea via Nagasaki. This costly circuitous channel alone explains why merchants in Nagasaki and Kobe could not compete with their Shanghai rivals.

Rice exports from China to Inchon deserve mention. Although Korean customs records show Chinese rice was imported in the 1880s, and Chinese rice was secretly shipped to Nagasaki in 1894, the Japanese consulate reported in March 1895 that for the first time China had publicly acknowledged the sale of rice abroad. The Korean government faced a food shortage in the winter of 1894. China lifted the prohibition on selling rice overseas, as a famine-relief measure, and Korea exempted the rice from taxes. On February 1, 1895, the first officially approved shipment sailed from Shanghai on the Chinese Merchant's Steamship Company's *Jinjihao*, a cargo of eighty bales (about 280 gallons per bale) of white rice and twenty bales each of unmilled and glutinous rice that Japanese merchants bought up. On February 23, 1895, 1,722 bales of white rice consigned to the *Tan Jiasheng* company was unloaded from the *Zhendonghao*, also owned by the Chinese Merchant's Steamship Company, and sold to Japanese dealers²⁴. Touching on the broader implications, a consular official hoped the deliveries would help to stabilize rice exports to Japan. In Osaka, the shipments stimulated enough interest to affect the market price of Shanghai rice, and Japanese and Chinese vied for deals²⁵.

22) China Imperial Maritime Customs, *Decennial Report, 1882-91* (Shanghai, 1892) xxxvi.

23) *Ibid.*, xxxvi-xxxvii.

24) *Tsusho Isan [Commercial reports]* 5 (May 1894) 1.

25) *Ibid.*, 6-7.

Rice transactions also redefined roles among Japanese and Chinese merchants trading with Korea. The pattern had been that Japanese concentrated on rice and soybeans, while Chinese dealt in English cotton cloth and other products requiring substantial capital. In the 1890s, rice imports were quite profitable and the Chinese tried to break into the business, alarming Japanese dealers. On the other hand, Japanese merchants were anxious to diversify because rice was susceptible to sharp price fluctuations depending on the harvest²⁶⁾.

The conventional interpretation asserts that Korean gold went exclusively to Japan, an outpouring of national wealth. However, Chinese merchants purchased gold, in compensation for the Korean import surplus vis a vis China, and shipped it to Shanghai. According to the Japanese consulate in Inchon, Chinese and Japanese merchants competed for gold and the Chinese were buying it so aggressively that Japanese might lose out²⁷⁾. Yet as table 1 shows, the gold/silver trade in Inchon was complex.

Table 2. Gold and Silver Trade in Inchon, 1886-93 (1,000 dollars)

	China				Japan			
	Gold		Silver		Gold		Silver	
	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.
1886	4	170	7	84	—	334	33	79
1887	0	110	4	16	—	454	57	28
1888	—	116	31	64	—	369	56	26
1889	—	64	57	133	—	283	26	147
1890	—	76	88	108	—	93	37	0
1891	—	99	184	47	—	28	48	55
1892	—	137	201	248	—	16	94	2
1893	—	127	121	47	—	75	110	4

Sources) China, Imperial Maritime Customs, Returns of Trade and Trade Reports. Appendix II: Corea, Returns of Trade, Parts I and II, 1885-93 (Shanghai).

Until 1890, gold exports to Japan exceeded those to China, but that was reversed from 1891. In both periods gold was used to settle import payments. There was also a brisk trade in silver, with imports from China exceeding those from Japan from 1889. The volume of the silver trade suggests an increase in commercial transactions in the open ports. Copper coins were also traded between Inchon and the other Korean open ports, in response to growing markets inland.

26) Ibid., 5-6.

27) Ito Hirobumi, ed., *Chosen Kosho Shiryo, Jo* [Documents Related to Negotiations with Korea, I], Hara Shobo, 1974, 160-61.

9. Chinese Commercial Superiority

Japanese consular reports chronicle the competition between Chinese and Japanese traders, affording valuable insights into the views of contemporary observers. Officials followed not only business activities within Korea but also Japan-Korea and Sino-Korean trade²⁸⁾.

As noted above, shirtings purchased from Chinese merchants in Shanghai were the major import article immediately after Korean ports were opened. The British consulate reported a rapid increase in Korea's trade in 1890, with Manchester cotton goods constituting half of the imports. "Apparently the common practice is to wash and bleach these shirtings after purchase and then to size them again," an official wrote. Overall, cotton cloth imports were worth L90,000, with three-quarters of the cotton yarn coming from Bombay. Silk thread imports, 75 percent from China, were valued at L51,161. Total imports at Inchon were worth about L300,000²⁹⁾.

Japanese officials, struck by Chinese mercantile skill, advanced four reasons why they outperformed Japanese traders: (1) adequate stocks of key imported goods; (2) sold Chinese-made silk and dry goods; (3) sufficient capital and low interest rates; and (4) solidarity and mutual agreements. A report compared Shanghai and Nagasaki on the first point:

As is well known, shirtings and muslin cloth are manufactured in Manchester, and nearly all that is sold in the Orient is shipped to Shanghai and then transshipped to other destinations. Many manufacturers' representatives are stationed in Shanghai, Chinese merchants are accustomed to handling varieties of grey shirtings, and there are large markets in shirtings and muslin. Chinese merchants in Korea buy shirtings from Shanghai; some probably order directly from the manufacturers. By contrast, Japanese merchants purchase the cloth in Nagasaki from local branches of Shanghai companies (on rare occasions from American or European traders in Nagasaki) which involves a wholesaler. The Chinese advantage is very clear³⁰⁾.

The challenge for Japanese traders, unable to compete against the Chinese in Inchon, was how to purchase goods for the Korean market in Shanghai.

28) Ibid., 158; Suzuki, Consul General, Hong Kong, "Honkon Boeki no Kinkyō [Recent trends in Hong Kong's trade]" in Okuda Otojiro, *Meiji Shonen ni okeru Honkon Nihonjin [Japanese in Hong Kong in the Early Meiji Period]*, Taiwan Sotokufu Nettai Chosakai, 1937, 276-78.

29) British Parliamentary Papers, *Report for the Year 1890 on the Trade of Korea*, 3-4.

30) Ito, *Chosen Kosho Shiryo*, 161-62.

Table 3. Import and Export Trade of Inchon and Pusan between Japan and China, 1885-93
(1,000 dollars)

	Inchon					
	Japan	Import China	Total	Japan	Export China	Total
1885	727	243	988	140	9	155
1886	942	407	1,325	203	13	217
1887	827	641	1,467	294	19	314
1888	1,049	636	1,678	306	57	368
1889	1,114	729	1,823	239	99	396
1890	1,259	1,313	2,532	1,371	53	1,443
1891	1,426	1,738	2,959	1,310	103	1,446
1892	1,324	1,716	2,628	944	101	1,145
1893	845	1,589	2,046	578	79	785
	Pusan					
	Japan	Import China	Total	Japan	Export China	Total
1885	336	—	301	184	—	253
1886	417	17	388	202	2	261
1887	662	—	627	394	—	569
1888	642	—	621	369	13	681
1889	756	51	781	617	10	932
1890	1,435	4	1,446	1,890	17	2,913
1891	1,439	43	1,488	1,754	29	2,084
1892	997	29	1,037	1,230	42	1,761
1893	838	16	805	808	42	1,218

Note 1) As for Inchon, Imports of the years 1885, 1887-93 and exports of the years 1889-93 include trade with Manchuria.

2) As for Pusan, Import of the year 1886 includes trade with San Francisco. Imports of the years 1889-93 and exports of the years 1890-93 include trade with Manchuria.

Sources) China, Imperial Maritime Customs, Annual Reports for Corea, 1885-93(Shanghai).

In Pusan, however, the situation was different. As shown in table 2, from 1885 when customs statistics were first kept, Japan was by far both the source and destination of imports and exports, with trade with China and Manchuria (Dalian) picking up from the late 1880s. Exports to Japan surpassed imports from there in 1890, and then the picture was reversed in 1893. From 1888 Pusan enjoyed an overall export surplus, a consequence of the strong sales of rice and soybeans. Goods were reexported from Pusan (to Japan and within Korea), which also had an export surplus with China.

The opposite situation obtained at Inchon where imports far outstripped exports. From 1890, imports from China exceeded those from Japan, while exports to Japan were greater than those to China. Although Inchon's function was to moderate partially the import surplus from China (Shanghai, Yingkou, Dalian) through exports to Japan, the port had a huge debt to China.

Shanghai had a trade surplus with Inchon, as did Pusan with Kobe and Osaka. Inchon and Pusan used silver yen to settle accounts for their import and export surplus,

respectively. The silver yen went from Inchon to Shanghai, or there was a triangular settlement among Shanghai, Inchon, and Kobe³¹⁾.

10. Japanese and Chinese Merchants: Comparative Financial Strength

Tan Jiasheng from Gaoyao county, Canton, was a typical Chinese merchant in Korea. His company, Tong Xun Tai, was located near the Sup'yo Bridge at Chonggych'on in Seoul and handled products from China, including raw silk thread, silk goods, traditional Chinese medicines, and ginseng. Tong Xun Tai had branches in Shanghai, Canton (Guangzhou), Hongkong, and Nagasaki, and as business grew, Tan opened branches in Inchon, Pusan, Wonsan, Chinnampo, and Kunsan. The whole network centered on the Inchon-Shanghai route. Tong Xun Tai was also a partner in a steamship company, involved in freight forwarding by river from Inchon to the capital, and minted their own silver notes in Seoul that were accepted as trustworthy.

In August and October 1892, Li Hongzhang used Tong Xun Tai to send Qing government loans of 100,000 taels to the Korean Ministry of Transportation. Made faster than Japan could act, these loans were extended through overseas Chinese to avoid an open display of Qing influence and antagonize Tokyo. Tong Xun Tai, believed to have been a model for Japanese conglomerates with official backing like Mitsui Bussan and Mitsubishi Shoji, was engaged in a wide range of commercial activities. Shinobu Junpei, a member of the Japanese consulate in Seoul at the turn of the century, drew up a ten-point list to explain why Chinese merchants were so successful in Korea. He gave them high marks for credit, capital, ethics, and unity, while berating Japanese traders for their shortcomings³²⁾.

The dominance of Chinese merchants is ultimately attributable to their financial power—their superior financial network. Their three-tiered network—money shops (qianpu), money-banking shops (qianzhuang), and modern banks—had ample capital and credit. A Shanxi bank, to be discussed below, opened a branch in Japan, a second-tier money-banking shop with an extensive financial network.

31) Ministry of Finance, Japan, “Meiji Sanjūnen Heisei Kaikaku Shimatsu Gaiyo [Synopsis of monetary reforms in 1897]” in *Meiji Zenki Zaisei Keizai Shiryo Shusei [Materials on Financial Administration in the Early Meiji Period]*, 2, Meiji Bunken Shiryo Kankokai, 1964, 496-97, 502-4.

32) Shinobu cited ten points: ample commercial capital, many credit transactions, low interest rates, respect for business ethics, strong interest in exporting, stock inexpensive goods, avoid speculative businesses, good commercial communications, personal traits of frugality and persistence, and avoid wasteful consumption. Shinobu Junpei, *Kan Hando [The Korean Peninsula]* Tokyodo, 1901, 17-18. Also see Kagotani Naoto, “Ajia kara no “Shogeki” to Nihon no Kindai Chugokujin Boekisho no “Danketsuryoku” ni Chumoku shite [“Shocks” from Asia and Japan’s modernization—A focus on Chinese “unity”]”, *Nihonshi Kenkyu*, 344 (April 1991), 126-60.

According to Shinobu, that Chinese capital was more profitable than Japanese was a well-known fact. All Chinese officials and private persons wanted to make money, but the government provided only limited protection and personal fortunes were at risk, so many Chinese invested their funds in stable businesses. Often the investors behind a company were high-ranking officials and wealthy people. Chinese businessmen were cooperative and loyal to each other, said Shinobu, and they had advanced financial organizations and good credit.

Shinobu singled out financing as a key element. Japanese merchants could utilize only two or three banks and had to draw upon letters of credit. By contrast, the Chinese could use native banks (*piaohao*) that specialized in drafts or money-banking shops that handled drafts and advanced loans. Finally, there were money shops that dealt in exchange and converted silver taels, Western silver, copper coins, as well as lending money and accepting deposits. Mainly in the business of reminting silver taels, money shops also functioned as banks.

For even the smallest import deal, Japanese merchants needed a letter of credit from a bank, which was payable upon arrival of the goods, and there was a daily storage fee for goods off-loaded to a warehouse. Chinese businesses bypassed letters of credit because transactions were between the home office in Shanghai and the branch in Korea. The amount due was tabulated as the goods were sold and remitted twice a year when accounts were settled, giving Chinese merchants far better access to capital and credit than Japanese³³.

11. Shanxi Banks' East Asian Network

For two years after Inchon was opened to foreign trade, transactions were in Mexican dollars. When imitation silver coinage poured in, the Japanese silver yen, preferred for its purity level, replaced Mexican dollars. From 1888-90, Japan placed a large amount of paper currency in circulation. In the early 1890s, up to 90 percent of transactions were in Japanese paper currency, and silver coinage traded at a premium of 2-3 percent³⁴. Paper currency circulated because it was backed by silver yen, which were accepted in the market for settling accounts.

Silver yen first circulated in Hong Kong in 1878 with the arrival of 10,000 yen worth of

33) Shinobu, *Kan Hando*, 18-19. See also Chen Qitian, *Shanxi Piao Zhuang Kaolue [A study of Shanxi Native Banks]* Shangwu Yinshuguan, 1937; Huang Jianjun, *Shanxi Piao Hao Shi [A history of Shanxi Banks]* Shanxi Jingji Chubanshe, 1992, and the essays by Lin Man-houng and Furuta Kazuko in Sugiyama S. and Linda Grove, eds, *Kindai Ajia no Ryutsu Nettowaku [Commercial networks in modern Asia]*, Sobunsha, 1999.

34) China, Imperial Maritime Customs, *Decennial Report, 1882-91*, xxxix.

copper and silver coins, and in 1879 half the silver coins in use were reportedly silver yen. The Hongkong and Shanghai Banking Corporation, the Chartered Bank of India, Australia, and China, and other organizations favored its adoption as legal tender. Governor Sir John Pope Hennessy concurred, but the British government objected³⁵. The use of silver yen in Hong Kong was linked to its circulation in Singapore. For example, in 1878 Hong Kong Consul Ando visited Singapore to promote adoption of the silver yen as legal tender. He won approval from the British authorities to establish a Japanese consulate and chose Hu Shize, a Chinese entrepreneur with business ties to Hong Kong, as vice-consul. (The consulate was opened in 1879, but soon closed because of Hu's death, and was not reopened until 1889³⁶). Hu's appointment indicates that the silver yen circulated thanks to Chinese merchant dealings with Hong Kong and Singapore and the acquiescence of both colonial governments.

Japanese gained a strong commercial presence in the Korean market. In Pusan and Inchon, Japanese products far outnumbered those from China, and Japanese freight companies, favored by proximity, acquired an early foothold. Although Japanese could not contend with Chinese merchants in selling British cotton cloth, they were in an advantageous position when rice and soybeans became international commodities, and the export of silver from Japan provided a way to settle accounts. Not confined to the Korea market, silver settlements became part of the financial web of Chinese merchants and overseas Chinese traders, giving Japanese merchants entree to this network across Asia.

12. A Shanxi Bank Branch in Inchon

As exports of raw silk thread and silk goods rose steadily from the 1860s, money shops financed construction of a silk-cloth factory in Shanghai and provided capital to purchase the thread. In 1882, Ha Guangyong (Hu Xueyan) bought a large amount of raw silk, expecting the price to rise. A major merchant headquartered in Ningbo, Ha was official purveyor to Zuo Zongfang, who was dispatched to suppress the Moslem uprising in the Northwest in the late 1860s-early 1870s. When prices dropped sharply, Ha went bankrupt and in a chain reaction, many *gianpu* also went under. (Japan's ability to compete internationally had become a factor in regional trade.) Raw silk merchants in Shanghai and their money shop backers turned to Korea and Japan in search of new, stable markets. In the 1880s, the United States, Britain, and several European countries established diplomatic relations with Korea. As we have seen, the Sino-Korean Trade

35) Okuda, 54-59.

36) *Ibid.*, 86-87. Also see Yamamoto Yuzo, *Nihon Shokuminchi Keizaishi Kenkyu [The Economic History of Japan's Colonies]*, Nagoya Daigaku Shuppankai, 1992.

Regulations led to increased Chinese activity, including trade, along the northern border, and the Chinese customs service was extended to Korea. At this juncture the Shanxi banks began to move into East Asia.

China-based merchants and financiers had not previously ventured abroad. Overseas Chinese merchants and exchange brokers had established themselves in immigrant communities; their networks were among Chinese from the same prefectures and lines of business. When restrictions on trade were removed by treaties in the late Qing, Chinese merchants built networks among the open ports in East Asia. Unlike the business activity of overseas Chinese, which was between private parties, the bid to establish branches abroad required approval from both the Qing and Meiji governments. Bank branches functioned as an overseas Chinese network, yet government involvement argues for regarding this initiative as an extension of Qing financial business.

13. Shanxi Bank Offices in Kobe and Tokyo

From the mid-Qing period, Shanxi banks had prospered from handling the transfer of government funds. They had major offices in Shanxi Province's Taiyuan, Taigu, and Pingyao and their nationwide network included branches in major cities such as Beijing, Shanghai, and Canton. He Sheng Yuan, a native bank with headquarters in Guo Ying, Gi County, Shanxi province, had branches in fourteen cities, including Beijing, Tianjin, Shanghai, Hankou, Jiujiang, Anqing, Fengtian, Yingkuo, Kaifeng, Xian, Baoding, Taiyuan, Yuncheng, and Qixian. He Sheng Yuan was also active the Northeast, having established in the 1860s a money shop and wine wholesaling business in Fengtian. Trans-regional multilateral operations by native banks created a trade and financial network linking the open ports of East Asia³⁷.

In 1906, He Sheng Yuan applied for permission to open branches in Japan. On 22 March 1907, the bank announced through an advertisement in the Tianjin Da Gong Bao, that it had received approval from the Japanese government to operate in Tokyo, Yokohama, Kobe, and Osaka. A full range of services were available in silver exchange and fund transfers to Japan and the bank could handle fund transfers to open ports in "China" through its branches in each.

In the application to the Qing foreign ministry, President He Hongru wrote: "China has only one commercial bank. Recently the Bank of the Ministry of Revenue and the Xin

37) Hamashita, *Kindai Chugoku no Kokusaiteki Keiki*, 49-87, and Hamashita, "Chugoku no Gin Kyushuryoku to Choko Boeki Kankei [China, Silver, and the Tributary Trade]" in Hamashita Takeshi and Kawakatsu Heita, eds., *Ajia Koekiken to Nihon Kogyoka. 1500-1900 [The Asian Trade Zone and Japan's Industrialization]*, Libro Port, 1991, 21-50.

Cheng Bank have commenced operations, but the business community requires many services. Banks can utilize their surplus holdings to extend credit to companies short of funds. Unfortunately, He Sheng Yuan has branches only in domestic trade ports and none abroad yet. Many Chinese merchants are engaged in commercial activities in Japan, Europe, and the South Seas. . . .”³⁸⁾ The application specified services between China and Japan, yet He clearly foresaw multilateral transactions among the open ports.

14. Triangular Financing: Shanghai-Inchon-Kobe

The trade balances for Inchon and Pusan illustrate ties among them, Shanghai, and Kobe (Osaka). Table 3 shows the trade balance for gold/silver and commodities in Inchon and Pusan.

Table 4. Trade of Gold, Silver, and Commodity in Inchon and Pusan, 1885-93 (1,000 dollars)

	Inchon				Pusan			
	Gold&Silver Trade		Commodity Trade		Gold&Silver Trade		Commodity Trade	
	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.
1885	-	-	1,004	155	155	228	340	253
1886	44	679	1,544	217	145	199	439	261
1887	76	615	1,652	314	120	260	736	565
1888	135	585	1,993	368	120	252	776	671
1889	84	639	2,073	396	173	150	918	912
1890	145	289	3,455	1,442	527	69	1,781	2,182
1891	351	242	3,770	1,446	609	99	1,621	2,068
1892	629	581	3,819	1,145	498	153	1,388	1,738
1893	654	390	3,213	764	393	302	1,116	1,208

Sources) China, Imperial Maritime Customs, Returns of Trade and Trade Reports, Appendix II: Corea, Returns of Trade, Parts I and II, 1885-93 (Shanghai).

Inchon had an export surplus in gold/silver payments until 1890 and a deficit from 1891. The port's balance for commodities was consistently negative, increasing rapidly from 1891 and resulting in a huge import surplus. On the other hand, until 1888, Pusan's

38) The 1907 application was in the name of the He Sheng Yuan, located at 2-28, Kaigandori, Kobe, Hyogo Prefecture, with headquarters in Taiyuan Prefecture, Shanxi Province, and was submitted by manager Shen Peizhi to Minister of Finance Sakatani Yoshizo. The Kobe branch, capitalized at 500,000 Chinese dollars, was located at 2-28, Kaigandori and the Tokyo office was at 4 Jimbocho, Kanda-ku, Tokyo. See Zhongguo Renmin Yinhang Shanxi sheng fen hang, “Shangxi Caijing Xueyuan and Shanxi Piaohao Shiliao”, Editorial Committee for Shanxi Bank Historical Materials, *Shanxi Piaohao Shiliao [Historical materials on Shanxi banks]*, Shanxi Renmin Chubanshe, 1990, 333-37.

gold/silver trade showed an export surplus, shifting to a deficit in 1889. Pusan had an import surplus in commodities until 1889 and an export surplus thereafter.

How did Inchon and Pusan settle the resulting debts and claims? Needless to say, gold/silver inflows and bank notes that do not appear in the statistics were used for the settlements, but they alone were probably insufficient to resolve an imbalance of such magnitude. The answer lies in the broader context of the open port ties and bank branches such as that of a Shanxi bank in Kobe. In short, Shanxi banks settled accounts for Chinese merchants who had trade surpluses between Shanghai-Inchon, Shanghai-Kobe, and Inchon-Kobe.

A 1936 interview with Shen Shukai, manager of He Sheng Yuan's Kobe branch, sheds light on its exchange business. When the Kobe branch and a Tokyo office were opened in 1907, the bulk of exchange transactions were with Tianjin and Shanghai. The Chinese side bought matches, kelp, and sundries, while Japanese purchased soybean oil, bean cake, and soybeans from the Northeast region. Exchange transfers were most numerous in 1907-8, running to more than 20 million with the service charge of 400,000 Chinese dollars annually. Thus the standard pre-set exchange rate was that the service charge was 50 Liang Chinese dollars for each transfer of 10,000 Liang³⁹⁾.

The triangular settlement of the debts and credits of Inchon and Pusan by He Sheng Yuan and other Shanghai money brokers with branches in Inchon and Kobe made Shanghai the financial center where balances were settled. We may presume, for example, that multilateral settlements were carried out through Tong Yun Tai, which minted its own silver notes in Seoul and had branches in Shanghai, Canton, Hong Kong, and Nagasaki, and by He Sheng Yuan's overlapping branch network. Since Japan's import surplus was covered by the export of silver yen, we may further assume that the final settlements, including those between Japan and China, were carried out in Shanghai, the settlement center not only for China's open ports but also for those across East Asia.

Conclusions

The standard interpretation holds that overseas Chinese in Kobe mainly forwarded reserve funds (gold) to Shanghai for investment there, because foreign banks in Kobe such as the Hongkong and Shanghai Banking Corp. handled only import exchange (one-way

39) Shen Shukai, aged 56, was from Shen Village, Qixian, Shanxi province. The interview was conducted by Wei Juxian. See Wei Juxian, *Shanxi Piaohao Shi [A History of the Shanxi Banks]*, Chongqing Shuwenshe, 1944, and Hamashita Takeshi, ed., *Shanxi Piaohao Shiryo [Shanxi Bank Materials]*, 1, Toyogaku Bunken Senta, 1990. Many murky aspects of Shanxi bank business could be clarified by tracing exchange operations, however, this is a topic for future research because at present there are insufficient materials.

exchange)⁴⁰. However, given the Shanxi banks' exchange and settlement web and the multilateral settlements among the open ports, the gold transfer was merely one aspect of a network that moved funds and settled accounts for the region.

Japanese merchants engaged in trade with Korea utilized the financial network of Chinese merchants across East and Southeast Asia to participate in Asia-wide trade. How they entered the regional trade matrix has not been adequately studied, partly because of the emphasis on comparing Japanese industrialization with that of Europe and not with Asia. Of course, the entry process brought Japanese into competition with Chinese merchants for the Korean market and created incentives to manufacture British-style cotton cloth in Japan, a venture also attractive to Chinese merchants in Japan, who had the Chinese market in mind.

As noted above, research on financial issues has been limited to the currency system-the gold standard. Discussion of the role of silver in the Asian financial market-financial networks and the Chinese market-has been confined to national differences in currency, financial policies, and institutions. Future research should elaborate on the role of silver in Chinese financial networks and clarify Japan's position in the Asian financial market⁴¹.

40) Kojima Hitoshi, *Nihon no Kinkonisei Jidai, 1897-1917 [Japan and the Gold Standard, 1897-1917]*, Nihon Keizai Hyoronsha, 1981.

41) The Yokohama Specie Bank's decision to open a branch in Shanghai just when silver prices rose must be understood against a regional background; the intra-Asian financial network was profitable. For a reference to the rising price of silver, see Nakamura Takahusa, "Jukyu Seikimatsu Nihon Keizai no seicho to Kokusai Kankyo, 1870-1900. [Japan's Economic Growth and the International Environment, 1870-1900]" in Umemura Mataji and Nakamura Takahusa, eds., *Matsukata Zaisei to Shokusan Kogyo Seisaku [Finance Minister Matsukata's industrial promotion policy]*, United Nations University and Tokyo Daigaku Shuppankai, 1983, 213-38.

