

**BRITISH INDUSTRIAL INVESTMENT IN MAINLAND
CHINA – 1895-1940.**

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ABSTRACT.

British industrial investment in China before 1895 was slight – mainly marine engineering (51% share) and silk processing (25%). The liberalising Treaty of Shimonoseki then led to an upsurge of British investment which by the late 1930s was in real terms about a third of that currently. The profile of British investment changed rapidly – by 1897 cotton textiles accounted for 19% to be outstripped by mining (63% by 1903). By 1912 the tobacco industry took first place with a peak share of 70% in 1920. These three sectors account for less than 2% of current investment with 74% being in oil/gas and chemicals.

The analysis then considers the various sectors of this British investment by 1940 and their differential impact on the Chinese economy. In terms of interface with other investing countries, there was modest competition with other Western countries – indeed, there was, especially with French and Belgian interests, significant cooperation with British investors. The greater competitive interface with Japan was marked in cotton textiles and tobacco.

The effect of UK (and other foreign) industrial investment on Chinese development is a contentious area. In terms of alleged financial exploitation (high profitability well in excess of that in the investors' country and most of these profits being siphoned off abroad) analysis of the financial evidence suggests that these charges must be considerably tempered.

This conclusion coupled with the prior analysis of the sectors of British investment implies that many of the charges concerning the impact of British industrial investment in China by 1940 must be given a more favourable verdict. It would seem that the reason for the disrepute in which UK industrial investment has been held by both Chinese and Western sources is more due to the arrogant manner in which, in many cases, these investments were carried out rather than the nature of the investment itself.

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** Excluding Hong Kong and Macau throughout but including Manchuria throughout.

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INTRODUCTION.

BRITISH INDUSTRIAL INVESTMENT IN MAINLAND CHINA 1895 – 1940.

Since 1978 UK industrial investment in the PRC has assumed significant proportions. The markets for this investment have not only been in China but, increasingly, have represented efforts of British firms to source their products from China rather than the UK. Industrial investment by the UK and other foreigners was, of course, long-standing in pre-Communist China although, in contrast to post-1978, there was, with the exception of Japan in Manchuria, no intention to supply the output to the investor's home country.

The aim is to analyse in depth this pre-1941 UK investment with emphasis on :-

- Its scale and geographic and sector distribution. This is contrasted with post-1978 investment.
- The interface, either competitive or collaborative, with similar investment by other nations.
- The financial aspects of UK investment.
- The extent to which such UK investment was, in economic terms, favourable or otherwise, to China.

Thus (following a review of literature pertaining to this study) :-

PART I gives an account of development before 1895.

PART II gives the scale and distribution of UK investment.

PART III gives details of such investment by branch of industry – with consideration of the impact on the Chinese economy.

PART IV analyses the interface with other investing nations.

PART V considers the financial evidence concerning these UK industrial enterprises to ascertain their profitability and the utilisation of such profits.

PART VI attempts to assess the impact of the above investments on the Chinese economy utilizing, in particular, information in PARTS III and V.

The analysis is on a narrow front but, hopefully, the conclusions bear on the wider issue of the impact of foreign investment in China which included, apart from industrial investment, the financial and commercial sectors, real estate, transport, utilities, etc.

This study is based to a large extent on financial and other statistics – many derived from archival sources. To ensure the dialogue flow, the majority of this information, which buttresses the analysis and conclusions of various sectors of this study (and also supplies the raw material used in compiling the graphic illustrations) is put in the Statistical Annex.

(1) Transliteration of Chinese names.

All Chinese place names are given in the modern Pinyin system of Romanizing Chinese adopted by the People's Republic of China. Again, all original works in Chinese and the names of the authors and publishers are given in Pinyin. In the case of British (and European) companies incorporating Chinese names in their title their legal name (i.e. that given at their registration) is used here. In the period when these companies were formed the pattern of transliteration was predominantly the Wade-Giles

system derived by two British diplomats/linguists. The Pinyin equivalent is given in parentheses as a guide in these cases.

(2) Translation from Chinese Currency into Sterling

For most of the period covered by this study the silver based currency of China was complex and an irritation to economic growth. Details of the conversion factors used in translating into Sterling are given in PART II.

(3) Tonnage.

All tonnage figures refer to metric tons.

(4) Numbering of Tables and Graphs.

In the main text the Tables are represented by the number being expressed in words while in the case of the Figures Arabic numerals are used.

(5) Style Sheet.

That used is that of the SOAS Chinese Department (<http://www.soas.ac.uk/ciafiles/stylesheet.pdf>)

LITERATURE REVIEW.

This review is in two parts. PART ONE covers the literature directly germane to the study of British industrial investment in China before the Second World War. PART TWO covers a much wider field. The general question of whether foreign economic penetration into China (either by trade or local investment) was beneficial or not for the Chinese economy has given rise to a considerable amount of literature. Reference to this literature is essential in conducting a survey of a particular economic sector in China (as in this exercise). For instance, it helps to marshal the heads of arguments that can be used in assessing whether as regards the sector under consideration, the foreign (in this case British) economic impact was beneficial or the reverse. There are also contributions in this literature that point to the dangers of scaling up from a study with, as in this study a limited objective, to conclusions relating to a much larger universe.

These two PARTS are not watertight. Thus, one of the important areas of dispute in the literature concerns the impact of foreign economic penetration on traditional handicraft industries. The largest front in which this battle was waged, if it might be so termed, was in cotton textiles. Thus, literature sources of interest concerning the history of this sector in China (see page 14) in many cases provide very valuable analyses of this issue. Again, some studies of other industries or individual firms conclude with an analysis relating the area of study to the wider issues referred to in PART TWO. Again, to take the work of Shannon R. Brown on technology transfer to China (see page 10) his work is based to a large extent on primary data on British firms of great specialist value to this study but his conclusions relate to these wider issues.

PART ONE – THE OPERATION OF BRITISH AND OTHER FOREIGN INVESTMENT IN CHINA.

STATISTICAL BACKGROUND.

A large proportion of this study utilises statistics, principally financial statistics, taken mainly from primary sources (company reports, archives, etc.) but also from secondary collations as described below.

In terms of studies looking at UK investments in China during the period under review the amount of information available in terms of figures arising from the UK end flatters to deceive. The key sources in this connection are various studies presented in the *Journal of the Royal Statistical Society* and, after a twenty year gap, in the *Economic Journal*. The pioneer studies were, firstly, that by Sir George Paish. (a) with the work being carried on by Sir Robert Kindersley. (b).

The key problem in using Paish's figures lies in the fact that his data only covered companies registered in the UK. This was pointed out by the then Mr. J.M.Keynes who suggested in the discussion following the second paper (page 195) that the paper should more properly be entitled "Estimated Capital Subscribed in London" rather than "Estimated Foreign Investments".

Apart from the problem noted above, the 1933 article by Sir Robert Kindersley concedes these gaps in the

(a) Sir George Paish: "Great Britain's Capital Investments in Other Lands", in: *Journal of the Royal Statistical Society*, Volume LXXII, Part III. Pages 465-495.

(a) Sir George Paish: "Great Britain's Capital Investments in Individual Colonial and Foreign Countries.", in: *Journal of the Royal Statistical Society*, Volume LXXXIV. Part II. Pages 167-200.

(b) Sir Robert Kindersley. "A New Study of British Foreign Investments.", in: *The Economic Journal*, Volume XXXIX, No. 153, March, 1929. Pages 8-24.

(b) Sir Robert Kindersley. "British Foreign Investments in 1928.", in: *The Economic Journal*, Volume XL, No. 158, June, 1930. Pages 175-183.

(b) Sir Robert Kindersley. "British Foreign Investments in 1929.", in: *The Economic Journal*. Volume XLI, No. 163, September, 1931. Pages 370-384.

(b) Sir Robert Kindersley. "British Foreign Investments in 1930.", in: *The Economic Journal*, Volume XLII, No. 166, June, 1932. Pages 177-195.

(b) Sir Robert Kindersley. "British Foreign Investments in 1931.", in: *The Economic Journal*, Volume XLIII, No. 174, June, 1933. Pages 187-204.

coverage of the figures :-

- It omitted the overseas activities of British companies whose main assets were situated in the UK.
- "... total investment in India and China would have to be substantially increased if proprietary holdings by British nationals permanently resident in these countries are included."

The result is that the figures arising from the above series of articles are highly unrepresentative of British investment in China. The only sector where this is not so is the mining sector where the great majority of British participants in mining ventures in China were UK registered companies and specifically dedicated to operations in China.

This under reporting of British investment in China was perpetuated in much later studies than the above. Thus in the 1975 study by A.K.Cairncross (c) there is no mention of China in Table 42 (page 186) – "British Investments in Foreign Countries between 1871 and 1914".

A much more extensive and better conceived (in that it took account of investment by foreigners in China in a much more comprehensive and meaningful basis than the above) set of data is contained in the seminal work of Charles F. Remer (d). Remer "came to the study weary of unsupported qualitative and subjective statements". (e).

Remer's analysis was comprehensive in the sense of including loans as well as direct foreign investment. His figures were principally for three snapshot years – 1902, 1914 and 1931. The highlight of Remer's sub-classification of the data is that given for 1931 (see page 86) where he splits direct investments into eight categories, including mining and manufacturing as two of these categories, for investment by the UK, Japan, Russia and the USA. For 1914 figures relating to mining and manufacturing are unavailable except in a total for all countries with one exception being data for Japan. For 1902 no split is given even as a total for all countries for mining and manufacturing.

A complication in Remer's figures for investments by the UK is that China in his work includes Hong Kong and the Hong Kong figures are not separately specified. This was one of the reasons for Remer's figures for UK industrial investment not being adopted by the present author. However, Remer's figures are invaluable in assessing comparable investment by other nationalities. Apart from the statistical angle Remer's work is also of considerable interest in terms of his descriptions of the various foreign industrial enterprises operating in China in the period covered. A reconciliation of the writer's figures for UK industrial investment in China with those of Remer and also those of Wei Zichu (see below) is given in PART II of this study.

Remer's pioneer work has been complemented by PRC writers. Early in the field (June, 1951) was a publication by the Peoples' Publishing Company, Beijing by a Party economist (Wei Zichu) entitled "British Enterprises in China and their Profits". Extracts in English were published in the *Far Eastern Economic Review* (f) a year later. Apart from giving the Party's (derogatory) view of the record of British economic interests in China it also contained a statistical investigation into the extent and distribution

(c) A.K.Cairncross: *Home and Foreign Investment 1870-1913. Studies in Capital Accumulation*. The Harvester Press, 1975.

(d) Charles F. Remer: *Foreign Investments in China*. New York: The Macmillan Company, 1933. A new edition was published in 1968. New York: Howard Fertig..

(e) Remer Op. cit. Page xxviii in the 1968 edition.

(f) Wei Zichu: "British Enterprises in China and Their Profits", in: *Far Eastern Economic Review*, June 5th, 1952. Pages 724-729.

(including a geographic split into Hong Kong, Shanghai and other centres) of these interests in 1936. Another, near contemporary, publication is by Wu Chenming (g). This contains for 1936 estimates for the distribution of British investments for mines and industry which in total are very close to those of Wei Zichu. Beyond this there are most interesting estimates from the point of view of this study giving more statistics for 1936 concerning comparable estimates of industrial investments by the UK, USA, France, Japan, Germany, Italy and other countries (Pages 63, 64 and 159). Another later Chinese publication of great interest which throws great light on the upsurge in capital investment in industry after the Treaty of Shimonoseki is by Wang Jingyu (h). In terms of the statistics presented in these two volumes, the basis for these is contained in a listing of enterprises by size of their initial capitalisations established 1895-1913. The analysis was conducted for 549 Chinese enterprises (State and private) as well as 136 foreign enterprises (including 40 joint ventures with Chinese interests). The latter statistical base is given on pages 7 to 11 in the first volume. From this the study goes on to further analyse this data base by giving the split by :-

- Nationality of the investing country – England, France, Germany, Japan, Russia and Other.
- Branch of industry – mining, engineering and shipyards, utilities, spinning and weaving, foodstuffs and other.
- Location – Jiangsu, Hebei, Hubei, Shandong and Other.
- Size of initial capital.

The figures are aggregated year by year by country so it is possible to establish the “take off point” in an individual country’s performance – this is revealing in the case of Japan.

The figures presented as above do not give data for investment by country and industry branch at any particular date as they just refer to initial capital only (and thus neglect capital increases, the build up of reserves and enterprise failures during the period). Nevertheless they are an invaluable signpost to the above.

Another, very detailed publication (six volumes – starting in 1958), is by Chen Zhen (i) and others. Particularly of interest are pages 850-877 (Volume Two) which give details of the accounts of British industrial enterprises in China.

Finally in this regard there is the 1957 publication by Sun Yutang and others (j). This is indispensable to any study of industrial development in China before the Treaty of Shimonoseki. In terms of statistics the key figures in terms of gauging industrial investment by the UK and other foreigners are given on pages 242-247 presenting for 1894 the capital and assets of foreign industrial enterprises by individual firm and classified into seven industrial sectors. These estimates are an invaluable jumping off point for analysis of industrial investment in China by the UK from 1895 onwards. There is some degree of underestimation due to lack of financial information but it is not serious.

(g) Wu Chengming: *Diguo zhuyi zai jiu Zhongguo di touzi*. (Investments of Imperialistic Powers in the Old China) Beijing: Renmin chubanshe, 1955.

(h) Wang Jingyu: *Zhongguo jindai gongye shi ziliao 1895-1914 nian*. (Source materials on the history of modern industry in China, 1895-1914). 2 volumes; Beijing: Kexue chubanshe, 1957.

(i) Chen Zhen and others: *Zhongguo jindai gongye shi ziliao*. (Source material for history of modern industry of China). 6 volumes; Beijing, 1957.

(j) Sun Yutang and others: *Zhongguo jindai gongye shi ziliao, 1840-1895*. (Materials on the history of modern industry in China, first collection 1840-1895). 2 volumes; Beijing: Kexue chubanshe, 1957.

PROGRESS BEFORE 1895.

As noted, it is impossible to study the early growth of industry in China without recourse to the preceding publication edited by Sun Yutang. Especially valuable for the present study are pages 234 –241 which give a particularly useful checklist of British and other foreign enterprises before 1895. Beyond this there are various chapters giving the history of various industrial sectors in considerable detail.

Direct foreign investment before 1895 was inhibited by an, at best, lukewarm attitude by the authorities which in some cases meant a complete ban on foreigners engaging in certain industrial activities. There was also opposition from vested interests existing in various industrial sectors. Even in those areas where foreigners could operate there was resistance to the introduction of technical innovations by Western companies. As British concerns were in the forefront of a movement to challenge official obstruction and prominent in efforts to introduce new technology, the work of the two authors below are of double interest as giving the background to industrial investment before 1895 and also information on some of the main industrial ventures by UK companies in that period. A high proportion of the studies of these two authors are based on the archives of Jardine Matheson.

The first publication is that of Edward Le Fevour.(k). Of particular interest to the present study is Chapter II concerning “The Cotton Trade” which illustrates the frustrations of Jardine Matheson in attempting to erect a cotton mill in China.

The inhibitions on foreign direct investment introducing new technology to China are closely analysed in the works of Shannon R. Brown. In particular, his case studies of the progress or otherwise of technological transfer from Western countries, in particular the UK, to China covering such sectors as processing of soya beans, silk reeling, sugar refining, etc. are especially of interest. These case studies form the major part of the last three studies listed below :-

- “The Partially Opened Door: Limitations on Economic Change in China in the 1860s”, in: *Modern Asian Studies* XII : 2 (1978). Pages 177-192.
- “The Transfer of Technology to China in the Nineteenth Century: The Role of Direct Foreign Investment.”, in: *Journal of Economic History*, Volume XXXIX, No. 1, March, 1979. Pages 180-197.
- “The Ewo Filature: A Study in the Transfer of Technology to China in the Nineteenth Century.” in: *Technology and Culture* XX ; 3, July, 1979. Pages 550-568. (l).
- “Cakes and Oil-Technology Transfer and China Soybean Processing 1860-1895”, in: *Comparative Studies in Society and History*, July, 1981. Pages 449-463.

Brown’s overall conclusion is that the transfer of technology to China until 1895 was significantly impeded by official obstruction. Foreigners were not allowed to enter many economic activities and, more importantly, their activities were, strictly speaking, confined to the Treaty Ports. Even here their activities were often frustrated by arbitrary interference.

(k) Edward Le Fevour: *Western Enterprise in Late Ch’ing China – A Selective Survey of Jardine and Matheson and Company’s Operation 1842-1895*. Cambridge, Mass. : Harvard University Press, 1968.

(l) Studies of the progress of silk filature technology without a specific UK context include :-
- Robert V. Eng: *Economic Imperialism in China. Silk Production and Exports, 1861-1982*. Berkeley CA: University of California Press, 1986.
- Mai Chuan-Hui: “L’Introduction en Chine des techniques européennes de l’industrie de la soie de la guerre de l’ Opium au début de XX siècle.”, in: *Revue de l’Association Française d’Études Chinoise*. Vol. XX, No.1-2, Spring-Autumn 2001. Pages 201-235.

Brown examines the situation that would have developed if officialdom had given a free hand to foreign enterprise. His conclusion is that the potential for the introduction of Western technology would not initially had been much larger. Capital was expensive and labour cheap thus inhibiting the introduction of capital intensive Western Products. The demand for such products was limited by poverty. Nevertheless in this situation "China could have enjoyed a larger, and most importantly, a growing use of foreign technology." (m).

These studies by the two authors dovetail each other very well as Shannon R. Brown in contrast to Edward Le Fevour does not cover the very important cotton trade in any detail while Edward Le Fevour concentrates more on an account of official obstruction rather than the difficulties experienced in technological transfer.

STUDIES OF INDIVIDUAL FIRMS OR INDUSTRIES.

House journals and other publications by the firms concerned (usually in celebration of an anniversary) are useful and have been used in this study. An excellent example is "1902- Celebrating our First Hundred Years – 2002" by British American Tobacco. However, what is discussed below concerns academic studies bearing on individual firms or industries.

(1) THE TOBACCO INDUSTRY.

By far the most up to date and authoritative account (it received the full support of the Company) of the British American Tobacco Company (B.A.T.) is by Howard Cox: *The Global Cigarette. Origins and Evolution of British American Tobacco 1880-1945*. Oxford: Oxford University Press, 2000. Apart from giving the historical background of B.A.T., its international development and an insight into the Company's competitive and marketing philosophy, Part Three on pages 147-201 gives an account of the Company's operations in China. In writing this Cox engaged in research at the Economic Research Institute, Shanghai Academy of Social Sciences and this "represented a quantum leap forward in my understanding of the company's organisation". (n). A useful publication giving the history of B.A.T. in its American context is by Richard B. Tennant: *The American Cigarette Industry – A Study in Economic Analysis and Public Policy*. New Haven, Conn.: Yale University Press, 1950.

The extensive B.A.T. archives held at the Shanghai Academy of Social Sciences that Cox consulted form the basis of a publication by the Institute – Shanghai shehui kexue yuan jingji yanjiu suo: *Ying Mei Yan Gongsi zai Hua qiye ziliao huibian* (Collected materials on B.A.T. business activities in China) 4 volumes; Beijing, 1983. Covering well over 1,500 pages, this is a gold mine giving detailed statistics on B.A.T.'s financial performance in China, its local production capacity and labour force, its production and sales of cigarettes together with the same information for other companies in China, its production costs, sources of tobacco, etc.

Apart from the work of Cox the other leading publication on B.A.T. in English is an earlier one by Sherman Cochran: *Big Business in China. Sino-Foreign Rivalry in the Cigarette Industry, 1890-1930*. Cambridge, Mass.: Harvard University Press, 1977. This book broke new ground in that it contrasted the fortunes of B.A.T. (one of the first truly multinational companies) with the leading Chinese tobacco

(m) Shannon R. Brown: "The Transfer of Technology to China in the Nineteenth Century: The Role of Direct Foreign Investment.", in: *Journal of Economic History*, Volume XXXIX, No. 1, March, 1979. Page 197.

(n) Cox. Op. cit. Page x in the Preface.

company of Nanyang Brothers (o). Thus Cochran's work has wider implications than a mere study of B.A.T. in isolation. Nevertheless Cochran's book gives an exhaustive account of B.A.T. in China and is still the leading work in the field despite the fact of that when published it lacked the statistical input that would later have been available from Chinese archives as described above.

One of the many interesting features of Cochran's book is his account of B.A.T.'s distribution system, utilising Chinese agencies, and its allied promotion and advertising effort. In this area of expertise Sherman Cochran has supplemented his book by further submissions including :-

- "Commercial Penetration and Economic Imperialism in China: an American Cigarette Company's Entrance into the Market", in: Ernest R. May and John K. Fairbank (editors): *America's China Trade in Historical Perspective. The Chinese and American Performance.* Cambridge, Mass.: Harvard University Press, 1986. Pages 151-203.
- Chapter 3 (pages 44-69) entitled "British – American Tobacco Company", in: Sherman Cochran: *Encountering Chinese Networks, Western, Japanese and Chinese Corporations in China 1889-1937.* Stanford, CA: University of California Press, 2000.

B.A.T. recognised during the Nationalist era the importance of cooperation with the higher echelons of the Guomindang – in particular as how the cigarette tax regime favoured them or their Chinese rivals. Apart from the work of Cochran an excellent account of this relationship is given in Parks M. Coble, Jr.: *The Shanghai Capitalists and the Nationalist Government 1927-1937.* Cambridge, Mass.: Harvard University Press, 1980.

Foreign incursion into Chinese agriculture was a rare occurrence. One of the exceptions was by B.A.T. in its efforts to develop a local source of American "bright" tobacco. (developed in the American South and eminently suitable for cigarettes). There developed differing views as to the benefits of this move for the peasants induced to grow this type of tobacco. A critical view was taken by Chen Han-Seng: *Industrial Capital and Chinese Peasants : A Study in the Livelihood of Chinese Tobacco Cultivators.* Shanghai: Kelly and Walsh, 1939. An opposite view was taken by Ramon Myers: *The Chinese Peasant Economy : Agricultural Development in Hopei and Shantung, 1890 –1949.* Cambridge, Mass.: Harvard University Press, 1970.

The charge by Chen Han- Seng was essentially that by initially providing strong inducements to the peasants to grow American type tobacco B.A.T. attracted peasants to a dangerous degree of dependence on commercial agriculture where the peasants growing tobacco were in the hands of the local gentry and merchants for cash loans (see, in particular, pages 54, 67 and 85). They were as a consequence weak sellers. In contrast, Ramon Myers argued that in Shandong – then the main American type tobacco growing province – that the key problem was not as depicted by Chen Han-Seng but the absence of any strong technological progress in local agriculture.

(2) MINING.

In terms of industry studies rather than studies of individual companies the major publications in English are:-

(o) Previous Works to Cochran on Nanyang Brothers were :-

- Wang Shijan: *Nanyang xiongdì yancao gongsi shiliao.* (Source material for the history of the Nanyang Brothers Tobacco Company.). Shanghai: Renmin chubanshe, 1958.
- Y.C. Wang: "Free Enterprise in China: The Case of a Cigarette Concern, 1905 – 1953.", in: *Pacific Historical Review*, 29 (4), 1960. Pages 395-414.

- Tim Wright (p): *Coal Mining in China's Economy and Society, 1895-1937*. Cambridge: Cambridge University Press, 1984.
- C.Y. Hsieh and M.C. Chu: *Foreign Interest in the Mining Industry in China*. Shanghai: China Institute of Pacific Relations, 1931.
- William F. Collins: *Mineral Enterprise in China*. Tianjin: Tientsin Press, Limited, 1922.
- En-Han Lee: "China's Response to Foreign Investment in Her Mining Industry (1902-1911)", in: *The Journal of Asian Studies*, Volume XXVIII, No.1, November 1968. Pages 55-75.
- A.B.I. Konnikov: *The Coal Industry of China*. Canberra: Research School of Pacific Studies, Australian National University, 1977.
- Wang Kung-ping: *Controlling Factors in the Future Development of the Chinese Coal Industry*. New York: King's Crown Press, 1947.

The work by En-Han Lee is indispensable in covering the "Rights Recovery" movement, which was to a large extent directed against British mining ventures in the last decade of the last Century.

In terms of company studies the field is mainly concentrated in seven studies in French, English and Chinese concerning the history of The Chinese Engineering and Mining Company and its joint venture with its Chinese partner – The Kailan Mining Administration. One Belgian publication which gives an excellent account of the acquisition of this company by Western interests and its early history after the takeover is given more consideration in a later section. This work by Madame G. Kurgen Van Hentenryk: *Léopold II et les groupes financier belges en Chine – La politique royale et ses prolongments (1895-1914)*. Brussels: Académie Royale de Belgique, Thesis for Docteur et Lettres, April 3rd, 1971 is of wider interest as it gives an outstanding account of Belgian imperialist ambitions and their fulfilment in China and the collaboration between Belgian and British interests in China. An earlier study – J.M.Frochisse: *La Belgique et la Chine - Relations Diplomatiques et Économiques (1839- 1909)*. Brussels: L' Édition Universalle S.A., 1936 - is also of interest in this last regard as well as the specialist interest.

Ellsworth C. Carlson: *The Kaiping Mines (1877-1912)*. Cambridge, Mass.: East Asia Research Centre, Harvard University, 1971, gives an account of the company under Chinese ownership (Chapters I – III), the move to foreign control (Chapter IV), Chinese efforts to recover control (Chapter V), the competition offered by the Luanzhou Mining Company (Chapter VI) and the formation of the Kailan Mining Administration. A very professional account of the acquisition of the Chinese Engineering and Mining Company and its early years under foreign control is given by George H. Nash: *The Life of Herbert Hoover – The Engineer 1874-1914*. London and New York: W.W. Norton and Company, 1983. Particularly of interest are :-

Chapter 7 – China : The First Year

Chapter 8 – The Kaiping Mines are acquired.

Chapter 9 – A Mine Manager in China.

Chapter 10 – The Celestial Empire Strikes Back.

(p) Other works by Tim Wright relating to the Chinese coal industry include :-

- "Entrepreneurs, Politicians and the Chinese Coal Industry, 1895-1937.", in: *Modern Asian Studies*. 14, No. 4. Pages 579-602.
- "Sino-Japanese Business in China. The Luda Company, 1921-1937.", in: *Journal of Asian Studies*. Volume XXXIX, No.4, August, 1980. Pages 711-727.
- "The Nationalist State and the Regulation of Chinese Industry during the Nanjing Decade. Competition and Control in Coal Mining.", in: David Pong and Edmund Fung (Eds.): *Ideal and Reality – Social and Political Change in Modern China 1860-1949*. Lanham, Maryland, New York, London: University Press of America, 1985. Pages 127-152.

Chapter 11 – Chang Yen-mao versus Moreing.

Hoover was the main agent in the field for the acquisition by an Anglo-Belgian gang of the original Chinese company by very dubious means and this makes Nash's account particularly valuable.

Articles of interest concerning these mines include :-

- Xiong Xingmei: "British Capital and the Management of the Kailuan Coal Mines.", in: Tim Wright: *The Chinese Economy in the Early Twentieth Century. Recent Chinese Studies*. Basingstoke and London: The Macmillan Press, Ltd, 1992. Pages 177-192.
- Wang Yuru: "Capital Formation and Operating Profits of the Kailuan Mining Administration (1903-1937).", in: *Modern Asian Studies* 28.1, February, 1994. Pages 99-128.

Particularly useful insights into the development of labour costs and the standard of living of the workers at the Kailuan Mining Administration are given in Nankai daxue jingji yanjiu suo, jingji shi yanjiu shi (Ed.): *Jiu Zhongguo Kailuan meikuang de gongzi zhidu he baogong zhidu*. (The wage and contract system for workers in the Kailuan mines in Pre-Communist China), Tianjin: Tianjin renmin chubanshe, 1983.

(3) TEXTILES.

In most countries historical statistics of the local cotton textile industry are usually the most complete – reflecting the industry's early start. This is true of China. Useful historical studies available in English include :-

- Ralph M. Odell: *Cotton Goods in China*. Washington D.C.: US Department of Commerce, Special Agent Series No. 107, 1916.
- Arno S. Pearse: *The Cotton Industry of Japan and China*. Manchester, U.K.: International Federation of Master Cotton Spinners and Manufacturers Association, 1929.
- H.D. Fong: *Cotton Industry and Trade in China*. Tianjin: Nankai Institute of Economics. Chihli Press, 1931.
- F.S. Blanchard: *The Textile Industries of China and Japan. Post-War Opportunities and Problems for America*. New York: Textile Research Institute, 1944.

A leading, more modern, study is that of Kang Chao: *The Development of Cotton Textile Production in China*. Cambridge, Mass.: Harvard University Press, 1977.

A particularly important topic, on which considerable academic effort has been expended, is to gauge the extent to which the traditional handicraft industries of China were affected by imports of manufactured goods and the local development of factory products by foreigners or Chinese. As hand cotton spinning and weaving was the leading handicraft pursuit, this meant that work on this sector was an essential contribution to understanding this controversial subject. Contributions to the debate include :-

- Albert Feuerwerker: "Handicraft and Manufactured Cotton Textiles in China, 1871-1910", in: *Journal of Economic History*, June, 1970. Pages 338-378.
- Kang Chao: "The Growth of a Modern Cotton Textile Industry and the Competition with Handicrafts.", in: Dwight H. Perkins (editor): *China's Modern Economy in Historical Perspective*. Stanford, CA: Stanford University Press, 1975. Pages 167-201.
- Xu Xinwu: "The Process of the Disintegration of Modern China's Natural Economy.", in: Tim Wright: *The Chinese Economy in the Early Twentieth Century. Recent Chinese Studies*. Basingstoke and London: The Macmillan Press, Ltd., 1992. Pages 113-133.

These studies trace the much faster decline of hand spinning in the face of the machine spun equivalent to that of hand weaving which displayed much resilience in the face of the power loom equivalent (either from foreign or Chinese sources).

A parallel study but with more emphasis on the silk sector rather than the cotton sector is Alvin Yiu-Cheong So: "Foreign Capitalism and Chinese Rural Industry: A Re-examination of the Destruction Thesis.", in: *Asian Profile*, Volume 9, No. 6, December, 1981. Pages 477-489.

LABOUR RELATIONS.

Little reference is made in the following study of labour protest in British factories and mines in China except when it affected performance against local competitors. In any case, the field is amply covered by specialists in this area. Publications in English of especial interest in this connection are :-

- Jean Chesneaux: *The Chinese Labour Movement 1919-1927 (translated from the French by H.M.Wright)*. Stanford CA: Stanford University Press, 1968.
- Emily Honig: *Sisters and Strangers. Women in the Shanghai Cotton Mills, 1919-1949*. Stanford CA: Stanford University Press, 1986.
- Elizabeth J. Perry: *Shanghai on Strike – The Politics of Chinese Labor*. Stanford CA: Stanford University Press, 1993.

COUNTRY ORIENTATED STUDIES.

Publications of interest on the development of rival foreign industrial enterprises to the UK include :-

Russian investment.

The mainstream of Russian investment was in Manchuria. Publications on the economic development of Manchuria often straddle both the periods of Russian and Japanese hegemony but those with a slant towards the Russian presence include :-

- Bank of Seoul: *Economic History of Manchuria*. Chosen, 1920.
- Chinese Eastern Railroad Printing Office: *North Manchuria and the Chinese Eastern Railway*. Harbin, 1921.
- R.K.I.Quested: "Matey" Imperialists. *The Tsarist Russians in Manchuria, 1895-1917*. Hong Kong: Centre of Asian Studies, University of Hong Kong, 1982.
- B.A.Romanov: *Russia in Manchuria (1892-1906)*. Ann Arbor, Michigan: J.W.Edwards, 1952.

Outside Manchuria the only significant industrial investment was in the making of brick tea. Apart from an analysis in Sun Yutang (Op. cit.) there is also an account of the development of this business contained in Robert P. Gardella: "The Boom Years of the Fukien Tea Trade 1842-1888.", in: Ernest R. May and John K. Fairbank (editors): *America's China Trade in Historical Perspective. The Chinese and American Perspective*. Cambridge, Mass.: Harvard University Press, 1986. Part One, 2. Pages 33-75. The decline of this business is shown in Boris P. Torgasheff: *China as a Tea Producer*. London: Commercial Press, 1926.

German investment.

A key study is John E. Schrecker: *Imperialism and Chinese Nationalism – Germany in Shantung*. Cambridge, Mass.: Harvard University Press, 1971. Although the study did not focus primarily on economic matters, Chapter IV – The Germans and Development in Shantung, especially pages 225 – 231 concerning industry, is of interest. A study of the major German mining investment in China is Rainer Falkenberg: *Der Kohlenbergbau in Boshan-Xian, Shandong in ersten Drittel des 20 Jahrhunderts*. Bonn: Wilhelm Matzat, 1984. (q).

(q) Another study of note is Zhao Zenmin: "Die Usurpierung Bergbaurechte in Shandong durch Deutschland und die Volksbewegung zu ihrer Rückeroberung." in: Kuo Heng yü (Editor): *Von der Kolonialpolitik zur Kooperation*. Munich: Minerva Publikation, 1986. Page 63-100.

French investment.

A useful background to the early days of French investment in China is given in Robert Lee: *France and the Exploitation of China, 1895-1911 – A Study of Economic Imperialism*. Oxford: Oxford University Press, 1989. Of specific interest is his account (pages 251-266) of the French end of what became the French/British joint venture of the Syndicat de Yunnan.

Belgian investment.

J.M. Frochisse: *La Belgique et la Chine, Relations Diplomatiques et Économiques (1839-1909)*. (see above) gives an interesting background to the buildup of Belgian companies to take advantage of the apparent opportunities offered by China at the threshold of the Twentieth Century. It also in Chapter VIII (pages 374-407) gives an account of early Belgian ventures in mines in China.

As noted above, the work of Madame G. Kurgen van Hentenryk: *Léopold II et les groupes financiers belge en Chine – La politique royale et ses prolongements (1895 –1914)* is an excellent and very painstaking account of an era when Belgium under Léopold was run almost as a private company. It traces the role of the King in encouraging investment in China and his personal stake in such investments. It gives the Belgian side of the takeover of the Kailan mines and Belgian participation in other mining projects in China - some in conjunction with British interests.

Japanese investment.

A leading source in English of the distribution of Japanese industrial investments in China arose from a paper prepared for a 1929 conference in Kyoto of the Institute of Pacific Relations. This paper prepared by a Japanese committee was most complete and authoritative being headed by a Mr Masunosuke Odagiri, a director of the Yokohama Specie Bank in charge of its China branches and business. This paper was published in *The Far Eastern Review* of January, 1930 (Pages 15-18).

The course of the burgeoning Japanese industrial investment in Manchuria is contained in many publications. Those of particular interest are shown in the footnotes to this page.

Of particular interest in tracing the development of the Japanese moves in the 1930s in creating a heavy industrial base in Manchuria are those works noted below by The Japan Economic Federation and Ann Rasmussen Kinney.

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- Herbert Bix: "Japanese Imperialism and the Manchurian Economy 1900-31", in: *The China Quarterly*. July/September, 1972. Number 51. Pages 425-443.
 - The Japan Economic Federation: *The Heavy Industry of Manchoukuo. East Asia Economic Intelligence Series. No. 3*. Tokyo, January, 1940.
 - Ann Rasmussen Kinney: *Japanese Investment in Manchurian Manufacturing, Mining, Transportation and Communications, 1931-1945*. New York and London: Garland Publishing Inc., 1982.
 - Edward Stuart Kirby: *The Economic Organisation of Manchukuo, with special reference to specific features exemplifying the special characteristics of the modern economic system in the Far East*. Ph. D. Thesis, London University, 1938.
 - Kungtu C. Sun: *The Economic Development of Manchuria in First Half of the Twentieth Century*. Cambridge, Mass.: Harvard University Press, 1969.
 - Ramon Myers: "Economic Development in Manchuria under Japanese Imperialism. A Dissenting View.", in: *The China Quarterly*. No. 55. July, 1973. Pages 547-550.

PART TWO.

THE DEBATE OVER THE IMPACT OF FOREIGN INVESTMENT ON THE CHINESE ECONOMY.

A salient question relates to whether the net result of British industrial investment in China in the period under review was to the advantage or otherwise of the Chinese economy. British industrial investment was only a part, albeit an important part, of foreign industrial investment while this last occupied a minority part of total foreign direct investment. Thus it is essential that recourse be made to the considerable volume of important literature on the general topic of the impact of foreigners on the Chinese economy. This much discussed and controversial subject has often been a highly polemical and politicised topic. Perusal of this literature brings inter alia benefits from the categorisation of the arguments advanced by participants thus helping when one is dealing with the benefits or otherwise of foreign investment in a micro-economic sector such as industry. There are many facets to be considered in this controversy and a considerable number of contributors to the argument but it is hoped that the following is a reasonable representation of the important works in the last four or five decades.

Part of these submissions have already been mentioned in the section above on studies of individual firms or industries. Thus, for example, the final chapter – Conclusion, Imperialism, Nationalism and Entrepreneurship (beginning on page 201) of Sherman Cochran's work on *Big Business in China. Sino-Foreign Rivalry in the Cigarette Industry, 1890-1930* gives an excellent assessment of the behaviour of B.A.T. under such heads as imperialist exploitation and the "oppression" argument. Again, the validity of the "destruction" argument is considered in the works of Albert Feuerwerker (r), Kang Chao, Xu Xinwu and Alvin Yiu Cheong in the section above on Cotton Textiles. Again, in the section above concerning Country Orientated Studies, John Schrecker's study of Germany in Shandong is another example (He finds, for instance, -page 258- that the German experience in Shandong had a "favourable impact on economic growth").

An important input to this field of study is the work of Chi-ming Hou: *Foreign Investment and Economic Development in China, 1840-1937*. Cambridge, Mass.: Harvard University Press, 1965. (s). This was a challenge to generally accepted views that economic imperialism in the form of foreign trade and local investment by foreigners had a serious debilitating affect on the Chinese economy. These views were reiterated by Chinese scholars and politicians such as Sun Yat-sen, Mao Zedong and Chiang Kai-shek. as well as finding acceptance in the West (t). The principal points of condemnation of foreign penetration were listed by Chi-ming Hou as follows (u) :-

(r) The work of Albert Feuerwerker bearing on the foreign presence and the handicraft sector is more extensive than the above indicates including such excellent studies as :-

- *The Foreign Establishment in China in the Early Twentieth Century*. Ann Arbor, Michigan: Centre for Chinese Studies. No. 29. The University of Michigan, 1976.
- *Studies in the Economic History of Late Imperial China – Handicraft, Modern Industry and the State*. Ann Arbor, Michigan: Centre for Chinese Studies, University of Michigan, 1995.

(s) This incorporated two earlier works by Chi-ming Hou :-

- "The Oppression Argument on Foreign Investment in China, 1895-1937.", in: *Journal of Asian Studies*, 20.4, August, 1961. Pages 435-448.
- "External Trade, Foreign Investment and Domestic Development : The Chinese Experience 1840-1937.", in: *Economic Development and Cultural Trade*, 28-29, 1961. Pages 21-41.

(t) Chi-ming Hou. Op.cit. Pages 1-3.

(u) Ibid.

- The ruination of the traditional handicraft industries.
- The draining of wealth by remittance of profits to the investing countries.
- Local foreign enterprises enjoyed many unfair advantages and thus stifled the growth of modern Chinese enterprises.

Chapter 1 gives a general picture of foreign investment in China with Chapter 3 giving more detail on direct foreign investment (v). Chapter 4, a short but very useful chapter, entitled Framework of Analysis of the Effects of Foreign Investment, provides a good listing of points to be taken into consideration when judging the effect of foreign investment on a specific economic section.

A feature of the work of Chi-ming Hou is his employment of financial analysis in Chapter 5 of the available accounts of foreign firms in China from 1872 to the 1930s. Figures that were derived from these accounts are given concerning profitability (page 113) and retentions as compared with dividends (page 102). In the case of the latter reinvestment ratio no less than 775 financial statements were analysed – in the case of profitability only 478. This approach by Chi-ming Hou was a great amplification of earlier work by Remer (w) and was praiseworthy as representing a departure from earlier works by making an effort to analyse the empirical evidence in the form of financial statements. Chi-ming Hou not only analysed the financial progress of foreign enterprises in China but also attempted to contrast their performance with that of enterprises in their own investing countries. Further analyses made by Chi-ming Hou include those relating to whether foreign trade and investment retarded modern investment by Chinese enterprises (Chapter 6) and whether Chinese handicrafts were adversely affected by foreign economic penetration. (Chapter 7).

The broad findings of the study (Chapter 9 – page 220) were :-

“ It can be said that foreign investment played an important role in bringing about whatever economic modernisation or “preconditions” for development China experienced, that the Chinese-owned enterprises and the traditional sector survived the destructive effects of foreign competition, and that foreign investment did not result in a lop-sided export development and all its accompanying evils such as excessive external instability”.

Before considering the counter-arguments that were unleashed by the work of Chi-ming Hou and others of the so-called “Harvard School” (x) it is worth mentioning other studies that broadly agree with the main conclusions but with cogent reservations. A leading contribution to the debate is Thomas G. Rawski: *Economic Growth in Prewar China*. Berkeley CA: University of California Press, 1989:-

- “Chinese and foreign observers have often claimed that the special privileges available to foreign businesses... led to an artificial distortion of both the spatial and sectoral dispersion of pre-war industry. The available data provide little support for this view” (Page 86).
- “The idea that growing sales of manufactures, however detrimental to the interests of particular groups of craftsmen, destroyed large portions of China’s handicraft sector is not substantiated by available evidence.” (Page 76).

(v) In addition Chapter 7, Pages 65-79 gives an account of foreign investment in mining and manufacturing.

(w) Remer. Op. cit. Page 294.

(x) See the second paragraph of Joseph Esherick: “Harvard on China: The Apologetics of Imperialism.”, in: *Bulletin of Concerned Asian Scholars*. Vol.4. No.4, December, 1972. Pages 9-16.

Another work by Thomas G. Rawski on the first shoots of Chinese industrialisation is *China's Transition to Industrialism*. Ann Arbor, Michigan: University of Michigan Press, 1980 which focussed on three industries – engineering, chemicals and ferrous metallurgy with the emphasis in the case of engineering on backward linkage from foreign enterprises and adoption of new technology providing opportunities for Chinese enterprises. In the case of ferrous metallurgy there was, in contrast, a history between 1900 and 1945 of “declining output, foreign takeover and idle capacity”(y).

A very cogent contribution is that of Robert F. Dernberger: “The Role of the Foreigner in China's Economic Development 1840-1949.”, in: Dwight H. Perkins (Ed.): *China's Modern Economy in Historical Perspective*. Stanford CA: Stanford University Press, 1975. Pages 20 –47. Dernberger, while generally in sympathy with the work of Chi-ming Hou, charges him with employing arguments based on examples that are contrary to the hypothesis being criticized. This “arguing by counter example” while possibly a procedure that is applicable to mathematics and natural sciences is not valid in the case of social sciences. (Dernberger, pages 23-24).

The counterblast to the arguments by Hou and the “Harvard School” was, to a degree, centred on the *Bulletin of Concerned Asian Scholars* (z). The major contributions were by Joseph Esherick (aa), Cheryl Payer (bb) and Elizabeth Lasek (cc).

Joseph Esherick accepted the “scholarly quality” of the “Harvard School” and that those interested in developing alternatives to the Harvard paradigm would have to produce studies of similar quality in various key areas such as the handicraft industry and the Treaty Port economy. He set out to identify pitfalls in the Harvard approach and to advance some suggestions for an alternative paradigm. In this task he thus stated that “The inescapable fact remains that imperialism transformed a remarkably stable albeit “underdeveloped” Chinese economy into an increasingly unstable and dependent economy in which millions of peasants would experience displacement and deprivation...”. (Page 11). Again, on this page, he asserts concerning industrial investment that “In the areas where foreigners concentrated...they overwhelmed all native competition”. Concerning another facet of the issues at stake, he argues that “Foreign investment...led to a degree of geographic concentration which was clearly inimical to the best interests of China's balanced economic development”. (Page 12). On Page 13 he diminished the alleged beneficial “imitation effect” of foreign investment.

Esherick then goes on to state his views as to the political, social and cultural aspects of imperialism, as well as the economic aspects, in the context of China.

(y) Another relevant contribution by Thomas G. Rawski is “The Growth of Producer Industries, 1900-1971.”, in: Dwight H. Perkins: *China's Modern Economy in Historical Perspective*. Stanford CA: Stanford University Press, 1975. Pages 203-233.

(z) In 1968 as a reaction to, in particular, the Vietnam imbroglio, a group of scholars in the USA formed the Committee of Concerned Asian Scholars and began publishing this bulletin with a distinctly radical and anti-imperialism approach, For a description of this movement see Paul A. Cohen: *Discovering History in China. American Historical Writing on the Recent Chinese Past*. New York: Columbia University Press, 1975. Pages 97-111.

(aa) Joseph Esherick: “Harvard on China: The Apologetics of Imperialism.”, in: *Bulletin of Concerned Asian Scholars*, Vol. 4, No.4, December, 1972. Pages 9-16.

(bb) Cheryl Payer: “Harvard on China II – Logic, Evidence and Ideology.”, in: *Bulletin of Concerned Asian Scholars*, Vol. 6, No. 4, April-August, 1974. Pages 66-68.

(cc) Elizabeth Lasek: “Imperialism in China: A Methodological Critique.”, in: *Bulletin of Concerned Asian Scholars*, Volume 15, No.1, January-February, 1983. Pages 50-64.

Payer alleged that one of Hou's main contentions i.e. "foreign capital was largely responsible for the development of whatever economic modernisation took place in China before 1937" was a tautology. Also, when he inferred that one cannot claim Chinese industry was "oppressed" by foreign capital Payer argued he had missed the point. "The point is that *autonomous* development of the Chinese economy was prevented by the distortions of the treaty port economy" (page 67). However, as pointed out by Tim Wright (dd) in his later article in the same Journal (discussed below) this is "essentially a political argument" (page 38) and amounts to charging all foreign investment as having a necessarily adverse effect on the recipient economy.

Elizabeth Lasek begins by contrasting Eurocentric and Sinocentric interpretations which characterise the historiography of modern China analysing in turn Chinese conceptions of imperialism and modernisation theory and imperialism. She then analyses in a critical manner what she thinks are the limitations of such a dualistic analysis and suggests "an alternative approach to understanding the intertwined problems of imperialism and development in China" (page 50). One example she gives (page 54) of the interaction is the fashioning of collaborator classes e.g. compradores which linked China and imperialist powers. Lasek develops her alternative framework from page 53 onwards and concludes "understanding imperialist penetration in China...requires going beyond the dualistic and often mechanical methodologies shared by a wide range of recent writers...The study of imperialist expansion must focus upon the articulation of imperialist commercial and industrial capital, supported by the imperialist state, with the indigenous class structure and the state in the periphery" (page 64).

The work of the three writers above could be argued to be entwined with political factors rather than concentrating on disputing the issues raised by Chi-ming Hou and others of the "Harvard School" which were predominantly economic issues.

Wright's article is a contrast to the generality of articles in the *Bulletin of Concerned Asian Scholars* in that it gave some support, albeit critical, to the arguments of the "Harvard School". Wright confines the argument of the debate on the impact of imperialism on China to the most interesting and relevant question – the impact on the economy of foreign trade and investment. After a review of the arguments advanced by the protagonists concerning the various sides of the argument as to the beneficial effects or otherwise of the last on China, he concludes (page 37) that there were three major factors that had clouded the debate ;-

- (a) Political and moral views overshadowed the assessment of the economic balance of advantage.
- (b) Vagueness as to the total universe in which foreign trade or investment operated.
- (c) The failure of most authors to tackle the question of counter - factual situations implicit in the various arguments -quoting Huenemann (ee) that "we often have to use a "before" and "after" model but we need a "with" and "without" one. This failure, Wright states, is the most serious problem of the three.
- (a) Wright argues that because imperialism may be accounted as wicked it must not necessarily be, on balance, harmful to the local economy. He takes the extreme case of the Chinese Engineering and Mining Company with its tawdry takeover by British and Belgian interests as an example. He pleads

(dd) Tim Wright: "Imperialism and the Chinese Economy: A Methodological Critique of the Debate.", in: *Bulletin of Concerned Asian Scholars*, Volume 18, No.1, 1986. Pages 36-45.

(ee) Ralph Williams Huenemann: *The Dragon and the Iron Horse: The Economics of Railroads in China*, Cambridge, Mass.: Harvard University Press, 1984. Page 24.

for the “clear separation of economic and political issues.” (page 38)

- (b) On pages 38-41 Wright points out the risks of arriving at conclusions drawn from sector analyses, valuable as they may. “In general, a factor that influences one sector of the population or the economy in a harmful or beneficial way does not necessarily have the same effect on the economy as a whole (page 39).
- (c) Wright gives four major examples of the counter – factual situation implicit in the previous literature on the subject (for example, the debate on the “oppression” hypothesis).

Wright concludes (page 45) :-

“However clearly the question is specified, the intractable problem of counter – factuality remains. Careful and explicit consideration of the counter-factual implications of our arguments might warn us against statements which imply some of the more extreme and plausible scenarios. But beyond that, the lack of predictability and the impossibility of conducting controlled experiments in the social sciences will always leave room for different judgements on the likelihood of a particular counter – factual hypothesis”. A salutary caution to upgrading conclusions from a limited study to apply to a greater universe.

Another facet of the argument concerning the impact of imperialism on Chinese economic development is the argument that Western and Japanese economic presence was only at the margin. In which case, the balance of arguments whether foreign economic presence was favourable or unfavourable is of reduced, albeit still of some importance, potency in considering China’s economic development. Victor D.L.Lippit advances this thesis in two submissions in July, 1978 and January, 1980. (ff). He argues in the first submission that :-

- Imperialistic expansion is “a contributory but distinctly secondary factor retarding Chinese development” (Page 255).
- “the development of underdevelopment in China is more properly attributable to the domestic class structure and relations of production than to external influence”. (Page 323).

Again, in the later submission :-

- “this historical process must be accounted for primarily by domestic factors rather than the thrust of colonialism and imperialism, and further, that the class structure and uses of the surplus...were the key domestic factors”. (Page 90).

It was the gentry class that, according to Lippit, frustrated economic development :-

- “China became an underdeveloped country in the late imperial era because the interest of the gentry class was in preserving the status quo, because the economic and social changes associated with economic development would have undermined the social order that provided everything it wanted”, (Page 322 in first submission).

Lippit rejected in his July, 1978 article (Pages 287-294) Mark Elvin’s (gg) theory of the high level equilibrium trap. This trap was alleged to be activated by technological and resource constraints in the

(ff) Victor D.L.Lippit (with comments by Mark Elvin, Albert Feuerwerker and C.Riskin): “Development of Under Development.”, in: *Modern China*, Volume 4, Number 3, July, 1978. Pages 251-375.

Victor D.L.Lippit: “The Development of Underdevelopment in China. An Afterword.”, in: *Modern China*, Volume 6, Number 1, January, 1980. Pages 86-93.

(gg) Mark Elvin: *The Pattern of the Chinese Past: A Social and Economic Interpretation*. Stanford CA: Stanford University Press, 1973.

context of a rising population. (Foreign economic penetration could then in this environment be regarded as beneficial in terms of releasing the trap).

On pages 329-330 of the July, 1978 article Mark Elvin replies to Lippit's criticisms but the really detailed refutation of Lippit's work occurred in the succeeding comments by Albert Feuerwerker (pages 331-339) and Carl Riskin (pages 360-375). The criticisms by Feuerwerker – "A White Horse May or Not be a Horse but Megahistory is not Economic History" - were absolutely withering. In a sole word of comfort he had for Lippit he states that Lippit "...correctly concludes that the economic consequences of imperialism in China were ambiguous." (Page 332). This was a minor concession in a series of criticisms.

Firstly, he alleged that Lippit's attributing of "the development of underdevelopment" in China to class structure and "relations of production" was a restatement that the interests of the gentry and Confucianism were inhibiting to economic development ... hardly a novel proposition (in Feuerwerker's words, "...the wide-eyed discovery of what is already widely known." – Page 334).

Secondly, by assuming that the gentry were a homogenous entity, Lippit ignored the development of a younger branch of the gentry who were not so adverse to economic change.

Thirdly, Feuerwerker argues that there is "an enormous distance that exists between Professors Lippit's mega-historical approach and the need to come to grips with the complex dynamics of China's economy and society." (Page 334). To understand the issues involved requires patient and detailed analysis of the factors involved linking empirical data and theory. (Page 336).

So far we have considered studies which have considered Chinese underdevelopment and its connection with Western and Japanese economic penetration with little comparison with the equivalent in other Asian countries. This balance is corrected in two studies of note but with radically different conclusions :-

In the first study Frances V. Moulder (hh) asks why Japan was the only non-Western country in the area to be a major capitalist nation and addresses the comparison with China. She argues that imperialism made it impossible for the Chinese State to begin an effective development program. China's failure to undergo capitalist style industrialisation during the Nineteenth and early Twentieth Century was because of its incorporation into the capitalist World economy.

In this regard Moulder takes the "World economy" approach – that the impact of industrialised capitalist countries on non-industrialised nations is to the detriment of development in the latter. Thus the exposure of developing nations to a capitalist World economy leads to an unequal system with the benefits accruing to the industrial nations. Thus, according to this, the greater development of Japan compared with China was attributable to its lesser links to the World economy than China.

In contrast to Moulder, Rhoads Murphey (ii) examines why the impact of imperialism was so limited in China in comparison with India. On Page 1 he asserts that "The network which centred on the colonial ports in India came to encompass and substantially shape the evolution of modern India. The parallel effort based on the Chinese treaty ports (jj) largely failed to penetrate the indigenous system and produced very

(hh) Frances V. Moulder: *Japan, China and the Modern World. Towards a Reinterpretation of East Asian Development ca. 1800 to ca. 1918.* Cambridge: Cambridge University Press, 1977.

(ii) Rhoads Murphey: *The Outsiders: The Western Experience in India and China.* Ann Arbor, Michigan: University of Michigan Press, 1977.

(jj) Also see:- Rhoads Murphey: "The Treaty Ports and China's Modernisation.", in: Mark Elvin and G.W.Skinner (Eds.): *The Chinese City Between Two Worlds.* Stanford CA: Stanford University Press, 1974. Pages 17-71.

little change.” On Page 8 he states “The relations between the treaty ports and their supposed hinterlands, in contrast with the Indian experience, were severely limited. They were confined for the most part to the extraction via Chinese agents of a few predominantly agricultural goods for export and the distribution, again through Chinese agents, of imported or treaty port manufactured goods.” Murphey argues in this connection that the compradore was a “symbol of the continued self-sufficient viability of the traditional Chinese economic system.” (Page 104).

Not being a sovereign state like China “India was in a condition to accept not merely colonial rule but fundamental change along the lines offered by the British.” (page 65). In this case “The colonial ports did indeed transform India.” (Page 74).

This question of the impact on the Chinese economy of foreign penetration is, clearly, a very complex one and the jury is still out – probably for a long time. One thing, however, seems clear. Any conclusions pertaining to the larger problem arrived at from a case study of a particular sector must be regarded as very tentative and it is dangerous to assume that they equally relate to the total picture.

This limitation applies in the forthcoming analysis of British industrial investment in China. The coverage of the data contained in this analysis below is such as not to go near proving or disproving any of the arguments advanced by the authors above and others. Thus, if one just takes only foreign direct investment, I would roughly estimate that, for instance, in 1931, British industrial investment only amounted to around 5 percent of total FDI. Beyond that the total picture must also take into account trade with China by foreigners not accompanied by local investment. To draw firm conclusions regarding the overall picture from such a small base would be hazardous in the extreme.

Nevertheless, attainment of a limited objective is still viable. After examining the empirical evidence presented in the text an attempt is made at the end of the study to arrive at a conclusion as to whether the effects of British industrial investment on the Chinese economy was, on balance, favourable or otherwise. Such an exercise can be described as, hopefully, providing a few spoors on a long trail. In other words, such an exercise, albeit worth pursuing, can only be a small building block in assessing the overall issue of the effects of foreign trade and investment on the Chinese economy in the period under review.

An analytical framework is followed throughout this study, incorporating an analysis under the main heads of argument (kk) revealed in the various works reviewed above and elsewhere as to the beneficial or otherwise consequences of foreign industrial investment in China. The principal heads of argument examined can be classified as follows :-

The “Imperialist Oppression” Argument.

The charge is that the imperialist powers exerted (mainly successful) pressure to give their economic interests in China – either engaged in direct investment or import trade – an advantage over indigenous enterprises. Aided by the “Unequal Treaties”, this process could be exercised by securing low tariff protection for Chinese enterprises, favourable treatment for foreigners in terms of domestic taxes and pressure by the Powers to facilitate the securing of mining concessions (or favourable redemption arrangements) for their nationals. These advantages by foreigners are thus believed to have inhibited the

(kk) Chi-Ming Hou gives an excellent encapsulation of these arguments in Chapter Four – “Framework of Analysis of the Effects of Foreign Investment.”, in: *Foreign Investment and Economic Development in China, 1840-1937*.

growth of Chinese enterprises.

A related charge is that Western and Japanese presence in the Treaty Ports and the Leased Areas led to a lopsided geographic distribution of both Western/Japanese and Chinese industrial undertakings, primarily in the coastal strip.

The “Destructive Effect” Thesis.

It is alleged that a combination of local production by foreigners and imports exerted a calamitous influence on the traditional Chinese handicraft sector.

The “Drain Effect” Thesis.

Foreign enterprises in China – either in the form of industrial enterprises or enterprises engaged in trade, utilities, financial services, etc, are supposed to have made high profits, well in excess of the equivalent in their native countries, and that these high earnings were preponderantly transmitted to the parent country.

The “Imitation Effect” Argument.

It is argued that Western investment was a catalyst in hastening Chinese economic modernisation. The founding of local Western enterprises led to the development of imitative Chinese enterprises in the same sector. This was hastened by trained Chinese personnel transferring from Western competitors. Also, there developed backward linkages with local Western firms increasingly outsourcing components, repairs, etc from Chinese enterprises.

The “Instability Effect” Argument.

Westerners developed an export trade in Chinese agricultural products which had been further processed in their Chinese factories. This process is charged with exposing sectors of Chinese agriculture to the vagaries of the international market leading to local producers of natural products suffering distress in periods of recession.

There are obviously other facets to the controversy as to the effect of Western (and Japanese) incursion on the Chinese economy. Some of these emerge as the empirical evidence is studied.

The analytical framework discussed above is mainly deployed in the following sections of the main text :-

- PART *III* where in each separate chapter conclusions are drawn as to (the often differential) impact on the Chinese economy of each particular sector of British investment.
- Part *V* which analyses the financial evidence.
- PART *VI* attempts to balance the various arguments, mainly in the light of the analysis contained in the above two PARTS and comments on the issues raised in this Literature Review.

PART I - PROGRESS BEFORE 1895.

By no standards could China before the 1895 signing of the Treaty of Shimonoseki ending the Sino-Japanese War be adjudged as an unhindered environment for inward industrial investment. In a period of vibrant British investment overseas in mines, railways, industrial establishments, public utilities, etc China did not figure to any significant extent. It was not until 1897 that any British registered industrial company was formed with the object to invest in China. (This was the Pekin Syndicate, Limited – see PART III – Chapter Two – Mining, below).

The economic and political background in China (1) in the last half of the 19th Century was not conducive to modern industrial development even that undertaken by the Chinese Government or private Chinese sources. In the political sphere the country was hit in the earlier part of this period by grave internal strife. The most important of these conflicts was the Taiping Revolution, lasting from 1850-64, and this was compounded by the Nien Rebellion (1851-68) and Moslem revolts in Yunnan (1855-73) and the North West (1862-78). On the suppression of these and a strengthening of the ruling dynasty, it was unfortunate that effective power fell, until the early years of the new century, into the hands of the narrow-minded Empress Dowager who acted as a brake on modernisation.

The efforts of the less traditionally minded exponents of modern industries, as embodied in the Self-Strengthening Movement, did have some success in developing modern industries in armaments, mining, light industries, etc (particularly the former) but this success was very limited. Throughout, however, all efforts to develop Western-style industrial enterprises were liable to be stifled by a large segment of the officials and gentry. Another limiting factor was a shortage of capital.

The very limited progress in foreign direct investment in industry (here defined as including mining but excluding utilities, construction, etc) contrasted with the much greater progress made in opening up China to foreign trade. With treaties signed with the UK, USA and France in 1842-1844, these powers gained, inter alia, abolition of a monopolistic system of trade, opening of certain ports to trade and residence of their nationals and an import tariff fixed at such a relatively low rate that it precluded future levels that would provide meaningful protection to native industries either established or infant. Further treaties in 1858-1860 also secured for Western maritime countries further trade concessions and the access to more of these Treaty Ports. At the same time Russia gained considerable commercial concessions along with territorial gains.

Official obstruction compounded by resistance from vested interests was responsible for this situation of very limited foreign investment in industry. This became increasingly frustrating to Westerners who contrasted this slow development with other countries where the process of inward investment was well advanced. Foreign investments in industry existed in the margin and in the case of projects outside the Treaty Ports were definitely illegal. In the case of the Treaty Ports there was a conflict over the legality of foreign industrial investment between Chinese officialdom and foreigners which was not resolved until 1895 (see below). The increasing arbitrariness of Chinese bans on certain projects by foreigners was a deterrent to such investment - see page 32 onwards below. In any case whole sectors such as mining were out of bounds irrespective of location. In many cases investments introducing new technology to China were stifled. Most of these attempts to introduce superior technology were British. In this regard the work, utilising, in particular, the Jardine Matheson archives, of Shannon R. Brown, as outlined above, is

particularly of interest. (2). It forms an invaluable, detailed background to the British projects in silk reeling, soya bean processing and sugar refining referred to below.

Despite these handicaps, there was some industrial investment by foreigners, albeit generally on a small scale in terms of size of enterprise and the total amount of investment involved. In the case of the UK this investment was concentrated in two areas :-

- that connected with external trade – servicing of shipping and improving of Chinese products for export.
- that connected with supplying products to the small but fast growing Western community in China, those Chinese developing Western tastes and establishments producing products for the developing infrastructure in terms of buildings, port facilities, etc in the burgeoning seaports, especially Shanghai.

Altogether there were 47 UK industrial enterprises that were set up in China before 1895. A listing of these is given in APPENDIX ONE. These enterprises were started by British merchant houses or by other British nationals resident in China. Many of these enterprises went out of business or were merged into new groups and thus by 1894 there were 29 only still in existence. These two categories were distributed by branch of industry as follows :-

	<u>Total of enterprises -in Shanghai</u>		<u>Existent in 1894 -in Shanghai</u>	
	<u>started before 1895.</u>			
Processing of silk	5	5	4	4
Engineering				
- Marine	14	11	7	5
- General engineering	2	1	1	1
Chemicals	3	3	2	2
Drink	8	6	7	5
Food	5	2	2	2
Cleaning and packing of agricultural products	4	2	4	1
<u>Other</u>	<u>6</u>	<u>6</u>	<u>2</u>	<u>2</u>
<u>Total</u>	<u>47</u>	<u>36</u>	<u>29</u>	<u>22</u>

In terms of industrial enterprises started before 1895, covering a period of four decades, the UK was a clear leader. Enterprises started over the same period by other Western countries totalled 25 – 7 by USA interests, 6 by Russian interests (all engaged in making “brick tea” i.e. compressing tea dust and low quality tea into bricks) and 12 by other Europeans (virtually all French or German) (3).

The total value of investment by British enterprises in industry in 1894 can be estimated here as totalling £0.80 Million. In terms of current values this would be in the region of £55- 60 million.

The split by industrial sector is estimated as follows - £ million :-

	<u>Total</u>	<u>Of which in Shanghai</u>
Processing of silk	0.20	0.20
Marine engineering	0.41	0.39
General engineering	0.01	0.01
Chemicals	0.04	0.04
Drink and food	0.04	0.03
Cleaning and packing of agricultural products	0.08	0.02
Other	<u>0.02</u>	<u>0.02</u>
Total	<u>0.80</u>	<u>0.71</u>

As can be seen, the share of Shanghai in 1894 was high both in terms of enterprises (76 percent) and the value of investment (89 percent).

The processing of silk

The introduction into China of steam (or water) power into the reeling of raw silk lagged behind that of Western countries by many years. The first water-powered reeling mill was established in Lyon in 1785 followed by the introduction in France of a steam-powered filature in 1805 (4). The first modern Chinese filature was established in Guangdong in 1872 by a local entrepreneur (5). But this filature, after resistance by vested interests, was shut down by order of the sub-prefecture magistrate (6). The machinery was transferred to Macau (7). However, this was only an interruption to progress in the province and by 1881 there were ten modern filatures there with 2,400 basins (8). Progress in Shanghai was slower but a Chinese filature was established in Shanghai in 1882 sharing an Italian technician with two Western filatures (the Jardine Matheson and Iveson ventures – see below).

Output from Western style filatures was in terms of regularity much in advance of manual output. An attempt to exploit this superior technology had been made in 1861 by a Mr John Major (no connection with the later, well-known bearer of this name), backed by Jardine Matheson, with the erection of a Western style filature with 100 basins in Shanghai (9). This venture – The Silk Reeling Establishment – was, after teething troubles, technically successful but :-

“The innovation met with so much opposition from the Chinese middlemen and people who would, through its adoption, be thrown out of work, that the enterprising foreigners...were unable to obtain a supply of cocoons at anything like reasonable rates.” (10).

(The multitude of hand cotton spinners meant that there was no organised resistance to the advent of new technology whereas the silk merchants, manual reeling establishments and weavers were much smaller in number and close knit).

After Mr Major's death in 1869, Jardine Matheson eventually decided to close the filature. On its closure in 1872 The North China Herald commented that “altogether the filature never had a fair chance.” (11).

In 1882 Jardine Matheson returned to the attack with the formation of the Shanghai Silk Manufacturing Company – shortly renamed the Ewo Filature – with an initial capacity of 108 basins – later 500 (12). 60 percent of the capital was held by Chinese silk merchants and half of the Board members were Chinese (13) – a sensible move to ease the supply of cocoons from the interior. At the same time another British concern – Iveson and Company – opened a similar sized filature with 108 basins which however were not expanded much, also in Shanghai (14). This was joined in 1891 by a third British concern – the Lun Chung Silk Filature – with 188 basins and 250 workers (15).

The renewed Jardine Matheson venture and the Iveson filature had a difficult time for the first five years due to the lack of skilled workers and the difficulty of marketing the product but after 1887 matters improved (16). This success of the Ewo Filature encouraged Jardine Matheson to start up in 1888 a Schappe process mill – Ewo Silk Spinning, Weaving and Dyeing Company – for spinning silk waste (produced in reeling or from cocoons not suitable for reeling) and further processing. (17).

In 1894 British investment in silk-reeling and further processing (but not as far as silk weaving which never developed) can be estimated to be as follows :-

	<u>Number of</u>	<u>Number of</u>	<u>Investment</u>	
	<u>Employees</u>	<u>Basins</u>	<u>Thous. Taels</u>	<u>£ Thous.</u>
Ewo Silk Filature	1,100	500	700	98
Iveson and Company	350	200	280	39
Lun Chung Silk Filature	250	188	250	36
Ewo Silk Spinning, Weaving and Dyeing Co.	1,000	-	210	29
TOTAL	2,700	888	1,440	202
- % of foreign presence in the industry	45	39	38	38

(Figures from Sun Yutang et.al. Op. cit. Pages 240 and 244)

Despite a leading position against American, French and German competition, only the Ewo Filature out of three British firms survived in the silk reeling sector into the next century. Indeed, by 1911 the Ewo Filature was the only filature under foreign management (18). By 1920 the Ewo Filature reached its peak capacity of 540 basins but this was only 0.8 percent of National capacity (19). In 1932 with a capacity of 508 basins it was taken over by the firm's compradore (20). This tapering off of British involvement in the silk industry contrasts with the situation in marine engineering where British interests played a prominent part until the Second World War.

Engineering.

Marine Engineering.

The increased opening in the 1840s and 1850s of China to foreign trade and residence, albeit restricted to the Treaty Ports, saw an upsurge in Western shipping frequenting Chinese ports – exemplified by the rise of Shanghai as a port (see the chapter on Engineering in Part III below). With this rise in shipping it obviously did not take long for foreigners to seek maintenance and repair facilities in the local ports. The introduction of steamships and metal hulled ships and the fact that the rate of technical innovation in sailing ships was at its peak during the period when it was challenged by the steamship (21), meant that local facilities and expertise were much needed and in the event supplied. Shipbuilding yards were a natural outcome of these facilities built for the repair and maintenance of vessels calling at Chinese ports. In Shanghai shipbuilding commenced in the 1860s.

Although British firms were not the pioneers of marine engineering in China – the American company of Purvis and Company established the first dockyard for ship repairing in 1852 (22) - they soon established a commanding presence in the key port of Shanghai. Altogether, up to 1894 there were 14 British enterprises that entered this field (see APPENDIX ONE). Apart from a short lived venture in Fuzhou, the only significant British presence outside Shanghai was a dock started in 1858 in Xiamen (23). Floated as a limited company in 1892 (The New Amoy Dock Company with issued capital of \$67 thous - £14 thous.), the Company had a dry dock which by then had been extended to 340 feet in length, 40 feet wide and 15 feet deep (24). There was also attached facilities in the form of a foundry and a machine shop (Amoy Engineering Company with a capital of \$30 thous. - £4 thous.) (25). This British interest in Xiamen was terminated in 1918 when it was sold to the Chinese Government for £67,000 (26).

The first major British enterprises in Shanghai were the Pootung Dock Company (1853) (27) and the Shanghai Dock Company (1858) (28) followed by the Shanghai and Pootung Foundry and Engineering Company (1872) (29). By the early 1870s these three companies were major listings in The North China Herald of the infant Shanghai Stock Exchange and possessed three dry docks :-

	<u>Capital</u>		<u>Dry Docks – feet</u>		
	<u>Th. taels</u>	<u>£'000</u>	<u>Length</u>	<u>Breadth</u>	<u>Depth</u>
Pootung Dock Company	95	28	380	50	21
Shanghai Dock Company	220	66			
I			374	70	14
II			375	52	14
Shanghai and Pootung Foundry and Engineering Company	100	30	-	-	-

(The dock dimensions are from Sun Yutang et. al. Op. cit. Page 17)

The major facilities in Shanghai had towards the end of the Century been incorporated into two British companies (which amalgamated in 1900) :-

- Boyd and Company.
- S.C. Farnham and Company.

Boyd and Company was founded in 1863 and by 1874 were employing nine British staff (30). By 1880 with the completion of the New Dock the concern employed over 1,000. (31). Apart from the New Dock the Company's other main asset was the Pudong engine works, described above, that was incorporated in 1891. (32). In August, 1891 this engineering, shipbuilding and docking business was incorporated into a limited company. (33).

In 1865 two shipwrights -- S.C. Farnham and C.P. Blethen -- started a general shipbuilding and repairing establishment in connection with the Old Dock. By 1874 S.C.Farnham and Company employed 13 Europeans. (34). In August, 1892 the business was turned into a limited liability company (35). In 1893 it completed the largest steamer -- one of 2,522 tons -- so far built in China (36). With its 3 docks S.C. Farnham and Co. had by then considerably more docking capacity than Boyd and Co.

By 1894 British investment in marine engineering can be estimated as follows :-

	<u>Number of Employees</u>	<u>Investment</u>	
		<u>Thous. Taels</u>	<u>£ thous.</u>
S.C.Farnham and Co.	2,200	760	105
Boyd and Co.	2,200	895	125
The Hongkew Engine Co.	350	300	42
Acum's Boat Building Yard (a)	250	300	42
Shanghai Engineering, Shipbuilding and Dock Company (b)	n.a.	510	72
		<u>Thous. \$</u>	
New Amoy Dock Co.	200	200	20
Amoy Engineering Co.	100	37	4
<u>TOTAL</u>	<u>n.a.</u>	<u>-</u>	<u>410</u>

(a) Only probably British owned.

(b) Founded 1892. After an unfortunate history (see PART V) it was acquired by S.C. Farnham and Co. in 1900.

(Figures from Sun Yutang et. al. Op. cit. Page 243)

Controlling all the dry docks that were used for commercial and not military purposes, British firms had a dominant position in shipbuilding / repairing in Shanghai.

General Engineering.

British presence here was slight. The first entry by a British firm into this sector was in 1881 in Xiamen. Two firms -- one British, one German -- commenced the manufacture of iron pans "to satisfy considerable local demand". Both ran into considerable local opposition including plant seizure by the authorities in November, 1882 (37). The only significant British entry (1882) was the engineering company of G.A. Wood and Co. with a capital of 100,000 taels and 100 employees (38).

British efforts to introduce modern technology were successful in these cases of marine engineering and silk processing – albeit delayed in the last case. In other areas this success was not matched due to a large degree to Chinese opposition :-

Soya bean processing. (for oil and cakes) (39)

In 1866 Thomas Platt and Company – local British merchants – ordered machinery from Britain for a mill in Niuzhuang to process beans using steam power rather than the local technology using animal or hand power. Jardine Matheson partly financed the purchase of the machinery and on the default of Thomas Platt on their loan took over the venture. Trial production began in 1868 and full output began in the next year. The venture was technically successful but the mill was beset by severe labour problems – many inspired by local competitors. Local dealers stymied attempts to secure bean supplies directly from the growers. The plant closed in 1870.

Sugar refining.

In 1869 Jardine Matheson erected a modern sugar refinery at Huangpu near Guangzhou. Organised opposition from those involved in traditional sugar making closed the venture down within a year (40). In 1878 the Swatow Sugar Refinery was formed by Jardine Matheson and construction of a refinery began in Shantou. This started work on March 1st, 1878 and capacity was increased in 1879 (41). This unit was a branch of Jardine Matheson's China Sugar Refining Company (formed 1877) in Hong Kong. Technically the Shantou plant (with 200 workers) was successful but (42) :-

- Javanese raw sugar became cheaper than the local variety and, unlike the Hong Kong refinery, the Shantou plant had to pay import duty on this.
- further onerous taxes were imposed by the Government.

Early in August, 1886 the refinery was closed.

Tanning.

The cheapness of hides induced a British merchant to establish a tannery in Shanghai (Pudong) which came on stream at the end of 1879 (43). 200 Chinese were employed in the plant which had modern machinery and tanning techniques. Some Chinese businessmen offered 100,000 taels (£26,000) for the business but this was turned down. A specially formed British company – The Shanghai Tannery Company – with an issued capital of 112,500 taels (£28,000) took over the 360 metric tons per annum leather plant in September, 1881.(44). At first the venture was successful – working hides in the pit rose from 246 in September, 1881 to 4,193 in April, 1882 (45). However, by early 1883 the situation, for uncertain reasons, had deteriorated and in February the Company was wound up voluntarily (46).

Chemicals.

British investment pre-1894 in chemicals - confined to the efforts of the two Major brothers, Ernest and Frederick – typifies the small scale and tentative nature of much of British industrial investment in China in this period. The Major brothers were “two gentlemen who have been associated with the introduction of many...new and useful undertakings.” (47).

In the early 1860s the brothers took over a Shanghai plant for refining gold and silver from old coins and ornaments. Major Brothers – a private limited company in 1875 – began more and more to concentrate less on this refinery (increasingly managed by Chinese) and more on the feedstock acids (nitric and sulphuric). At first they made their acid in large glasses or jars but by 1879 a substantial lead chamber plant was in

operation – the first such plant in China (48). This plant – the Kiangsu Chemical Works – employed 250 workers by the 1890s.

By the 1890s the product profile of Major Brothers, Limited (a public company in 1889 (49)) was diverse. Apart from industrial acids/refining of precious metals, it comprised :-

- soap. Production began in 1890 but this activity was given up in 1896 (50).
- matches. Major Brothers were, together with a Chinese venture in 1879, pioneers in the manufacture of matches in China. This venture – Sui Chong Match Factory – which started in 1880 employed 400 workers (51). It was sold in 1894 (52).
- a tiny industrial alcohol plant.
- in 1893 “another outlet was sought in the preparation of a chemical fertiliser.” (53) but nothing came of this.
- a small mill making cotton seed oil and cake (1892) that was sold in 1907 (54).

Apart from these undertakings Major Brothers had other interests in :-

- a photo-lithographic establishment that was founded in 1877 (55) – Tien Shih Char Photo – Lithographic Publishing Works. This enterprise with 200 employees was sold to Chinese interests in 1886 (56).
- in April, 1872 Major Brothers started the “Shun Pao” Chinese newspaper (57). Together with a bookshop it employed 100 people and was second to the acids/refining business in its importance to the Company (58). It was divested in 1907 (59).

Drink, food and cleaning and packaging of agricultural products.

With the failure of the ventures to introduce improved technology in the processing of sugar cane and soya beans, investment in *food* was tiny. Investment in *drink* manufacture was more significant but limited in the sense that the main customers were in the foreign community plus a small number of Chinese in contact with this community.

The first UK owned brewery was established in Shanghai by a Mr H.Evans (60). After his retirement it was taken over by the 1883 established Hall and Holtz Co-operative Company – mainly a retail concern but also possessing a furniture factory (61). In 1888 the brewery was enlarged and an export trade developed to Hong Kong and Mainland ports. Unfortunately, the brewery (The Empire Brewery) became unprofitable and this business in Yangshupu was sold in 1893 (62).

The manufacture of aerated waters was early established in China. The “China Directory for 1874” recorded three British manufacturers. The scale of this industry was increased by the entry of retail chemists, in particular, J. Llewellyn and Co. and A.S. Watson and Co. In 1892 the industry took a further step forward when the Aquarius Company was established. This meant that “this industry is therefore emerging... from the class of local industries to the class of those which manufacture for an extensive area” (63).

In contrast to the drinks sector, British investment in cleaning and packing of agricultural products was primarily an export orientated industry. By rendering the products more acceptable to export purchasers and introducing new technology for machine pressing, which evaded high shipping costs, this industry enabled China to develop a significant export trade in commodities such as wool, hides and skins, etc. In 1876 a British firm in Hankou began using a press for compressing cow hides “to save freight in their

transport to England” (64). Around the same time another British company – Collins and Company, a firm of merchants – commenced wool-cleaning and press packing in Tianjin (65). The pioneer in Shanghai was Birt’s Wharf Hide-curing and Wool-cleaning Company (1881). By 1894 the Company had an issued capital of 105,000 taels (£15,000).

Westerners contrasted the very limited progress made by the Chinese in industrialisation with the restrictions on their development of an industrial base. This frustration of the Western community in China over the deterrents to foreigners erecting factories in China was especially marked, as described below, in the case of the cotton industry. This frustration became extreme as Chinese plans for a cotton industry at last began to be realised. British interests were prominent in fighting to achieve the relaxation of the prohibition on foreign investment in the cotton industry.

Given the local supply of raw cotton and the growth of very large imports of yarn to feed the hand weavers, the introduction of modern machine spinning and weaving into China was surprisingly late compared with, for instance, India – 3.9 million spindles in 1895 – and Japan – 677,000 spindles in the same year (66). The first modern mill in China did not come on stream until 1890 and by 1895 there were only six mills (all Chinese) with 175,000 spindles (67).

Official obstruction and a half-hearted approach to technical modernisation were major factors in this discrepancy of experience. Another important factor was the impressive resilience of hand weaving in China against the machine made product. Against the higher productivity of the power loom other cost factors favoured the hand loom weavers. Due to the generally small scale of farms and seasonal fluctuations, adult agricultural workers had considerable free time while the very young and old were available all the year. Thus, the opportunity labour cost in such handicraft manufacture as cotton weaving was, to all intents and purposes, nil. Also, for a considerable time the rural consumer favoured hand woven cloth. As the Mission to China of the Blackburn Chamber of Commerce in 1896-7 reported - “the people find that their own native cloths are warmer, stronger and more durable...”. This observation repeated an assessment by various perspicacious British observers going back over forty years. Thus, the “Report on British Trade with China” in the Blue Book of 1857-59 noted the preference of most Chinese for the robust native cloth (68). Moreover, traditional garments were designed to use narrow cloths. The British Consular Report in 1888 on the Trade of Shanghai for 1887 noted that – “The native cloth is... exactly suited for cutting out garments, whereas the extra width of the foreign cloth would probably be wasted in the operation...”

Thus, it was in the cotton spinning sector, as against the weaving sector, that the introduction of power operation was a priority in any move to industrialisation. The low level of spindleage in China in 1895 illustrates the lack of progress made as against India and Japan. What mills there were in operation were Chinese for the authorities successfully resisted the establishment of mills with foreign participation for nearly two decades.

In 1877/8 Jardine Matheson was in negotiation with a group of Chinese merchants about starting a mill – to be called the Anglo-Chinese Shanghai Steam Cotton Mill Company but this was superseded by an alternative scheme (69). In October, 1878 Li Hongzhang was petitioned for a proposal for a Chinese mill

but with Jardine Matheson as consultants (70). However, the project floundered (71). In 1882 a group of foreign merchants in Shanghai, including Jardine Matheson, commenced the organisation of another cotton mill venture. After opposition by local officials, the various consular officials addressed a joint note to the Chinese foreign office. They argued that the right to develop foreign industrial enterprises was secured to all of them by Article 7 of the French Treaty of 1860, Article 6 of the German Treaty of 1861 and Article 11 of the German Treaty of 1865 – particularly the former. The Chinese foreign office refuted this, arguing that the key word signified “handicrafts” not “industry” (72). Also, in 1883 John Swire & Co. considered a cotton mill in China but rejected it (73).

The exasperation of the Western community can be illustrated by an episode in 1893. In October of that year the leading Chinese mill – the Shanghai Cotton Cloth Mill – was destroyed by fire. The English manager at the mill asked for the aid of the Shanghai Volunteer Fire Brigade “which was refused, the locality of the fire being out of the Settlement.” (74). The North China Herald speculated as to the reasons for this refusal. Although it did not agree with the sentiment it concluded that – “The Mill belongs to Li Hung-chang and his friends and as he has been and still is putting every possible obstacle in the way of foreigners being allowed to import machinery....it would be absurd for foreigners to try to save the Mill...” (75).

In 1894 Jardine Matheson, showing admirable resilience and patience, returned to the attack. They were, in fact, not the only British merchant firm interested in founding a mill. Ilbert and Company were also interested. The Chairman of the Laou Kung Mow mill that was eventually founded by them said in 1897 (76) that it was “ten years since I first interested myself in a cotton mill in Shanghai but Chinese official obstruction intervened and we were obliged to drop it.” Jardine Matheson imported cotton spinning machinery into Shanghai in June, 1894 to test the prohibition of foreign owned manufacturing (77). Another confrontation took place but this overtaken by the outbreak of the Chinese war with Japan. The Treaty of Shimonoseki in 1895 ending the War contained a provision (Article vi, Section 4) that granted the Japanese “the right to engage in all kinds of manufacturing industries in the open cities, towns and ports of China.” Other countries quickly gained the same right under the “most favoured nation clause” in their previous treaties with China.

. In his commercial report for 1895 the British consul in Shanghai recognised the great significance of this watershed :-

“It is no longer a question of a few mandarin owned mills but the whole industry has by the Japanese treaty been thrown open to the capital of the World.” (78).

Now investment in industrial operations in China was a much more feasible proposition and, albeit still subject to restraints and harassment, was beginning more and more to resemble the openness of many other overseas outlets for British capital at the turn of the Century.

Also, another effect of the Sino-Japanese War was the exposure of China under the Manchu dynasty as a weak and decadent power. Sensing weakness, the major powers engaged in a “scramble for concessions”. Thus, the Germans acquired a lease and railway rights in Shandong. Russia acquired a lease for the Liaodong Peninsula and the right to construct the South Manchurian Railway (both lost to Japan after the Russo-Japanese War). France acquired a lease on Guangzhou Bay and established a sphere of interest in Guangdong, Guangxi and Yunnan –an obvious target after their acquisition of Indochina. The French

acquired a right to construct a railway line linking Indochina to Yunnan. The British leased Weihaiwei (which apart from a short-lasting gold mine attracted no British industrial investment in this concession which was given up in 1930) and also secured a promise that China would not alienate the Yangzi Valley to other powers.

This process of carving up China (which contrary to some contemporary expectations diminished in intensity and did not lead to the breakup of China) exerted a profound influence on the differing geographic pattern of industrial investment by the various powers in Mainland China – as illustrated in *PART IV* below.

PART II.

THE SIZE, DISTRIBUTION BY BRANCH OF INDUSTRY AND SPATIAL DISTRIBUTION OF BRITISH INDUSTRIAL INVESTMENT IN MAINLAND CHINA.

Coverage.

Throughout this study, as noted, industry is taken as including extractive industries but excluding utilities, transport and construction. In terms of geographic coverage, Hong Kong and Macau are excluded throughout but the Japanese puppet regime in Manchuria, carved out in the 1930s, is included.

(A) THE NUMBER AND DISTRIBUTION OF INDIVIDUAL INDUSTRIAL ENTERPRISES.

APPENDIX ONE (the basis for the statistics in this section) gives a roll call of British industrial enterprises in Pre-Second World War China. Altogether there were 180 individual enterprises that entered operations in China or, as happened in some (seven) of the mining ventures, were dedicated to Chinese operations but never got beyond the company formation stage or the next stage when a concession was acquired. Most of these concerns were short-lived but some survived for a long time as "shell" companies. Thus, the Yangtse Valley Company survived for forty years while the Yang-tse Corporation survived from 1898 until after the Second World War.

Only a small proportion – 8 percent – of these concerns were in the form of UK registered companies specifically dedicated to operations in China. These were preponderantly in the mining area where they never accounted for less than 95 percent of the total value of British investment in this field in the period under review. 28 percent were the local subsidiaries of UK registered companies. The balance of 64 percent were companies in which there was British participation and were registered in China / Hong Kong. (Including participation by residents in China possessing British nationality. Given the special legal position of foreigners in China there is justification for this). The distribution of these concerns was :-

	<u>Number of enterprises.</u>				
	<u>UK registered companies</u>	<u>Subsidiaries of UK</u>	<u>Other</u>	<u>Total</u>	<u>-of which</u>
	<u>concentrated on Chinese</u>	<u>registered companies</u>			<u>extant in 1940</u>
	<u>operations.</u>				
Tobacco industry*	-	32	-	32	28
Extractive industry	11	1	6	18	4
Cotton textiles	-	1	8	9	3
Non-cotton textiles					
- Silk	-	-	5	5	-
- Other	-	1	3	4	4
Engineering					
- Marine	-	1	20	21	3
- Other	1	1	9	11	4
Chemicals	1	5	7	13	3
Sound reproduction+	-	4	-	4	1
Drink	-	-	17	17	10
Food	-	2	12	14	5
Packing, etc. of agricultural items	-	-	9	9	8
Miscellaneous industries	1	2	20	23	8
<u>TOTAL</u>	<u>14</u>	<u>50</u>	<u>116</u>	<u>180</u>	<u>81</u>

* All founded or taken over by British American Tobacco Company.

+ All part of Electric and Musical Industries or its constituent companies.

Out of these 180 enterprises, only 81 (45 percent) were extant in 1940 due to the consolidation of enterprises, liquidation of enterprises and transference of control from British hands.

By date of foundation the split of these 180 enterprises was as follows :-

	<u>Number</u>	<u>Percent</u>
Pre 1895	47	26
1895-1914	73	40
1915-1922	16	9
1923-1930	19	11
1931-1940	<u>25</u>	<u>14</u>
<u>Total</u>	<u>180</u>	<u>100</u>

Given the hindrances to inward industrial investment before the 1895 Treaty of Shimonoseki the number of enterprises founded before that date seems high. However, these enterprises were generally on a small scale, many were short lived (by 1894 only 62 percent had survived) and were mainly concentrated in two areas :-

- those connected with serving shipping and improving Chinese products for export.
- those connected with supplying products to the growing Western community in China and with servicing the developing infrastructure of the Treaty Ports, especially Shanghai.

(PART I has given details of this limited progress before 1895).

Of the 180 enterprises listed, 106 confined their production operations to Shanghai (59 percent of the total), 16 (9 percent of the total) combined operations in Shanghai with other centres and 58 (32 percent) had their production operations in other locations (or in some cases in the mining sector their projected operations). These last were particularly prominent in the mining and soft drinks industries.

In terms of those enterprises extant in 1940 (i.e. the last full year before the outbreak of the Pacific War) 72 percent had their production operations in Shanghai or combined these with other centres. This was only slightly lower than the similar proportion of the number of firms extant in 1894 – 76 percent. With its advantages as regards not only sea transport but also inland water transport giving access to raw materials, Shanghai and its environs became not only a centre of British and other foreign industrial enterprises but also a centre of Chinese industry. The foreign enterprises were also attracted by the existence of the International Settlement and the French Settlement. Even if the factories concerned were outside the Settlements they provided office facilities and Western style hotels, flats and houses for expatriate staff.

(B) THE FINANCIAL DIMENSION AND ITS DISTRIBUTION BY SECTOR AND GEOGRAPHIC AREA OF BRITISH INDUSTRIAL INVESTMENT IN MAINLAND CHINA.

(1) APPROACH

The yardstick adopted in this study for calculating the value of British industrial investment is that of shareholders' equity – broadly speaking, issued capital plus reserves, etc. This is used in APPENDIX TWO which gives the detailed figures by industrial sector and in this PART. An example is given below in this section on APPROACH of the detail of the method of deriving the data.

There are, however, alternative yardsticks that must be considered and the balance of advantage of the yardstick adopted, not only in terms of being conceptually the most meaningful but also how it fits with the financial data available, must be discussed.

A different yardstick, for example, stock market capitalisation would often give significantly different figures. Thus, if we take the two major British coal mining companies in China :-

	<u>Valuation criterion used here.</u>	<u>Compare market capitalisation.</u>
	<u>£ mn.</u>	<u>£ mn.</u>
1910 Pekin Syndicate	1.68	4.15
1929 Chinese Engineering and Mining Co.	1.62	7.30

An example of a divergence in the opposite direction is that of the two pioneer British cotton mills in their early days (August, 1901):-

	<u>Valuation criterion used here.</u>	<u>Compare market capitalisation.</u>
	<u>£ mn.</u>	<u>£ mn.</u>
Laou Kung Mow Cotton Spinning and Weaving Co., Ltd	0.09	0.04
The Ewo Cotton Spinning and Weaving Co., Ltd.	0.19	0.08

Apart from its extreme volatility, as displayed above, the criterion of stock market capitalisation cannot be used in this exercise as many of the British companies studied were not quoted on Stock Exchanges either in the UK or in China. For example, a large proportion of UK industrial investment in China was in the hands of non-quoted local subsidiaries of British registered companies.

A much greater challenger than the criterion of stock market capitalisation for the role of the yardstick to use in assessing the scale of British industrial investment is to, in addition to shareholders' equity, take into account loan finance from British institutions. These were from two sources :-

(i) Loans by managing agencies, for example, trading houses such as Jardine Matheson.

These, often of substantial proportions, were given for two reasons. The first was to assist the subsidiary companies in the Group on the occasion of large capital investment. Thus, in 1916 the Yangtzepoo Cotton Mill, Ltd. moved into the weaving sector with an order for 416 looms. The General Managers (Jardine Matheson) provided the necessary capital for this at bank rate of interest (1). The second reason was to tide over Group companies during periods of bad trading conditions. For example, at the 1919 Annual General Meeting of the Ewo Cotton Spinning and Weaving Company, Ltd. (2) it was stated that :-

"In fact, had not the financial resources of Messrs Jardine Matheson and Company been available, it must inevitably have collapsed."

(One example quoted was that in the Revolution year of 1911)

The amount of these subventions could be large, albeit fluctuating significantly :-

<u>- Ewo Cotton Spinning and Weaving Company, Limited -</u>					
	<u>Loans from</u>	<u>As %</u>		<u>Loans from</u>	<u>As %</u>
	<u>Jardine Matheson</u>	<u>of issued capital</u>		<u>Jardine Matheson</u>	<u>of issued capital</u>
	<u>Thous taels.</u>	<u>%</u>		<u>Thous. taels.</u>	<u>%</u>
1897	246	25	1906	350	47
1898	712	63	1907	507	68
1899	316	21	1908	n.a.	n.a.
1900	556	37	1909	(166)	(22)
1901	175	12	1910	778	104
1902	337	22	1911	264	35
1903	387	52	1912	732	98
1904	272	36	1913	323	43
1905	43	6			

(Sources : as per TABLE NN in the STATISTICAL ANNEX)

It is worth noting that the traffic was not completely one way (note the loans to the parent company in 1909) and it is possible that in the golden years in terms of profits during and immediately after the First World War that this reverse traffic increased.

One difficulty in incorporating these inter-company loans into an assessment of British industrial investment is that sometimes they give the "wrong" result. Take the example of another cotton mill in the Jardine Matheson stable – the Kung Yik Cotton Spinning and Weaving Company, Limited which Jardine Matheson nursed through its infant years. From TABLE OO in the STATISTICAL ANNEX the investment in terms of shareholders' equity may be assessed in Taels as follows :-

	- Thous. taels -	
	<u>30.11.1911</u>	<u>30.11.1914</u>
Capital (paid up)	536.5	750.0
Reserves	-	57.0
Amount carried forward	<u>11.7</u>	<u>5.4</u>
	548.2	812.4

Over this period overdrafts from Jardine Matheson developed as follows :-

	<u>Thous. taels.</u>
End November, 1911	392 (3)
End November, 1912	240 (3)
End November, 1913	160 (3)
End November, 1914	nil (4)

Applying these figures to the figures for shareholders' equity we arrive at :-

- Shareholders' equity plus loans from Jardine Matheson – Thous. taels -		
<u>End Nov. 1911</u>	<u>End Nov. 1914</u>	
940.2	812.4	(-14%)

This implies on account of the Kung Yik mill an absolute decline in the position of the UK in the Chinese cotton industry. But, in fact, if we consider the capacity of the mill over the two dates it increased. Spindleage was steady at 25,376 but the number of looms rose from zero to 400 over the period. The essence of investment in industrial concerns is tangible fixed assets in terms of factories, land and machinery and to incorporate what are transient factors in how they are financed (not only by shareholders' equity but also loans, etc.) can, as in this case, be misleading.

A final point as regards these loans by trading houses is that, except in the case of the cotton firms of Jardine Matheson, information is not available on them. Even in the case of Jardine Matheson the information is not available since the years before the First World War.

(ii) Loans from British Banks.

Shareholder and Group finance were not, of course, the only British sources of finance used by British industrial enterprises in China. Loans from British banks were a third source of finance. (Of course, as with loans from the Group trading company, the element of double counting must be eliminated before arriving at a figure of total British investment covering all activities as well as industrial investment)

Thus, at end 1913 the Hongkong and Shanghai Banking Corporation had advances outstanding with the following British companies in Shanghai (5) :-

- China Flour Mill Company, Limited. The debt to the Bank amounted to 100 thous. taels – a fifth of the issued capital. (6).

- Laou Kung Mow Cotton Spinning and Weaving Company, Limited. By early 1925 this company had an overdraft with this bank of 1,078 thous. taels – 135% of the issued capital. (7).

- Major Brothers, Limited.

- New Engineering and Shipbuilding Works, Limited. In 1919 the Company had an overdraft with the Bank of 410 thous. taels – 51% of the issued capital. (8).

- Shanghai Tanning Factory.

In total loans to public companies were a relatively small part of the Bank's business. At end 1913 loans to public companies in China (excluding Hong Kong) only amounted to \$4.1 million (£360 thous.) (9). These loans to public companies in China in 1913 included loans to non-industrial companies and non-British companies such as the Kiangnan Dock and Engineering Works and the International Cotton Manufacturing Co., Ltd. Even if all these loans to public companies were to British industrial concerns then they would only account for a small proportion of the £13 million that is estimated here for total UK industrial investment in 1913 in China calculated on the basis of shareholders' equity.

Before considering the practicality of acquiring data to develop a series giving bank loan finance to British industrial companies in China it is worthwhile noting a conceptual difficulty in using this approach. This is well illustrated by again taking the example of the Hongkong and Shanghai Banking Corporation. Their balance sheet structure, for instance in 1906, was as follows (percentage) (10) :-

<u>Assets.</u>		<u>Liabilities.</u>	
Cash	15	Capital	4
Bills discounted, loans and credits	35	Reserves	7
Bills receivable	38	Notes in circulation	5
Other	<u>12</u>	Current accounts	41
		Fixed deposits	38
		Other	<u>5</u>
Total	100		100

A hardly surprising conclusion is that the Bank's loans were covered mainly by current accounts and deposits. However, a large proportion of these would have been made by Chinese (and also other non-British nationalities). It certainly seems reasonable that a large proportion of loans made by British banks in China to local British industrial enterprises should be discounted as they originated in Chinese capital. These monies could not be accounted as captive to British interests as there was no element of a legal link. Depositors could easily take their funds elsewhere. There was local competition from foreign or Chinese banks (11).

There are great difficulties in tracking the course of British bank lending to British industrial firms in China. There is a paucity of balance sheet data on the relevant companies – particularly marked after the First World War. In any case even when a company's bank borrowings are shown there is in the majority of cases no indication of precise origin. Multi-source borrowing was frequent. Thus, at end February, 1909 the China Import and Export Lumber Company, Limited owed the following amounts to financial institutions (12) :-

	<u>Thous. taels.</u>
Deutsche – Asiatische Bank	107
Shanghai Land Investment	165
Russo – Chinese Bank	20
Hongkong and Shanghai Banking Corp.	<u>20</u>
Total	312

At end February, 1912 the Company owed 292 thous. taels to the Hongkong and Shanghai Banking Corporation and the Russo-Asiatic Bank (no split given). (13).

Two final points :-

- In any case if one includes loan finance from British sources in the calculation of UK industrial investment then logically one should also include trade finance from British sources for buying raw materials and intermediates, etc. However, even if one had balance sheet information on creditors it would be impossible to ascertain how much is related to supplies and services from British sources.
- Although it would be informative to possess a series including loan finance from British sources to contrast with that derived from shareholders' equity it is clear that it is impracticable to obtain one.

Many of the enterprises included in the figures for British industrial investment in APPENDICES ONE and TWO had, from their inception, a high proportion of Chinese shareholders and Board representation. Over time some of these concerns had a majority of Chinese shareholders. Many of these concerns were quoted on the Shanghai Stock Exchange and hence open to all. Also, Chinese investors sought sanctuary in foreign companies in troubled times (see PART IV (C)). The main reason for regarding these concerns as British is one of control rather than ownership. Throughout, the general managers (discussed immediately below) were British and also the companies regarded themselves as British. For example, in 1918, commenting on subscriptions to War charities the general managers of one such company – the Ewo Cotton Spinning and Weaving Company, Limited (General Managers Jardine Matheson) – stated that “as we are a British Company the least we can do is to support the British Government.” (14).

The method of control favoured was the managing agency system. This system developed in the case of British international trading houses in the second half of the Nineteenth Century. From their agency business they began to integrate backwards into industrial and agricultural properties (in sharp contrast to other Asian countries this last did not occur in China). By this device trading companies were enabled to control industrial (and other) concerns by having “permanent control written into the articles of association of various companies.” (15). The writer estimates that such companies accounted for 30 percent of UK industrial investment in China in 1900 – falling to under 15 percent in 1937.

Enshrined in the articles of association was the permanent place of the agency houses as general managers of the various concerns for which they would, apart from dividends, receive a commission based on profits. This device enabled concerns such as Jardine Matheson to spread resources over various industrial (and other) sectors and hence reduce risk. Thus, over time, Jardine Matheson, for example, built up effective control of industrial concerns in Mainland China in such areas as cotton textiles, silk textiles, sugar refining (short lived), egg processing, marine engineering, brewing, etc.

Some of the British managing agencies in China relied not only on their articles of association to keep up their British connection. Thus, in 1919 the shareholders of the Ewo Cotton Spinning and Weaving Company approved the following resolution :-

“...in the event of said Jardine Matheson and Company, Limited... ceasing to be the General Managers another British firm or company shall be appointed in their place.” (16).

This example was followed by the shareholders of at least one other British firm who were controlled by a British managing agency (Arnhold Brothers) – The New Engineering and Shipbuilding Works (17).

The usual level of management commission was of the order of 10 percent on net profits after depreciation. However, in difficult times this could be waived – for example, Jardine Matheson waived their commission from the Ewo Cotton Spinning and Weaving Company, Limited in 1897 and 1898 (18).

Also, on occasions (as noted above) the trading company buttressed the various concerns in the group by loans to assist capital expenditure and tide over periods of poor trading.

For some reason it has been accepted that the managing agency system was almost an Indian preserve. This is strongly challenged by the leading authority in this field – Professor Stanley D. Chapman. Quoting an Indian historian that the managing agency “has no counterpart in any part of the world”, he goes on to say that “this cannot be right, for the active record of agency houses in several parts of the world, apart from India, is perfectly clear – Mathesons and Swires in China, Wallace Brothers in Burma”, etc,etc. (19).

There were substantial differences between the position of managing agencies in India and China. In India the managing agency was by no means confined to foreign enterprises. Thus, for example, cotton mill agencies in Mumbai in 1927 were split by Freda Utley (20) as follows :-

<u>Thous. Spindles.</u>				
Parsis	978)		Sassoon group	652 19%
Hindus	832)	69%	Europeans	422 12%
Muslim	588)		Total	<u>3,472</u>

In India the main industries where the British managing agencies were very strong was in the jute industry and, to a lesser extent, collieries. (21). The first industry did not exist in China and in the case of the coal industry only the Shanghai Exploration and Development Company (a poor third ranking of the British collieries in China) belonged to an agency house.

A complication that arises occasionally in using the concept of shareholders' equity in this study is the reorganisation of certain British interests in the form of a newly created company. This arises particularly in the case of the British American Tobacco Company (B.A.T.). In 1919 B.A.T. formed a new concern – British American Tobacco Company (China), Limited – to incorporate the former local flagship company of the British Cigarette Company, Limited. This provided the opportunity of a revaluation of the assets involved with goodwill forming a major part of the assets of the new concern. Also, the new company incorporated as interests in subsidiaries other local Group companies not included in the accounts of the British Cigarette Company, Limited.

The figures given for the year 1919 for the shareholders' equity for both concerns was, thus, as follows :-

British American Tobacco Company (China), Limited - £26.42 million.

British Cigarette Company, Limited - £5.22 million.

The solution adopted here is to recast the figures (with account taken of what we know to be the key years of capital investment as revealed by the balance sheet) – calculated from the latter company's accounts – for the relevant years prior to this revaluation. However, it has to be admitted that these recast figures are rough estimates.

Another example was the case of the consolidation of the three Jardine Matheson cotton mills in 1920 into the Ewo Cotton Mills, Limited. The book value of the tangible fixed assets of the new concern was on formation 4.3 million taels (£770 thous.). This was only 51 percent of the valuation made by experts at the time of amalgamation of 8.4 million taels (£1,500 thous.) (22). However this “invisible reserve” has not been taken into account here as the valuation was made during the boom years of the local cotton industry and would be of little relevance to the depression years of the mid-1920s.

(2) COMPARISON WITH PREVIOUS ESTIMATES.

Given the different criteria that can be used it is instructive to see how the estimates given in this document match those of other authors. The key comparisons are with the pioneer work of Charles F. Remer in *Foreign Investments in China* (23), first published in 1933 and that of Wei Zichu (24), first published in 1951 in China.

(i) Comparison with Remer.

Remer gives for 1931 his estimates for the distribution of "British Business Investments in China." (25). His figure in this compilation for mining and manufacturing totalled £39.6 million. His estimates for 1931 were to a large extent based on an enquiry in 1929 by the Royal Institute of International Affairs to contribute to a conference in Kyoto of the Institute of Pacific Relations and Remer's figures for 1931 are in fact similar to those of the British institute for 1929.

As Chi-ming Hou observes (26) Remer's "method of estimation is not fully explained" but is believed to be a combination of :-

- fixed tangible assets plus stocks plus market value of other assets. Loans from British banks to finance these assets were included.

- "the sum of paid-up capital, surplus and undistributed profits" which coincides with the author's yardstick.

In comparison with Remer's above estimate of £39.6 million the author's figure for 1929 is £32.55 million. This seems at first sight an alarming gap of over a fifth between the two figures. However, Remer's figures include Hong Kong which was not separately specified for the figure quoted above. Industrial activity by British firms in Hong Kong was by no means negligible including marine engineering, sugar refining, cement, flour, cordage, etc. An estimate for British industrial investment in Hong Kong for 1936 is given by Wei Zichu (27). His figure is £6 million. If this figure applied in 1929 then the above gap is only of the order of 4 percent of the author's estimate.

(ii) Comparison with Wei Zichu.

The basis for his calculations are not exactly clear but it is likely that it is closer to that of the writer than to that of Remer. His estimate for British industrial investment in China (excluding Hong Kong) in 1936 is £29.1 million (28). This compares with the writer's figure of £26.4 million. This gap of 10 percent is reduced considerably as one of main differences in the two figures seems to lie in the chemical area where it looks as if Wei Zichu includes ICI China as an industrial enterprise whereas its sole involvement in local manufacture was tiny and short-lived (see PART III – Chapter Five – Chemicals). ICI China, a substantial company, has been treated as a trading rather than an industrial enterprise by the writer.

(3) THE FINANCIAL DIMENSION OF BRITISH INDUSTRIAL INVESTMENT.

APPENDIX TWO gives the estimated distribution of British industrial investment by sector for the years 1895 to 1939. Figure I (A) shows the split by broad industrial category year by year over this period. The main basis of calculation covering around 85% of the data is as follows. (The balance, which does not include any major industrial sector, is calculated on the basis of the development of issued capital alone). The sources for this main body of the figures are the tables in the STATISTICAL ANNEX. Thus, to take an example for one year (1921) the figure quoted in APPENDIX TWO for UK investment in the

PERCENT.

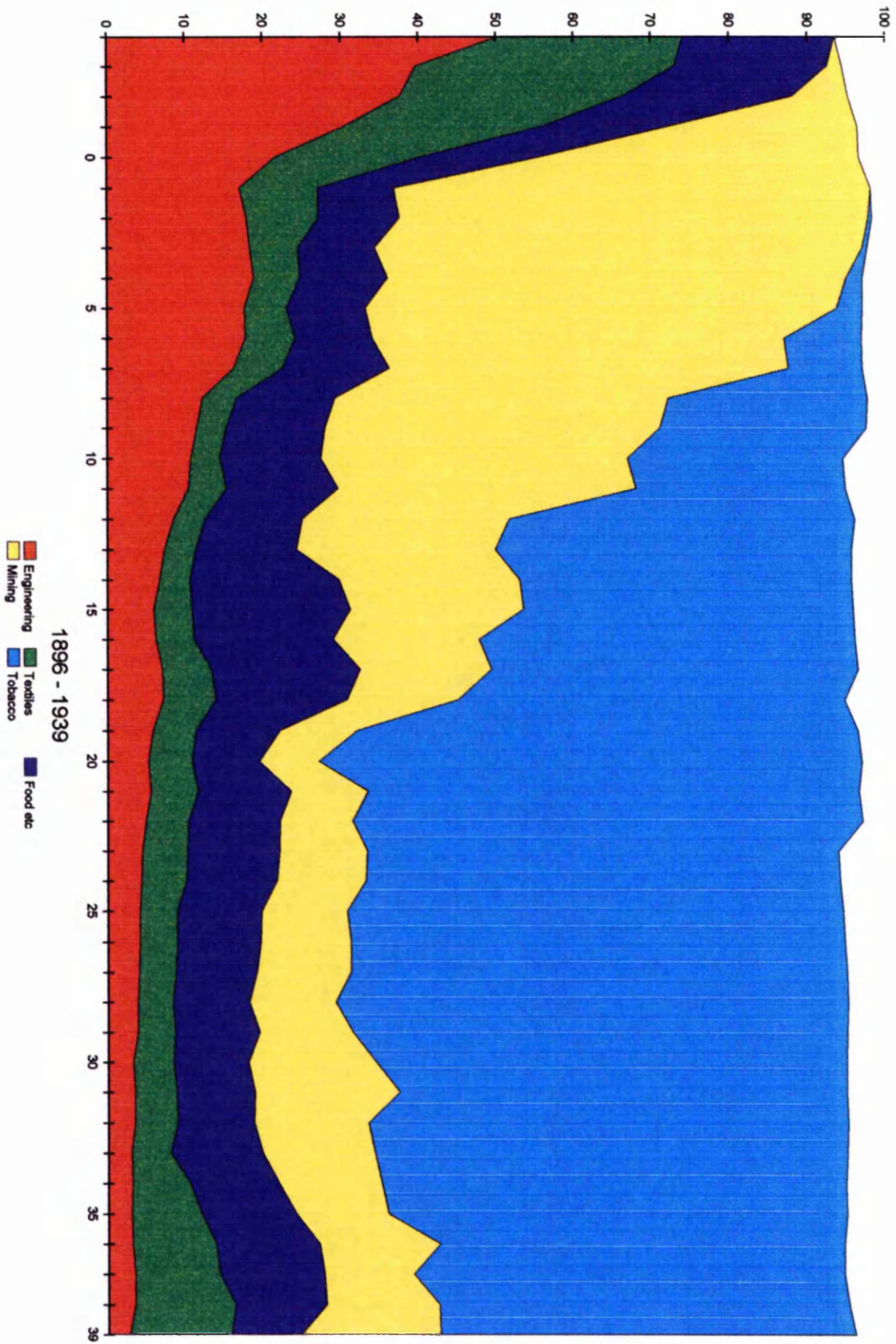


FIGURE 1(A)
UK Ind. Investment by Sector

cotton textile industry is £2.04 million. This is derived as follows :-

<u>Company.</u>	<u>Capital Paid up</u>	<u>1921 - Thous. taels.</u>		<u>Total</u>	<u>Statistical Appendix Table</u>
		<u>Reserves</u>	<u>Balance c.f.</u>		
The Ewo Cotton Mills, Ltd.	4,900	3,711	8	8,619	QQ
The Laou Kung Mow Cotton Spinning and Weaving Co., Ltd.	800	410	15	1,225	RR
The Oriental Cotton Spinning and Weaving Co., Ltd.	660	604	223	1,487	SS
<u>TOTAL</u>	<u>6,360</u>	<u>4,725</u>	<u>246</u>	<u>11,331*</u>	

* If converted to Sterling at average rate for the year = £2.04 million.

As inferred immediately above, the figures for each year are converted from the relevant Chinese currency units at the average exchange rate for the year concerned. This should not therefore affect the relative shares of the various sectors in relation to the total. However, this is not strictly true in the case of the mining sector. The key players in this sector – the Pekin Syndicate and the Chinese Engineering and Mining Company were UK registered companies. Thus their capital was expressed in Sterling and therefore was unaffected by the variations in the parity with Chinese currency (although the figure for the amount retained in the relevant year would be affected). Thus in years when the Chinese currency weakened the share of the mining sector would rise on this account and contrariwise fall in periods of strength of the Chinese currency. However, this factor does not significantly affect the general picture.

Of course, converting into Sterling at the parity of the year is a misleading yardstick for assessing the growth in contrast to the distribution of investment. For most of the period covered here the silver based currency of China was complex and an irritant to economic growth. The Tael used varied according to location – that used in this study is the Shanghai Tael (based on silver) used by the Shanghai Stock Exchange and in company accounts. An alternative used was the silver dollar. In April, 1933 the Nationalist Government abolished all forms of the Tael and the Chinese dollar became universal and, shortly, a paper currency. From 1895 to 1916 the annual average value of the Shanghai Tael hovered around the 14 pence/£ mark and this did not distort the comparison of growth in terms of Sterling between years. However, beginning in 1917, there was a sharp rise in the parity of the Tael associated with the price of silver and it reached a peak in 1921 of 31 pence/£. For the rest of the 1920s it was around 15 pence/£ sinking to 7 pence by 1931. The new dollar was around 6 pence to the pound before the outbreak of war in 1937. It had shrunk to 2.5 pence by 1939. An attempt to counteract this is given in Table One (See also Figure 1 (B)) with conversion into Sterling being made at a fixed rate – that of 1895 as well as the average rate for the individual years.

In considering the Sterling figures quoted in this study it should, of course, be realised that an 1895 £ was worth around 70 times a current £ and a 1938 £ around 45 times. During the period under review, in contrast to the experience after the Second World War, there was relatively little UK inflation. By 1914 the general level of UK prices was about 30 percent higher than in 1895 and in 1938 about 60 percent higher.

Reverting to Table One, the figures in the last two columns are subject to a considerable degree of reservation. In an environment of floating exchange rates the problem of intertemporal comparability looms large even for consideration of individual companies' performance. Even in the period before the First World War, when the currencies of most of the major trading nations were linked to a common standard i.e. the gold standard, the international value of the Chinese currency was out of kilter with that of other

TABLE ONE
ESTIMATED TOTAL UK INDUSTRIAL INVESTMENT IN MAINLAND CHINA.
£mn. – Converted at average exchange rate for the year concerned. £mn. – Converted at average exchange rate for 1895. Index 1895=100

	<u>rate for the year concerned.</u>	<u>rate for 1895.</u>	<u>Index 1895=100</u>
1895	0.81	0.81	100
1896	0.93	0.86	106
1897	1.08	1.16	143
1898	1.25	1.35	167
1899	1.65	1.78	220
1900	2.09	2.25	278
1901	3.95	4.25	525
1902	4.02	4.33	535
1903	4.46	5.20	642
1904	4.79	5.16	637
1905	5.40	5.82	719
1906	5.88	5.88	726
1907	6.40	6.40	790
1908	7.83	9.14	1128
1909	8.32	9.71	1198
1910	9.03	10.53	1300
1911	9.32	10.87	1342
1912	12.35	13.30	1642
1913	13.07	14.08	1738
1914	14.47	15.58	1923
1915	15.31	17.86	2205
1916	18.58	17.34	2141
1917	21.30	14.91	1841
1918	25.12	15.29	1888
1919	41.05	19.82	2447
1920	53.56	24.19	2986
1921	35.94	27.95	3451
1922	38.94	32.06	3958
1923	34.01	31.74	3919
1924	36.85	32.24	3980
1925	37.30	34.81	4298
1926	35.15	35.15	4340
1927	33.35	35.92	4435
1928	35.62	38.36	4736
1929	32.55	37.95	4685
1930	24.79	43.38	5356
1931	21.40	42.80	5284
1932	26.78	41.65	5142
1933	27.26	44.22	5459
1934	30.30	45.13	5572
1935	33.49	45.79	5653
1936	26.36	44.04	5437
1937	27.78	47.40	5852
1938	22.27	51.36	6341
1939	17.76	70.98	8763*

* The rise was to a large extent due to the large profits and consequent retentions made by British firms in the immediate years before the Pacific War.

£ MILLION

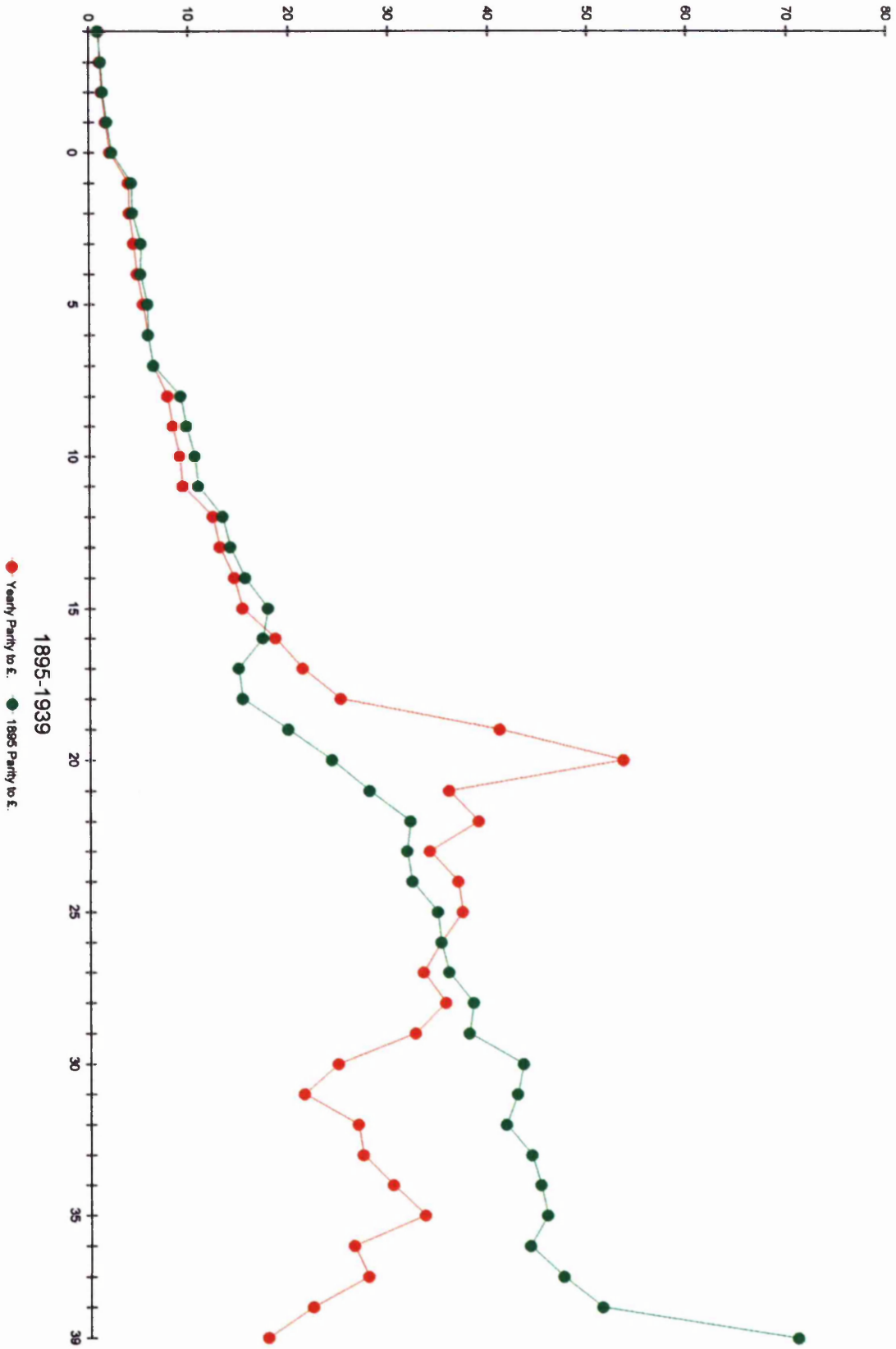


FIGURE 1 (B)
China - UK Industrial Investment

currencies. The parity of the Chinese currency against other nations was a function of the international value of silver (and this lasted until November, 1935) and not dependent on relative inflation or capital movements.

In the current environment of floating exchange rates an individual company can supplement its reporting of its financial performance for the last year (or half year or quarter) by restating major indicators in terms of the parities of the previous reporting period. There is also the possibility of repeating this exercise using the parities of any year which seems attractive to use as a base year. This would not usually be unreasonable. This statement must be seriously modified in the case of the series presented in Columns Two and Three in Table One. This series is comprised of data originating from a large number of individual enterprises each with, on the whole, differing starting dates and also with a significant number of these going out of business during the period 1895-1939. In no sense is the data homogeneous.

Having obtained the desired series of investment in terms of the currency of the investing country i.e. the UK converted at a fixed exchange rate it is tempting to modify this by changes in the internal value of the £ i.e. inflation/deflation in order to arrive at an indication of real growth in UK investment in China. Thus, for example, taking indices of UK retail price development over the period under review. However, these are derived from the splicing together of various UK Government series which are not comparable and, in the early years seriously not comprehensive in coverage. (the basket of goods covered increased with every revision of the enquiries). Thus, the temptation to construct a fourth column in Table One to indicate real growth over the period under review should perhaps be eschewed as it would be a combination of two rather shaky series and be regarded as spurious accuracy.

However, given the fact that the growth in UK retail prices between 1895 and 1938 was of the order of 60 percent, the temptation in this case cannot be resisted. Deflating Column Three of Table One by this rough figure of inflation gives an indication of the real growth of British industrial investment in China of the order of forty times over the period 1895-1938. One can quibble about this figure but it gives evidence that there was very substantial real growth in British industrial investment during the period under review.

(a) Distribution by industrial sector.

Abstracting from APPENDIX TWO, the percentage split for selected years can be summarised overleaf roughly as follows. (the figures for "Other Engineering" are underestimated to a certain extent – see PART III, Chapter Four below). The profile of British investment changed within a few years of the 1895 Treaty of Shimonoseki which greatly reduced the restrictions on inward industrial investment. A major consequence was felt in the rise in investment in cotton textiles where, as noted in PART I, there had been no inward investment before 1895. Even more remarkable was the rise in the importance of the mining sector which accounted for two fifths of the total by 1900 (rising to a peak of 63 percent in 1903). Thirteen mining ventures associated with British interests were launched 1896-1900. (see PART III – Chapter Two). The British presence in the silk industry had by 1900 begun to fall both absolutely and relatively. After a long delay in adopting modern techniques of silk reeling (see PART I above) Chinese interests began to embrace this technology on a large scale. In 1894, for example, eight filatures using equipment and

	- Percentage-				
	<u>1895</u>	<u>1900</u>	<u>1912</u>	<u>1924</u>	<u>1937</u>
(A) <u>Tobacco Industry.</u>	-	-	44.4	61.0	55.4
(B) <u>Mining.</u>	-	41.1	26.6	11.4	11.5
(C) <u>Cotton Textiles.</u>	-	12.9	3.4	5.5	7.3
(D) <u>Non-cotton Textiles.</u>	<u>24.7</u>	<u>5.7</u>	<u>0.6</u>	<u>0.3</u>	<u>3.6</u>
-Silk	24.7	5.7	0.6	0.3	-
-Worsted spinning and weaving	-	-	-	-	3.6
(E) <u>Engineering.</u>	<u>50.6</u>	<u>21.6</u>	<u>8.5</u>	<u>4.3</u>	<u>3.4</u>
-Marine	48.1	20.6	7.9	4.0	2.9
-Other	2.5	1.0	0.6	0.3	0.5
(F) <u>Industrial Chemicals.</u>	<u>4.9</u>	<u>2.4</u>	<u>0.3</u>	<u>0.1</u>	<u>0.3</u>
-Coatings	-	-	-	-	0.3
-Other	4.9	2.4	0.3	0.1	-
(G) <u>Consumer Chemicals.</u>	-	-	<u>2.4</u>	<u>4.1</u>	<u>2.8</u>
-Soap, etc	-	-	-	2.7	1.9
-Candles	-	-	2.4	1.4	0.9
(H) <u>Sound Reproduction.</u>	-	-	-	-	0.2
(I) <u>Drink, Food and Packing, etc of</u>					
<u>Agricultural Products.</u>	<u>17.3</u>	<u>15.3</u>	<u>12.5</u>	<u>11.6</u>	<u>13.4</u>
-Drink	4.9	1.9	1.1	0.3	1.8
-Food	-	1.4	4.1	7.8	7.8
-Packing, etc of agricultural products.	12.4	12.0	7.3	3.5	3.8
(J) <u>Miscellaneous Industries.</u>	<u>2.5</u>	<u>1.0</u>	<u>1.3</u>	<u>1.7</u>	<u>2.1</u>
-Wood processing	1.3	0.5	0.8	1.5	1.7
-Musical Instruments	1.2	0.5	0.2	0.2	0.2
-Other	-	-	0.3	-	0.2
<u>TOTAL</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

techniques imported from Italy were founded in Shanghai by Chinese entrepreneurs. (29). These had in total 2,567 basins outstripping the capacity of 888 basins in the hands of the three British concerns. (30).

By 1912 investment in mining took second place to the large British investment in the tobacco industry with British American Tobacco expanding its initial cigarette plant in Shanghai plus new plants in Hankou and Manchuria. Production of cigarettes in B.A.T. factories in China rose from a very small level in 1902 to 5,135 million in 1912. (see Table Three in PART III – Chapter One). In contrast, the British investment in mining was adversely affected by local and national hostility and the “rights recovery” movement. In the mining sector British interests were particularly vulnerable in that the main locations tended to be in fairly remote inland areas where Western influence was weakest and subject to vested interests in the form of already established Chinese mines. In contrast B.A.T. production facilities were in areas of strong Western influence and the Chinese cigarette industry was in its infancy.

By 1924 the share of B.A.T. in total investment exceeded 60 percent – having reached a peak of 70 percent in 1920. The consumer chemicals and wood processing sectors were the only other sectors to increase their share of total British investment during the period. The large Unilever enterprise for soap, etc was initiated while the large lumber enterprise of the Chinese Import and Export Lumber Company expanded its facilities and also made a large revaluation of its assets.

The share of the activities of B.A.T. in total investment declined slightly by 1937. (The B.A.T. cigarette machine park in China peaked in 1930 at 505 machines and had declined by 12 percent by 1937 – see PART III – Chapter One). This was mainly due to the entry of two new British firms in the cotton industry sector and the introduction of new sectors into the portfolio of British investment – worsted spinning and weaving, coatings, sound reproduction, etc.

(b) Distribution by geographic area.

Utilising the foundations of the data base given in Appendix Two, the geographic split of UK industrial investment can be estimated for the same selected years as summarised above :-

	<u>- Percentage -</u>				
	<u>1895</u>	<u>1900</u>	<u>1912</u>	<u>1924</u>	<u>1937</u>
Manchuria	-	-	4.5	6.7	11.2
Hebei	-	-	8.8	5.9	8.0
Tianjin	11.1	7.7	4.8	14.3	11.2
Shandong	-	-	0.8	2.4	7.5
Anhui	-	1.0	-	-	-
Jiangsu	-	-	0.4	4.4	4.1
Shanghai	84.0	49.2	38.2	45.2	44.2
Fujian	3.7	1.4	0.6	-	-
Henan	-	22.5	14.1	5.6	3.0
Hubei	1.2	0.5	24.1	15.0	10.3
Yunnan	-	16.3	3.5	-	-
Sichuan	-	1.4	0.2	0.5	0.5
<u>TOTAL</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

In 1895 British industrial investment was overwhelmingly in Shanghai. After its opening to foreign trade in 1843 the rise of Shanghai as a port and a commercial and financial centre was rapid. To take but one example, the tonnage of ships handled by the port rose by 11.5 percent per annum between 1856 and 1900. (See PART III – Chapter Four). The two largest industrial sectors – silk processing and marine engineering



– were, in the case of the former, entirely based in Shanghai and in the case of the latter predominantly based in Shanghai with the only significant exception being dry docking and other facilities in Xiamen (sold in 1918 (31)). Of the lesser sectors the only significant presence outside Shanghai was in soft drinks and the cleaning and press packing of agricultural products in Tianjin and Hankou – particularly the former

The above situation changed sharply by 1900 with the share of Shanghai dropping to around a half. This was principally due to the inauguration of ambitious mining projects in Anhui (London and China Syndicate, Limited), Henan (Pekin Syndicate, Limited), Yunnan (Anglo-French Quicksilver and Mining Concession (Kwei-chau Province) of China, Limited and the Syndicat du Yunnan, Limited – see below) and Sichuan (various enterprises). As evident from the above table, often these enterprises were short-lived.

By 1912 the share of Shanghai had sunk below 40 percent due principally to :-

- the establishment of the Chinese Engineering and Mining Company, Limited with the successful aim of taking over the Kaiping coalfield in Hebei.
- the establishment of B.A.T. cigarette factories in Manchuria and Hankou.
- the start of what became a major business area – the freezing of food for export – with the 1908 established plant at Hankou of the International Export Company, Limited.

Despite the establishment of new centres for freezing agricultural products at Nanjing (a very large plant with fixed assets of £1,500 thous.), Hankou and Qingdao and increased B.A.T. presence in Manchuria and new cigarette plants in Tianjin and Qingdao, the share of Shanghai revived to around 45 percent in 1924 and this share was virtually maintained in 1937.

The rising insecurity in the 1920s (the era of the Warlords and civil and military strife) of operating outside the established centres for Western enterprises led to some degree of a revival of concentration in Shanghai. Also, the continued infrastructure development of Shanghai meant expansion in the wood working sector and the introduction of production of coatings, metal windows, etc. The Orient Paint, Colour and Varnish Company noted that “the markets for British paint” were “mainly organisations with foreign control or interest” (32). Thus by 1936 it had developed sales to, amongst others (33) :-

- the Shanghai Municipal Council. (37% of total sales).
- E.D. Sassoon – “for their many properties”.
- Hong Kong and Shanghai Bank. (“Practically all their supplies”)
- Moller and Co.
- Jardine Matheson Engineering Corporation.
- Asiatic Petroleum Company (Shell) – “special drum paints”.
- New Engineering and Shipbuilding Works.

74.5 percent of the Company’s sales in the year to end September, 1938 were to Shanghai and only 8.5 percent to the rest of Mainland China (See Table EE in the STATISTICAL ANNEX)).

Also new industries to China such as sound reproduction and worsted spinning and weaving were centred in Shanghai. Shanghai also saw a revival of British involvement in the cotton industry, the start up of the Ewo Brewery and the development of the large Unilever complex (soap, margarine, etc.).

(4) COMPARISON OF BRITISH INDUSTRIAL INVESTMENT BEFORE THE SECOND WORLD WAR WITH THAT SINCE 1978.

Since 1978 over 60 percent of British direct investment used in the PRC has been in industry. (34). This

compares with around 15 percent of total British investment in Mainland China in 1936. The most reliable estimate of the distribution of total British direct investment in Mainland China in that year is by Wei Zichu (35). His estimates were :-

Industry	15%
Finance (banking, insurance, etc.)	34%
Commerce (including retail)	24%
Real estate	21%
Transportation	3%
Public utilities	3%

Many of these non-industrial business areas were not open to foreigners for a long time after the initiation of the Open Door policy in 1978 (or there was a limit of their share participation in joint ventures with Chinese interests).

In 1937 British investment in industry was, in real terms, about a third of the 1978 - 2003 level. (36). Despite this, investment by British interests in Chinese industry was, due to the underdeveloped nature of industry in China at that time, much more significant in many sectors in terms of share of output, capacity, etc. than in recent years. Against nil or very modest shares in British presence in 1978-2003 the following was the situation prior to the Pacific War :-

Output of cigarettes (1937) – 66.3% of national output. (See PART III – Chapter One, Table Three).

Output of coal – 25% of national output in 1915 (peak) and 14% in 1936. (STATISTICAL ANNEX, TABLE R).

Percentage of total operable cotton spindles – 21.7% in 1918 (peak) and 4.5% in 1937. (STATISTICAL ANNEX, TABLE LL).

Percentage of power looms at spinner/weavers – 24.5% in 1918 (peak) and 6.7% in 1937. (STATISTICAL ANNEX, TABLE MM).

Worsted yarn production – 45% of national output in 1941. (37).

Share of area of commercial dry docks in Shanghai – 100% in 1900, 83% in 1920 and 47% in 1937. (See PART III – Chapter Four).

Gramophone records – 39% of record sales in early 1935. (See PART III – Chapter Six).

Soap – largest single producer.

Egg products – about 40% of national output. (See Part III – Chapter Seven).

Pianos and organs – sole producer.

Part of the modest UK shares experienced in the post-1978 period can be explained by increased competition from investing areas not present in pre-War years – for example Hong Kong and Taiwan.

(a) Distribution by industrial sector. (See also Figure 2)

Table Two gives the writer's estimated split by sector of British investment in industry since the watershed year of 1978 with a comparison with 1937 (The last, almost normal, year for China in the 1930s. It thus takes account of the "new industries" such as sound reproduction, speciality paints, worsted textiles etc. that developed in the 1930s). The figures for 1978-2003 are presented with diffidence and the writer acknowledges that they are subject to a margin of error. They cover around 200 separate investment

TABLE TWO.

ESTIMATED SPLIT OF UK INDUSTRIAL INVESTMENT IN MAINLAND CHINA.

	<u>1937 - %</u>	<u>1978-2003 - %</u>
(A) <u>TOBACCO INDUSTRY.</u>	<u>55.4</u>	<u>0.1</u>
(B) <u>EXTRACTIVE INDUSTRIES.</u>	<u>11.5</u>	<u>37.2</u>
(a) Oil and gas extraction and refining	-	36.1
(b) Mining and quarrying	11.5	1.1
(C) <u>TEXTILES / CLOTHING.</u>	<u>10.9</u>	<u>2.0</u>
(a) Cotton textiles	7.3	0.3
(b) Wool and hair textiles	3.6	0.5
(c) Other	-	1.2
(D) <u>METAL PRODUCTS, ENGINEERING, MACHINERY.</u>	<u>3.4</u>	<u>7.2</u>
(a) Metals/ metal products	0.5	1.7
(b) Marine engineering	2.9	neg.
(c) Automotive products	-	2.6
(d) Aerospace products	-	1.5
(e) Other machinery	-	1.4
(E) <u>INDUSTRIAL AND AGRICULTURAL CHEMICALS.</u>	<u>0.3</u>	<u>15.8</u>
(a) Basic industrial chemicals	neg	10.1
(b) Bulk plastics	-	0.7
(c) Coatings	0.3	1.7
(d) Fine chemicals (pesticides, etc)	-	2.4
(e) Plastic products	-	0.9
(F) <u>CONSUMER CHEMICALS.</u>	<u>2.8</u>	<u>11.1</u>
(a) Soap, toiletries, etc	1.9	11.1
(b) Candles	0.9	-
(G) <u>PHARMACEUTICALS.</u>	-	<u>10.8</u>
(H) <u>SOUND REPRODUCTION.</u>	<u>0.2</u>	-
(I) <u>DRINK AND FOOD.</u>	<u>9.6</u>	<u>9.2</u>
(a) Alcoholic drinks	1.5	2.6
(b) Non-alcoholic drinks	0.3	1.0
(c) Food	7.8	5.6
(J) <u>PACKING, ETC. OF AGRICULTURAL PRODUCTS.</u>	<u>3.8</u>	-
(K) <u>ELECTRICAL APPLIANCES AND ELECTRONICS.</u>	<u>0.1</u>	<u>3.8</u>
(L) <u>MISCELLANEOUS INDUSTRIES.</u>	<u>2.0</u>	<u>2.8</u>
(a) Wood processing	1.7	0.1
(b) Musical instruments	0.2	neg.
(c) Glass	0.1	1.1
(d) Other	-	1.6

PERCENT

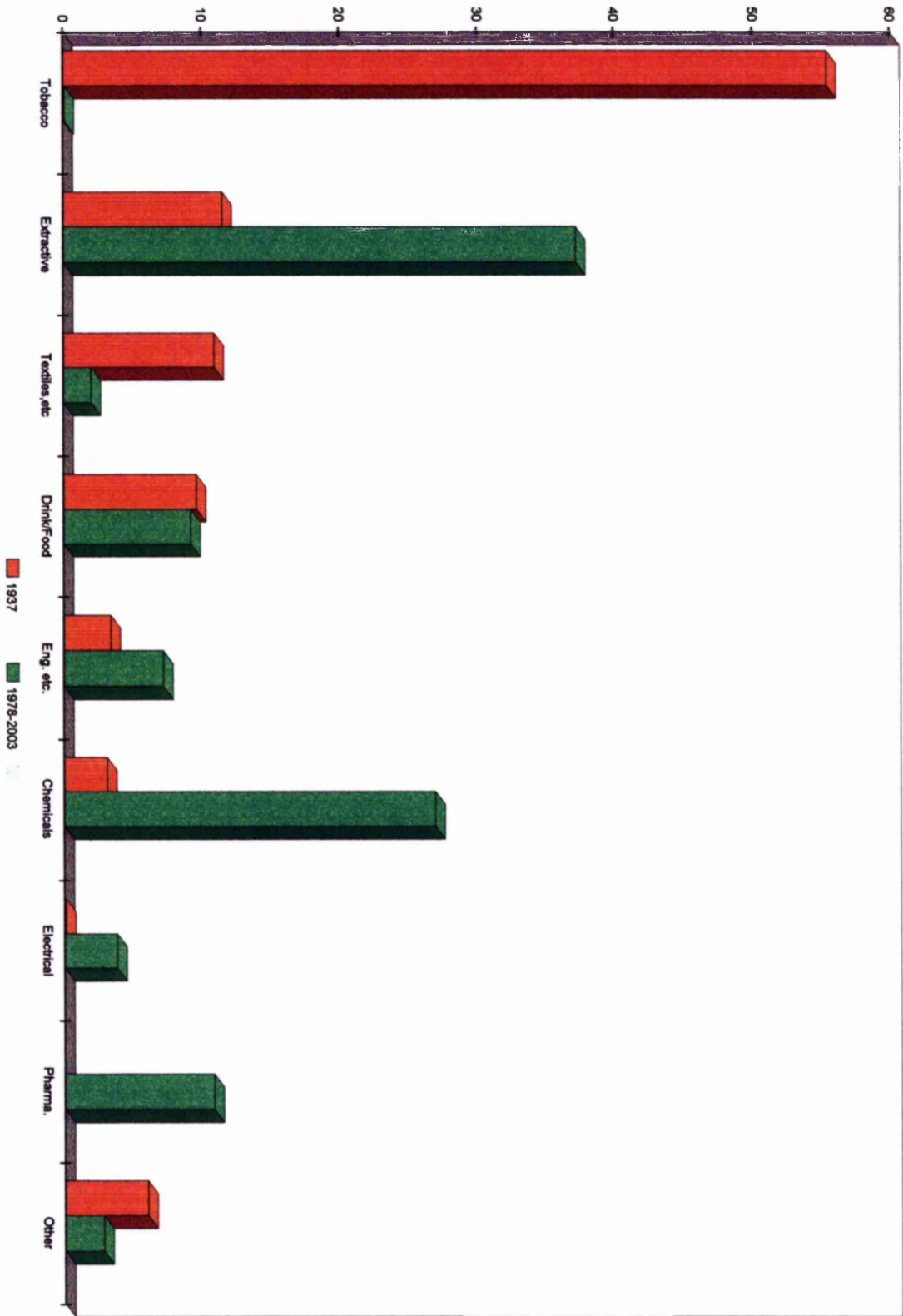


FIGURE 2
Split of UK Industrial Investment.

PERCENT

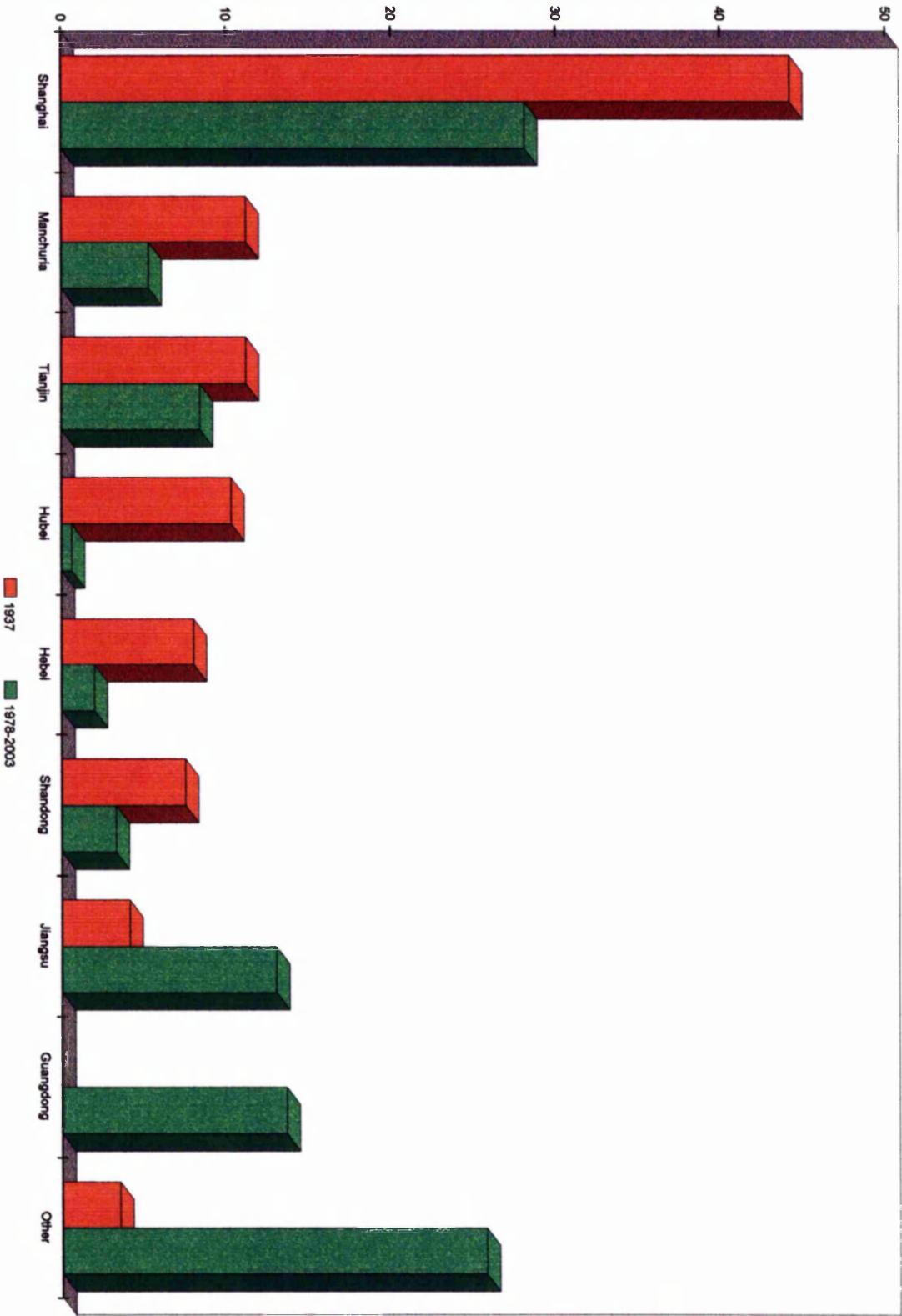


FIGURE 3
Split of UK Industrial Investment.

(EXCLUDING OFFSHORE OIL AND GAS)

projects by British enterprises in China. They have been gleaned from a variety of sources – in particular the “running score” of British investments kept by the China-Britain Trade Centre, British company reports, trade publications, Chinese sources, etc. (A full list is contained in the bibliography). The figures have been aggregated to give a snapshot, in the absence of an alternative, to the extent and distribution of British industrial investment in 2003 for comparison with the earlier year. The figures do not take account of subsequent divestments e.g. the Bass beer joint venture (Bass invested over £30 million for a 53% stake in a brewery in Jilin. It subsequently sold its stake to its Chinese partner). Also, no account is taken of the subsequent transfer of some British companies to foreign ownership e.g. Courtaulds.

Certain salient points immediately spring to mind as compared with 1937 :-

- B.A.T's involvement is now very modest (a small facility acquired on merging with Rothmans International). Two other UK firms (Gallacher and Imperial) have projects to produce locally. However, these are modest. Of much more potential significance is a venture announced as follows by B.A.T. in July, 2004. (38) :-

“... the Central Government of China has approved a major strategic investment by the Group in China which is the largest market in the World with annual sales of around 1.8 trillion cigarettes. We have approval to build a new factory with an eventual manufacturing capacity of 100 billion cigarettes in a joint venture with our partners, China Eastern Investments...”

B.A.T. will spend £800 million in setting up the factory and has rights for 237 acres in Sichuan. However, in August, 2005 B.A.T. announced that they were writing off £50 million costs in view of “ the uncertainty of the timetable and the significant hurdles in establishing a major strategic investment in China.” (39).

- The large presence in hydrocarbon extraction and refining since 1978. This share will increase further as current projects by British oil and gas majors materialise. Of particular importance is the project announced in late 2003 for an offshore oil / gas project in the East China Sea by a consortium of China National Offshore Corporation / Sinopec (60%), Unocal (20%) and Shell (20%).
- The small share of mining and quarrying compared with 1937. This should, however, be redressed to a certain extent when the large BHP Billiton zinc joint venture in Yunnan comes on stream. There are further prospects in coal mining. The mining sector has been gradually opened to the outside World.
- In the field of textiles/clothing the lower relative British presence in mainstream cotton and wool textiles in comparison with 1937 has been to a modest extent counter-balanced by involvement in specialised sectors such as non-wovens, elasticated fabrics, etc.
- The development of engineering products for the vehicle and aerospace industries, virtually non-existent in pre-War China, has more than counter-balanced the termination of British involvement in marine engineering.
- Apart from specialised chemicals e.g. pesticides, most of which have been developed in recent years, the key growth since 1978 has been in the field of industrial gases (by BOC Group) and bulk petrochemicals and plastics. This last sector will further increase in importance when projects by Shell and BP materialise. The Shell project, with construction commenced in

November, 2002, is a very large \$4,350 million 50/50 investment with China Offshore Oil Corporation in Guangdong. The BP joint venture project with Sinopec is for a similar petrochemical project costing \$2,700 million near Shanghai. Both these petrochemical and plastics projects are so large, involving a total investment by the partners of around £4.5 million, that they will in the near future affect significantly not only the size but also the industrial and geographic composition of UK investment.

- As regards consumer chemicals, Unilever have brought their investment in China in recent years well above their pre-War level. By the end of 2002 it had invested £640 million in this field (plus ice cream) and the number of employees is almost ten times the pre-War level.
- The strong position of the UK pharmaceutical industry has been reflected in recent growth in China.
- The presence of British firms in the electrical sector has been relatively very much higher than in pre-War years
- British presence in press packing, egg processing and sawmills has not been revived.
- Due to the efforts of Pilkingtons the British interest in the glass industry has risen sharply. It has recently raised its shareholdings in its joint ventures with Chinese interests

Much of the investment since 1978 has been in product sectors where there was no pre-War parallel or where pre-War presence was minimal. In some sectors e.g. bulk petrochemicals and plastics investment has been made in industries which are currently slow growing and experiencing over capacity in Western Europe and North America.

An important feature of current investment that was not present in the pre-War period is investment by British industrial firms to source all or most of their products from China and close down their UK production facilities or substitute expansion in the UK for setting up in China. Two of the many examples of the former are the cases of Kenwood Appliances, Plc and the R. Griggs Group (Dr. Marten's boots) and of the latter Newport Components with a wholly owned subsidiary in Guangdong that exports 99 percent of its output of electronic components to the UK and other European markets.

(b) Distribution by geographic area. (See also Figure 3)

The next page gives a comparison of the estimated geographic split of British industrial investment since 1978 compared with that in 1937. In considering the relative importance of the Shanghai area it should be borne in mind that in 1937 all the UK investment in the adjacent province of Jiangsu was in Nanjing. However, investment since 1978 has not been confined to this Western part of the province and much has been in the Eastern part near Shanghai. Also the estimated geographic split given below excludes offshore oil and gas – a location for investment that was obviously not present in 1937.

The decline in the proportion of British investment in Manchuria can be explained by the termination of B.A.T. presence there. This, coupled with the demise of the egg trade also explains the relative decline of Hubei. The decline in the relative importance of Hebei and Henan was due to the cessation of British coal mining in China

Shanghai is still by a considerable margin the largest single area of British investment although its relative importance has decreased. The Number Two position is now held by Guangdong – there was no

presence in 1937. Guangdong was originally the main conduit of foreign direct investment in China after the Open Door policy aimed at attracting foreign investment was initiated. Three of the four Special

	<u>-Percentage-</u>	
	<u>1937</u>	<u>1978-2003 (a)</u>
Manchuria	11.2	5.3
Hebei	8.0	2.0
Beijing	-	5.1
Tianjin	11.2	8.4
Shandong	7.5	3.3
Anhui	-	1.0
Jiangsu	4.1	13.0
Shanghai	44.2	28.1
Zhejiang	-	9.0
Fujian	-	3.1
Guangdong	-	13.6
Henan	3.0	0.5
Hubei	10.3	0.6
Western Region		
- North West Area (b)	-	1.2
- South West Area (c)	0.5	4.5
Other	-	1.3
<u>TOTAL</u>	<u>100.0</u>	<u>100.0</u>

- (a) Excluding offshore oil and gas.
 (b) Shaanxi, Gansu, Qinghai, Inner Mongolia.
 (c) Sichuan, Yunnan, Guangxi.

Economic Zones that were set up in 1980 were in Guangdong of which the most important was Shenzhen. The proximity to Hong Kong was an attraction not only to Hong Kong investors but also to British firms.

Although presence in Western China has relatively increased it still accounts for a modest proportion of total investment. The main contributor to British industrial investment in the South West Area since 1978 is Sichuan which accounts for 3.5 percent of total British investment – by far the leading UK investment here is the BP plant for acetyl chemicals (currently being expanded).

Finally, given the vast changes since pre-War years in the structure of British industry and commerce, there still remains a significant number of present day British firms (or their historically constituent companies) who had interests in Chinese industry, albeit in many cases (e.g. ICI) tiny and short-lived, before the Second World War and have resumed their presence. These include :-

- John Swire & Sons
- B.A.T.
- Marconi (GEC)
- Coats
- Unilever
- Shell
- Courtaulds (see above)
- ICI
- Jardine Matheson

Two existing UK firms with previous interests in Mainland China have not extended their present operations to China – Electric and Musical Industries and the Vestey family empire.

PART III – CHAPTER ONE - THE TOBACCO INDUSTRY

British investment in this area was in the hands of the British - American Tobacco Company, Limited – hereafter referred to as B.A.T. This company became by far the largest single British industrial investor in China in the period under review

In the years before the Second World War B.A.T. did not reveal financial and other details on its operations in China. Fortunately there have been studies by Chinese scholars in recent years compiling data from the archives of B.A.T. companies in China (held at the Centre for Chinese Business History at the Shanghai Academy of Social Sciences). Particularly valuable has been *Ying Mei Yan Gongsi zai Hua qiye ziliao huibian* (Collected materials on B.A.T. business activities in China – Beijing, 1983). The great majority of the statistical data quoted in the text and in the STATISTICAL ANNEX has been taken from this most useful source.

One of the reasons for Chinese interest in B.A.T. was the well publicised labour disputes and constant trials of strength in its factories. In the period 1918-1940 B.A.T.'s Shanghai factories suffered 56 strikes (1). This does not, however, seem a reflection on B.A.T. as a bad local employer. In terms of working conditions the British investigator in 1925 – Dame Adelaide Anderson - was “completely satisfied” with B.A.T.'s Shanghai factories (2). The great financial strength of B.A.T. made it an obvious priority target. As noted by Elizabeth J Perry – “A host of studies link economic prosperity to strike activity. Thus it is not surprising that the economic prosperity of B.A.T. was accompanied by extraordinary labour unrest” (3). Also the proportion of wages to the total manufacturing cost of cigarettes was small – usually less than 10% and dwarfed by the cost of tobacco and packaging (see below). No reference is made in this chapter to labour protest in B.A.T.'s factories – amply covered not only by historians in China but also by Western authors (for example, Elizabeth J. Perry (4)).- except where it affected B.A.T.'s performance against local competitors.

Another omission is any discussion of the effect in terms of health on Chinese society of the explosive growth in cigarette consumption. B.A.T. with its highly developed promotion efforts was mainly responsible for this growth. In favour of B.A.T. it might be said :-

- the health risk in smoking was not appreciated in the early years of the last century.
- cigarettes could wean some Chinese from opium. (In 1925 the Company claimed that one of their founding companies (American Tobacco Company) had “combined business with humanity by weaning the Chinese.....from opium by teaching them to smoke North Carolina cigarettes” (5)).

To understand B.A.T.'s performance and behaviour in China it is necessary to briefly examine its foundation. The Company employed in China the same techniques that one of its parent companies had employed in the USA with conspicuous success. These included exploiting technical innovation, mass production, surprisingly modern marketing techniques – to not only defeat competitors but to expand the total market – and aggressive selling. The transfer of these techniques to China was facilitated by the fact that the top management position of the Company in China was occupied successively by two Americans in B.A.T.'s first twenty years in China.

(A) THE COMPANY.

B.A.T. originated from Anglo-American rivalry in the tobacco industry when James Buchanan Duke

and the American Tobacco Company, frustrated by the level of import duties, invaded the UK market with the aim of acquiring local producers. Starting from a small family business, Duke by exploiting the invention (patented in 1881 by James A. Bonsack) of continuous process cigarette machinery, aggressive pricing and strong promotion and advertising built up an ascendancy in the USA cigarette market in 1890 by the merger of the five leading firms into the American Tobacco Company. By 1910 (the year before its dissolution) it had 86.1% of US cigarette output and commanding positions in other sectors except cigars (14.4%) (6). Thus, suppression of competition was part of the Company's ethos.

There are many accounts of the foundation and development of B.A.T. By far the most authoritative (it was given the support of the Company) and up to date is "*The Global Cigarette. Origins and Evolution of British American Tobacco 1880-1945.*" by Professor Howard Cox (7). This has been of great value to the writer. Like the writer he owes much in the analysis of B.A.T. in China to the work of the Shanghai Academy of Social Sciences.

In Autumn 1901 Duke landed in Liverpool and took over the large UK tobacco company of Ogden's, Ltd. (8). From this base he launched a strong competitive war with cut prices and extravagant deals to retailers. Very shortly, 13 UK producers (later 16) led by the leading firm of W.D. and H.O. Wills combined to form the Imperial Tobacco Company (of Great Britain and Ireland) and counter-attacked by threatening to commence manufacture in the USA market.

In late 1902 the two warring parties reached an agreement. Imperial and Duke's interests would not invade each others markets (Ogden's was sold to Imperial Tobacco in exchange for 14% of the shares in Imperial). A joint company was formed to sell their combined products, either from local production by their subsidiaries or from exports from UK or USA plants, throughout the rest of the World (except for Cuba, Puerto Rico and the Philippines). This joint venture was, thus, from the outset an early example of a multi-national manufacturing corporation. The only other comparable British multi-national company with significant operations in China (much smaller, however than those of B.A.T.) before the Second World War was Lever Brothers/Unilever.

B.A.T. was thus formed on September 29th, 1902 and registered in London. Although registered in the UK, two-thirds of the capital was allotted to the American Tobacco Co. and J.B. Duke was Chairman although 11 out of the 18 directors were British (6 representing Imperial Tobacco Company and 5 Ogden's). Thus in its early years B.A.T. was more American than British. 1911 saw a watershed when the USA Supreme Court ruled that the American Tobacco Co. was a monopoly in violation of the Sherman Anti-Trust Act and the trust was broken up. In the case of B.A.T. the holding of the American Tobacco Co. was distributed to their shareholders. This enabled the coordinated British minority to, in effect, control the Company rather than the large number of individual American shareholders. B.A.T. thus "became an instrument of British rather than American tobacco interests" (9). Many American shareholders sold their shares and by 1914 a majority (69.8 percent) of the shares belonged to British interests and only 23.8 percent were held in the USA (10). Bearing in mind the substantial British interest in B.A.T. from its inception and its eventual control, for the purpose of this study it is regarded as if it were a British company throughout.

(B) THE EARLY YEARS OF B.A.T. IN CHINA.

Tobacco was no stranger to China. However, cigarette smoking was slow to develop with pipe smoking being the predominant use of the plant. The modern cigarette was brought to China by Mustard and Company, then an American owned firm engaged in the general importing business in China and who became the agents of the American Tobacco Company (11). Mustard and Company had from 1891 a pioneer cigarette factory in Pudong working for it under the control of a Danish partner named Laurits Andersen (12). Progress in developing the market was slow – it was not until 1894 that imports of cigarettes warranted separate classification by the Imperial Maritime Customs. Progress, however, was enough to encourage the entry of another Western producer – the American Cigarette Company. Connected with the American Trading Company, this had an initial, issued capital of 75 thous. taels (£11 thous.) on its formation in 1896 (13) which was soon increased to 150 thous. taels (£23 thous.). The factory was also in Pudong. In 1898 the Company was able to pay a dividend of 6% (14) and in 1899 2% (15). In 1900, however the Company made a loss of 22 thous. taels (£2.8 thous.) (16).

A number of British manufacturers also began to export to China – in particular, starting in 1892, W.D and H.O. Wills through the agency of Rex and Co. In August, 1902 W.D. and H.O. Wills acting for the Imperial Tobacco Co. purchased the American Cigarette Co. for 190 taels (£23 thous.) (the factory had been shut for some time) (17).

Thus both partners in B.A.T. had small footholds in China and B.A.T quickly began to rationalise this inheritance. The American Cigarette Co. with its Pudong factory was taken over and in September, 1905 was reformulated as the British Cigarette Company, Ltd. (18). In November, 1903 B.A.T. purchased a controlling interest in Mustard and Company, Ltd., forming a company of the same name (19). (Appendix One gives a chronology of the various companies that were in the B.A.T. Group in China). The agency arrangements with Rex and Co. were thus terminated in 1904 (20).

These operations in China taken over by the newly formed company were modest – employing only 171 persons in 1902 and 300 in 1903 (21). However, by 1906 the Company employed 2,500 in China (21). Frustrated by Government action in Japan (see under Murai Brothers Co., Ltd. in Appendix One) B.A.T. concentrated its considerable strength and skills in the Chinese market. It utilised the techniques, described above, that were successfully used by one of its parent companies – that in the USA :-

(i) Mass production.

Utilising imported modern machinery, the Company vastly increased its production base in China :-

“.... the property of the British Cigarette Company in Shanghai turns out 8,000,000 cigarettes a day, and the same company has just erected a factory in Hankow capable of a similar output. The ...factory in Shanghai... has a staff of some 33 foreigners (British and American) in addition to a large number of travelling agents in the interior...” (22).

This factory in Pudong, built up from the original American Cigarette Company plant, was followed, as noted, by an even larger one (capacity of 10,000,000 cigarettes a day) in Hankou (in the tri-city of Wuhan) – further extended in 1911. In Manchuria B.A.T. faced strong competition from the Japanese Tobacco Monopoly (23). (The long lasting competitive interface of B.A.T. with Japanese tobacco interests in Manchuria is described in PART IV (C)). To contain these Japanese incursions B.A.T. opened a cigarette factory in Shenyang in 1908 with a capacity of 2,000,000 cigarettes a day (24). This presence in Manchuria was supplemented by acquisition. In 1914 B.A.T. acquired a majority interest in the Russian company of

A.Lopato & Sons. (25). Their factory in Harbin had a capacity for Russian type cigarettes of 250,000 a day (26).

Production of cigarettes in China by B.A.T. reached 5,135 million by 1912 (see Table Three) but such was the upsurge in demand for cigarettes, particularly instigated by B.A.T., that for a long time the firm had to rely for a substantial part of its sales coming from its dedicated export plants in the USA and UK. From import/export figures and a comparison of production figures with B.A.T. sales figures for China (see Tables Three and Four) the proportion of B.A.T. cigarette sales in China supplied by Group imports was roughly as follows :-

1910	60%
1912	30%
1915	40%
1920	22%
1925	19%
1930	11%
1935	0.5%
1940	0.3%

B.A.T. from its early days in China integrated its manufacturing backwards to produce items previously imported. As soon as the Company had its first modern cigarette factory operating satisfactorily it installed a modern printing plant (before the First World War the largest in the World) on the same site. Apart from producing the printed matter used in wrapping and packing the Pudong plant's cigarette output the department had a large staff of designers and lithographic artists who produced posters, calendars, hangers, etc for the Company's advertising work. The Company also began to manufacture in Pudong cardboard boxes, tin boxes and cases used for transporting its cigarettes. It later produced tin foil for packaging. Another move was the installation of an engineering department at Pudong making spare machine parts, etc – again reducing imports.

(ii) Strong and effective selling effort.

Although written by a sympathetic source (the local Branch of Reuters) it is fair to state that:-

“Probably no foreign company has done more to open up direct trade with the interior than the British- American Tobacco Company....” (27).

The Company showed remarkable energy in setting up an extensive distribution system. Sales offices, headed by Western sales representatives, were set up in regional centres. Backing this was a network of supporting warehouses:-

- in 1912 there was “probably not a city of any size in the eighteen provinces where such warehouses have not been established by the British-American Tobacco Company.” (28).

This effort at local level was backed up by Chinese staff and agents. The wholesale dealers had restrictions keeping them to B.A.T. brands and small dealers had similar arrangements with these wholesale dealers. Agents were appointed on a commission basis and were closely supervised by B.A.T. inspectors. The relationship with Chinese staff and agents was vital to B.A.T. in its distribution network. B.A.T. adopted credit policies and currency payment methods to suit Chinese requirements.

(iii) Advertising and promotion.

The sales effort was backed up by a surprisingly modern sales promotion and marketing effort. This novel effort extending to many areas made a strong impression on contemporaries :-

TABLE THREE.
PRODUCTION OF CIGARETTES BY B.A.T. - Million

	Shanghai	Hankou	Tianjin	Qingdao	Manchuria*	Total	Hong Kong	Total
1912	2,885	1,924	-	-	326	5,135	-	5,135
1913	3,259	2,008	-	-	456	5,723	-	5,723
1914	2,818	770	-	-	293	3,881	-	3,881
1915	3,326	1,279	-	-	-	4,605	-	4,605
1916	3,761	1,702	-	-	-	5,463	-	5,463
1917	4,156	1,595	-	-	-	5,751	-	5,751
1918	6,141	1,430	-	-	115	7,686	-	7,686
1919	9,161	2,386	-	-	475	12,022	-	12,022
1920	9,440	2,756	-	-	1,170	13,366	-	13,366
1921	9,266	3,246	-	-	1,385	13,897	-	13,897
1922	9,152	3,121	1,186	-	1,935	15,394	-	15,394
1923	10,634	3,538	2,868	-	2,934	19,994	-	19,994
1924	14,273	5,801	4,986	100	2,722	27,882	-	27,882
1925	9,356	5,253	5,991	800	3,058	24,458	-	24,458
1931	12,601	5,739	6,583	4,935	2,907	32,765	290	33,055
1932	15,326	33	6,033	3,950	2,255	27,597	439	28,036
1936	16,475	7,228	6,188	4,756	9,571	44,218	569	44,787
1937	18,449	9,537	8,871	6,736	11,618	55,211	1,017	56,228
1938	11,914	7,521	7,003	4,370	10,716	41,104	1,822	42,926
1939	17,852	813	6,637	6,082	9,983	41,367	1,497	42,864
1940	17,247	1,857	7,187	5,935	9,285	41,511	1,948	43,459
1941	18,144	1,775	8,038	6,552	8,224	42,733	3,260	45,993

Source: *Ying Mei Yan Gongsi zai Hua qiye ziliao huibian* - pages 1635-6

* Shenyang plant out of action because of fire in 1914 - output not resumed until 1918. Production by A. Lopato and Sons not included until 1922.

Note : in 1935 production in Mainland China with the exception of Manchuria was distributed as follows :-

B.A.T.	50.5%
Other foreign producers	0.8%
Chinese producers	48.7%
- in Shanghai	46.2%
- Other locations	2.5%

Note : The B.A.T. share of total output was :-

	Percent
1931	58.7
1932	61.4
1933	58.4
1934	52.4
1935	55.6
1936	62.5
1937	66.3
1938	76.6
1939	69.8
1940	62.4
1941	65.5

Source: *Ying Mei Yan Gongsi zai Hua qiye ziliao huibian* - pages 235-6.

TABLE FOUR.

SALES OF CIGARETTES IN CHINA BY B.A.T. - Years ending September 30th

	<u>Million</u>	<u>As percentage of total B. A. T. sales*</u>
1902	634	n.a.
1909	4,468	n.a.
1910	5,277	n.a.
1911	6,497	n.a.
<u>1912</u>	7,147	n.a.
1914	9,398	n.a.
1915	8,956	n.a.
<u>1916</u>	9,649	n.a.
1918	13,360	n.a.
1920	17,021	n.a.
1921	17,781	46.8
1922	20,285	50.8
1923	25,474	52.1
1924	31,731	53.6
1925	29,398	48.2
1926	29,021	43.2
1927	28,135	38.9
1928	25,821	33.6
1929	41,022	41.8
1930	43,895	44.3
1931	41,188	45.6
1932	39,857	44.3
1933	39,598	41.9
1934	35,408	35.8
1935	37,639	29.3
1936	43,869	35.3
1937	55,931	37.9
1938	45,097	31.6
1939	43,597	30.3
1940	44,276	30.5
1941	44,745	29.4

*Figures for total B.A.T. sales derived from Cox op. cit. page 11.

- in Yingkou (Liaoning) in 1905 B.A.T. put up 2,000 large placards and 200 signboards (29).
- in Kaifing (Henan) in 1907 "the whole city has been placarded with thousands of staring B.A.T. advertisements" (30)
- in Chengdu (Sichuan) in 1911 "cigarette men have...invaded the city and threaten not to leave until the place is well infested with cigarettes" (31).

By the 1920s advertising costs were about half of B.A.T. China's selling costs. In the year ending September, 1919 they were 40.9% of selling costs and by June, 1922 they were 50.6%. (32) – a similar ratio pertained in mid 1921 and mid 1923.

In later years B.A.T. extended its advertising efforts to include film production at their Motion Picture Department (a plant came on stream in Shanghai in 1924 producing newsreels, documentaries, etc – a "miniature Hollywood" (33) - although this was a short-lived venture) and outdoor electric signs. (The illuminated B.A.T. clock in Shanghai had a diameter of 22 feet (34)).

B.A.T. was very conscious of the need to establish and protect Group brand names. Over the years these amounted to an extraordinary amount – the number of B.A.T. Group trademarks registered in Nanjing amounted to 534 in October, 1928 and 603 in June, 1941 (35). At first the emphasis was on translated brand names from the UK and the USA but these were followed by specific Chinese brands. As early as 1907 B.A.T. was involved in legal action against the San Shing Tobacco Co. for alleged infringement of their "Sweet Caporal", "Pirate" and "Three Castles" brands (36).

The development of local B.A.T. output and the strong sales/marketing effort led to a sharp upsurge in B.A.T. sales of cigarettes in China although there was a slight setback in profitability with the Anti-American boycott in 1905 – hence the change in the name of the main Group company in China from American Cigarette Company, Limited to British Cigarette Company, Limited in September, 1905 (37). The ratio of net income to sales in 1905 was slightly down on the average for 1902-4 (38).

In terms of quantity, sales of cigarettes by B.A.T. by 1909 were 7 times higher than in 1902 and by 1912 11 times higher – see Table Four. In addition to cigarettes B.A.T. also sold other tobacco items in China although these were small in comparison (39).

(C) THE ZENITH OF B.A.T. IN CHINA.

Despite interruptions to growth caused by military action and civil disturbances (for example, in 1923 two employees were seized by bandits (40)), labour disputes and boycotts, etc B.A.T. dramatically expanded its interests in China and by the mid-1930s these were, indeed, considerable. (By far the most critical for B.A.T. of these disturbances was the May Thirtieth Movement of 1925 – see below)... Production and sales of cigarettes peaked in 1937 (see Tables Three and Four). Production of cigarettes in 1920 was two and a half times greater than in 1912. 1937, in turn, was over four times that in 1920. The total increase 1912 to 1937 was 995% (Table Three).

By 1937 B.A.T. had registered over 30 companies in China (see Appendix One) with a capital totalling \$288 million (£18 million at current exchange rate). As Appendix One shows some of these were in fields not directly connected with the tobacco industry :-

- import/export business.

- non-life insurance and other financial services. (A UK based subsidiary of B.A.T. was Tobacco Insurance Company, Limited).

The capital of the flagship company of the tobacco operations – British American Tobacco Company (China), Limited – was \$216 million (£13 million) in the same year. B.A.T.'s first lead company in China – The American Cigarette Co., Ltd., reformed as the British Cigarette Co., Ltd. in 1905 – was the first such body. It was replaced by the British American Tobacco Company (China), Ltd in 1919 which was originally 97.5% owned by the B.A.T. parent company. There were alterations to the organisation in the 1930s – the first being the setting up of a separate company to comprise the bulk of operations in Manchuria – the Chi Tung Tobacco Company. From November 1st, 1934 the following two companies took over the business of the British American Tobacco Company (China), Ltd. in Mainland China except the Japanese puppet state of Manchukuo :-

- Yee Tsoong Tobacco Company, Ltd. – manufacturing operations.
- Yee Tsoong Tobacco Distributors Company, Ltd.

(This move disguised to some small extent the fact that the companies were British owned. The main reason was, however, to attempt to give the Company more of a local identity).

Apart from operations in Hong Kong the British American Tobacco Company (China) Ltd. thus mainly became a holding company. Its 1937 issued capital of \$216 million, as noted above, was an increase of the following on that of its counterpart, the British Cigarette Co., Ltd :-

	(a) <u>In dollar terms</u>	(b) <u>In £ terms – converted at average for the year</u>
On 1905	6,859%	4,382%
On 1918	1,859%	279%

Total assets (less goodwill) (41) on the same comparison developed as follows :-

	(a)	(b)
On 1907	3,958%	2,426%
On 1914	1,673%	1,095%

By 1937 B.A.T. had in China :-

- 10 cigarette plants plus one in Hong Kong.
- 6 leaf-curing plants.
- 6 printing plants (at Capital Lithographers).
- a foundry (Acme Foundry, Ltd).
- an engineering department at the original Pudong factory. This was a centre of innovation and excellence in the B.A.T. Group. Its skilled workforce assembled machines for B.A.T. factories – not only in China but elsewhere in the East (42).

Major expansions in cigarette making capacity were as follows. In 1917 the Thorburn Road factory was opened in Shanghai and in 1921 a large plant came on stream in Tianjin (43). In 1924/5 another factory was opened in Qingdao (44) near the American style tobacco fields that B.A.T. was mainly instrumental in creating (see below). In 1929 a satellite plant with 25 cigarette machines was established in the Hankou area (closed in 1938) and a small factory was set up in Hong Kong to serve primarily the South China market (45) (Hong Kong was the location of its leading Chinese owned competitor's original plant - see below). In 1934 another small plant (only six machines) was opened in Liaoying in Manchuria – replaced in 1939 by a larger plant (20 machines) in Yinkou, also in Manchuria (46). In 1937 a third factory was established in Shanghai (47). During the 1930s the capacity of the original cigarette factory at Pudong was

run down in favour of expansion at the Thorburn Road plant and the creation of this factory (See TABLE C in the STATISTICAL ANNEX).

In 1937 the position was as follows as regards B.A.T.'s cigarette factories in Mainland China, which in total employed 17,047 workers, had 442 cigarette machines, and produced 55,211 million cigarettes (48) :-

	<u>Cigarette Machines</u> <u>Installed</u> %	<u>Cigarette</u> <u>Production</u> %	<u>Number of</u> <u>Workers</u> %
<u>Shanghai</u>	<u>38.4</u>	<u>33.4</u>	<u>36.9</u>
- Pudong factory	16.5	16.2	18.0
- Thorburn Road factory	18.1	16.6	15.4
- Number 3 factory	3.8	0.6	3.5
Hankou factory	8.8	10.4	10.5
Hanshui factory	5.9	6.8	6.1
Tianjin factory	15.2	16.1	10.5
Qingdao factory	12.2	12.2	9.7
<u>Manchuria</u>	<u>19.5</u>	<u>21.1</u>	<u>26.3</u>
- Shenyang factory	11.3	11.3	12.7
- Liaoying factory	1.4	2.7	4.0
- Harbin factory	6.8	7.1	9.6
<u>TOTAL</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

The B.A.T. machine park had peaked in 1930 at 505 machines and had declined by 12% by 1937 (49) (an obviously different figure in terms of cigarette output capability as any new machines installed were presumably more productive). This was despite a rise in Manchuria. The main falls were at Tianjin and the original plant at Shanghai – not outweighed by the rise at the Thorburn Road factory and the new factory.

In terms of the labour productivity of the various B.A.T. plants in China the star plant, as one would expect, was the new factory in Shanghai – in 1940 1,901 cigarettes per worker per hour (50). Both at this plant and at Thorburn Road (1,479 cigarettes per worker hour in 1940 (51)) output per head was well above the level of the long established pioneer factory. Output per head was very low at the Manchurian factories (for example 706 cigarettes per worker hour in 1940 at the Shenyang factory (52) and 691 at the Harbin factory (53)) but a large element of this can be explained by the large proportion in their output of Russian type cigarettes.

Table Five gives the geographical split of B.A.T.'s cigarette sales. What is instantly apparent is the wide distribution of sales – these figures contradict firmly any suggestion that the activities of British companies were confined to the Treaty Ports and the coastal strip generally. Admittedly, there were some regions of relatively low presence like, for example, Guangdong where, until the outbreak of war in 1937, B.A.T. faced severe competitive pressure from its leading Chinese competitor of Nanyang Brothers Tobacco Company – see below. The effect of the outbreak of hostilities in 1937 was obviously to increase B.A.T.'s market share in certain areas such as Guangdong and Shanghai due to the physical destruction of Chinese owned cigarette factories. One area, however, where the B.A.T. presence in the cigarette market declined both proportionately and absolutely after 1937 was Manchuria. This is described in PART IV (C).

TABLE FIVE
B.A.T. - SALES OF CIGARETTES IN CHINA BY REGION* - MILLION

	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941
Manchuria	5,985	4,386	6,518	7,618	8,738	8,912	10,998	10,878	9,034	9,033	8,296
Border Region	715	757	809	878	767	850	1,342	1,355	1,561	1,169	498
Northern Region	2,390	2,239	2,054	2,624	2,743	3,105	3,350	4,665	4,737	6,423	5,879
Luhan Region	3,216	3,359	2,567	1,799	2,017	2,243	2,953	1,923	2,763	5,230	3,049
Beijing Region	1,003	1,108	1,139	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Shandong Region	5,738	4,785	3,985	2,843	2,881	3,376	4,435	2,089	3,609	2,994	4,583
Henan Region	2,231	2,355	2,158	1,719	1,632	2,150	2,630	1,310	117	463	n.a.
Hubei Region	4,663	3,867	4,197	3,597	3,619	3,721	5,653	4,434	1,634	1,709	1,556
Hunan Region	824	889	1,026	913	876	955	1,337	1,138	324	860	n.a.
Jiangxi Region	638	532	573	668	534	584	869	239	6	8	5
Shanghai Region	3,018	2,208	2,280	2,062	2,624	3,197	3,355	7,987	8,898	4,487	8,058
Eastern Region	4,663	5,654	5,377	4,518	4,868	5,713	6,277	2,178	2,465	2,980	2,167
Nanjing Region	3,865	4,412	4,162	3,236	3,577	4,802	6,427	473	2,553	7,911	4,687
Sichuan Region	752	948	775	637	439	998	1,541	1,156	429	125	194
Guangdong Region	321	405	416	530	334	740	1,470	1,860	1,067	1,070	1,322
Guangxi Region	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	129	56	72	n.a.
S. China Region	1,099	1,020	778	1,028	1,202	1,290	1,561	1,525	2,195	616	978
Yunnan Region	194	193	255	166	168	207	301	198	541	99	n.a.
Hong Kong	517	433	517	475	568	590	766	870	881	1,511	1,861

*Including sales via Wing Tai Vo Tobacco Corporation.

Source: *Ying Mei Gongsi zai Hua qiye ziliao huibian* - pages 734-746.

TABLE FIVE - Continued
B.A.T. - SHARE OF SALES OF CIGARETTES BY QUANTITY IN VARIOUS REGIONS*
- PERCENTAGE -

	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941
Manchuria	77.8	72.3	74.0	71.0	71.9	69.1	74.1	67.2	53.2	49.9	45.6
Border Region	91.6	96.0	90.3	86.4	80.4	82.1	82.5	87.3	75.0	67.3	46.2
Northern Region	79.8	82.3	73.7	75.7	78.0	83.2	84.0	71.2	67.9	81.0	53.4
Luhan Region	87.1	94.8	81.3	70.0	70.3	72.1	70.0	97.7	88.0	74.6	67.9
Beijing Region	79.8	83.5	77.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Shandong Region	86.0	80.7	76.2	69.9	81.0	89.4	89.0	91.7	82.3	59.7	68.8
Henan Region	88.6	85.9	83.6	86.5	82.3	83.2	78.1	90.6	91.4	72.7	n.a.
Hubei Region	84.9	86.0	86.0	79.9	81.1	80.1	74.4	87.3	60.6	35.3	36.6
Hunan Region	63.8	74.0	80.3	76.6	72.6	79.9	81.4	85.7	94.2	81.8	n.a.
Jiangxi Region	52.1	43.0	44.9	41.0	56.1	60.8	63.8	47.3	87.9	40.3	34.6
Shanghai Region	49.1	42.1	42.1	33.9	42.4	53.4	54.5	78.1	67.4	47.6	69.1
Eastern Region	44.6	54.7	54.6	50.5	47.2	66.1	62.4	57.8	46.0	58.6	56.5
Nanjing Region	40.8	55.7	52.4	43.6	48.7	53.9	57.9	66.7	63.7	73.9	72.2
Sichuan Region	91.4	96.2	70.9	37.6	21.6	42.0	57.4	75.7	75.0	38.6	41.2
Guangdong Region	8.2	9.0	9.1	12.5	8.3	17.3	32.9	60.7	73.8	70.2	60.5
Guangxi Region	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	52.1	48.2	83.4	n.a.
S. China Region	36.7	32.0	23.6	36.0	43.8	46.8	54.7	69.6	74.0	46.0	53.0
Yunnan Region	66.6	57.2	65.2	62.7	56.9	68.0	63.7	69.7	71.6	49.2	n.a.
Hong Kong	37.2	28.3	41.2	31.0	38.3	44.2	44.6	48.0	40.0	55.5	63.7

* Including sales via Wing Tai Vo Tobacco Corporation.

Source: *Ying Mei Yan Gongsi zai Hua qiye ziliao huibian* - pages 734-746.

(D) THE INTERFACE OF B.A.T. WITH CHINESE INTERESTS IN THE TOBACCO INDUSTRY.

It is important to realise that this issue is not clear-cut in that considerable Chinese interests were linked to B.A.T.. Chinese participation in B.A.T. in China took two forms :-

(a) As shareholders.

As they were private companies it was impossible for anyone in China to buy shares in the B.A.T. subsidiaries in China. They could, of course, buy shares in the parent company in London. With the primary object to influence the Chinese elite in its favour after the May Thirtieth Incident, the British-American (China) Tobacco Securities Company, Limited was incorporated in May, 1926. Divisional managers were requested to suggest influential individuals to be offered the \$100 shares at a 15% discount (54). The authorised capital was \$20 million. By its constitution every \$ invested in this company was applied to purchase the equivalent amount in the shares of the British-American Tobacco Company (China), Ltd. Four out of the eleven directors of this finance company were Chinese – the balance from British-American Tobacco Company (China), Ltd. (55).

By January, 1927 the issued capital was \$7,000,000 and by January, 1928 \$9,866,200 (56). It then remained at this figure. Thus, the share of the issued capital of the British-American Tobacco Company (China), Ltd. held by this route was relatively small – varying around 5 percent :-

1927 3.9%
1928 5.1%
1933 onwards 4.6%

(b) As participants in B.A.T.'s Chinese Operations.

It was not until the formation of the Yee Tsoong Tobacco Company in 1934 that a Chinese director (C.S.Chen) was appointed to the Board of a main B.A.T. company in China (57). Also, there was no Chinese in the senior management of the factories. It was in the selling function that Chinese presence was important – without it the Company could not have achieved its wide geographic coverage. Thus, the Group's selling company of Yee Tsoong Tobacco Distributors Company, Ltd. had in 1938 17 out of its 24 sales offices headed by Chinese managers or agents (see Appendix One). The role of the Chinese employees included recruiting and maintaining relations with agents and, in some cases, sub-agents. B.A.T. mainly built on a traditional network of merchants already versed in handling commodities other than cigarettes (58). The inhibition on foreign firms acquiring property outside the Treaty Ports favoured this approach as it restricted B.A.T. building up their own warehouse network. The wide extent of this marketing network, as confirmed by the area sales figures in Table Five, would appear to run contrary to assertions that there were many geographic areas of China where traditional non-factory tobacco products (mainly for pipes) or Chinese factory or workshop production of cigarettes were not subject to direct or non-direct competition from B.A.T. (The assertion in mind is that by Albert F. Feuerwerker that "Anyone who would claim that the Hunan or Szechwan peasant in the 1930's dressed in Naigaiwata cottons, smoked BAT cigarettes and used Meiji sugar has a big case to prove." (59)).

Beyond the marketing network described above, B.A.T. also had distribution channels in which Chinese participation was paramount and which covered a large area – in particular via the Wing Tai Vo Tobacco Corporation (there were other examples such as the Union Tobacco Company for a short period (1912-1920) - see Appendix One - and the San Ho Cigarette Company (60)). Wing Tai Vo, a long

established merchant concern, had an agency connection with B.A.T. or one of its predecessors (Wills) going back to the 1890s (61). In 1921 a joint venture (51% B.A.T./ 49% Chinese) – the Wing Tai Vo (Yongtaihe) Tobacco Corporation – was formed to carry on this operation. This move was described by B.A.T. as “an example of a foreign company turning over one of the principal branches of its business to a Chinese organisation.” (62). This agreement became lucrative to the owners of the Chinese concern, in particular the general manager Cheng Po-chao – Zheng Bozhao. – in addition to the profits of the operation they received commissions on the results (63). The company had rights in particular for the distribution of the very popular “Ruby Queen” brand and the “Victory” brand (64). The proportion of B.A.T. sales of cigarettes (in terms of quantity) in China accounted for by this company was at its highest in 1941 (38.2%) followed by 1923 (35.5%) and at its lowest in the early 1930s – especially 1934 (18.5%) (65). By geographic area the proportion of B.A.T. sales accounted for by this company was at its highest in Shanghai (77% in 1937), the “Eastern Region” – the area near Shanghai (65% in 1937) and Nanjing (34% in 1937) (63). The Company made little sales to Manchuria and Southern China (66).

The Company’s strength in the lower Yangzi and the reduction in local competition after the 1937 hostilities was an important influence in its share of total B.A.T. business. Thus, cigarette sales by the Wing Tai Vo Tobacco Corporation to Shanghai increased from 2,608 million in 1937 (and 2,456 million in 1936) to 6,641 million in 1941 (67). In 1941 the share of the Company in the Shanghai cigarette market was 56.9 percent as against 42.4 percent in 1937 while that of other B.A.T. sales remained virtually constant at 12.1 percent in 1937 and 12.2 percent in 1941 (68).

(1) Development of Chinese competition to B.A.T.

Over the whole period under review the principal competitor to B.A.T. in the Chinese market was local Chinese manufacturers. Excluding the position in Manchuria, competition to B.A.T. from foreign interests was modest until the Japanese incursion in 1937. In 1935, for example, production of cigarettes in China excluding Manchuria by foreign competitors to B.A.T. accounted for only 0.8% of the total (Table Three).

(i) European competition. (see PART IV (B))

Competition from European sources was slight and diminished over time. By 1914 there were seven competitive enterprises operating – 4 Greek and 3 Russian. By 1939 there were only two (See Table Eight). Competition in Manchuria from Russian enterprises was reduced by the merger of interests with the Lopato company and the other Russian company of any importance (Tschurin Tobacco Company) was relatively small (See PART IV (B) below).

(ii) American competition (69).

A subsidiary of the American based company of Tobacco Products Corporation set up a cigarette factory in Shanghai in 1917 but by 1925 their Chinese operation was making a loss and was taken over by B.A.T. In addition, one of the leading American tobacco firms – Liggett and Myers – attempted in the early 1920s to seriously penetrate the Chinese market (without, however, setting up local production). In 1927, however, B.A.T. bought control of Liggett and Myers’ business in China. Part of the consideration was the issue to Liggett and Myers of \$2.5 million in ordinary shares in British-American Tobacco Company (China), Ltd. – 1.9% of the enlarged total. B.A.T.’s strength in marketing and distribution were key factors in beating off competitors.

(iii) Japanese competition.

From the early days Manchuria was the main area in which Japanese interests competed with B.A.T. It was not, as noted, until after the Japanese full invasion of China that Japanese involvement in the tobacco industry in China other than Manchuria became significant. (PART IV (C) gives a fuller account of the competitive interface between Japanese interests and B.A.T.).

Shortly after B.A.T. entered the field in China a small domestic producer started up. The boycott wave against the USA in 1905 was a catalyst. There sprang up about 20 local producers (70). Also in 1905 the Nanyang (literally "South Seas") Tobacco Company, of which more below, was founded and opened a factory in Hong Kong. However, after the boycott died down B.A.T. succeeded in driving a considerable proportion of these Chinese enterprises out of business by its well tried methods of price slashing, exclusive dealing agreements, vigorous protection of its brands, etc (71).

The Nanyang Tobacco Company shared the fate of other Chinese companies and folded in 1908. It was, however, reorganised as the Nanyang Brothers Tobacco Company (Nanyang Xiongdi Yancao Gongsi)* in 1909 and production was resumed (72). By 1911 the Company was making profits and by 1916 the Hong Kong factory had 31 machines and was producing 4 million cigarettes a day (73). From 3.5% of B.A.T.'s sales by quantity in 1912 it had risen to 13.6% in 1916. Until the First World War the Company had sold virtually all its output to South East Asia and, to a lesser extent, Hong Kong. However, by 1915 it had started to develop sales to Mainland China – "even North China invaded to some extent" (74) – although the main initial thrust was in Guangdong. In 1917 the Company vastly increased its presence in the Chinese market by opening a factory in Shanghai. B.A.T. reacted sharply to this first serious attempt to end its hegemony in the Chinese market. The usual techniques of price cutting, matching the opposition's most profitable brands etc were employed plus more disreputable tactics such as buying Nanyang's cigarettes and then reselling them when mouldy and playing the xenophobic card by exaggerating Nanyang's Japanese connections (75). Serious discussions for a merger between the two companies took place in 1914, 1917 and 1919-1921 but did not come to fruition (76). To overcome a chronic shortage of capital the Chinese company became a public company in 1919. The authorised capital was initially \$5 million but increased to \$15 million by 1923 – all issued. This was 9% of the issued capital of British-American Tobacco Company (China), Ltd. at the same date. The Company had by then survived the B.A.T. attacks using vigorous competitive methods itself. By 1918 its total sales of cigarettes were about a third of those of B.A.T. In the early 1920s the Company enjoyed excellent progress – in 1920-1923 its sales in value terms rose by 28% and dividends in 1920-22 were 17% per annum (albeit tapering off to 12% in 1923 and only 4% in 1924). The Company also built up its financial strength – retentions were 42% of net profits in 1923 and 60% in 1924. In the peak year of 1920 net profits were 19.4% of sales – 26.5% in the case of the Shanghai operation.

In the years 1920 to 1923 dividends by Nanyang Brothers were well in excess of those of B.A.T. (China). However, comparison of dividends paid between Nanyang Brothers and B.A.T. (China) is very misleading as a guide to the relative profitability of the two enterprises. B.A.T. adopted a very cautious policy as regards dividends paid by the various companies in the Group. The ratio of retentions to earnings

*A particularly useful source, widely used here, on Nanyang is Wang Shijan: *Nanyang xiongdi yancao gongsi shiliao*. (Source material for the history of the Nanyang Brothers Tobacco Company). 1958.

TABLE SIX.
COMPARISON OF CIGARETTE SALES IN CHINA BY B.A.T. AND OTHER COMPANIES

	<u>B.A.T.</u>		<u>OTHER COMPANIES</u>		<u>TOTAL</u>	
	<u>Million</u>	<u>%</u>	<u>Million</u>	<u>%</u>	<u>Million</u>	<u>%</u>
1923	25,474	79.3	6,632	20.7	32,106	100.0
1924	31,731	82.1	6,935	17.9	38,666	100.0
1925	29,398	77.1	8,744	22.9	38,142	100.0
1926	29,021	70.4	12,202	29.6	41,223	100.0
1927	28,135	67.7	13,425	32.3	41,560	100.0
1928	25,821	61.1	16,422	38.9	42,243	100.0
1929	41,022	68.4	18,951	31.6	59,973	100.0
1930	43,895	65.3	23,341	34.7	67,236	100.0
1931	41,188	60.1	27,298	39.9	68,486	100.0
1932	39,857	62.3	24,141	37.7	63,998	100.0
1933	39,598	59.9	26,492	40.1	66,090	100.0
1934	35,408	54.9	29,061	45.1	64,469	100.0
1935	37,639	56.9	28,473	43.1	66,112	100.0
1936	43,869	63.3	25,478	36.7	69,347	100.0
1937	55,931	67.2	27,324	32.8	83,255	100.0
1938	45,097	73.0	16,691	27.0	61,788	100.0
1939	43,597	64.1	24,397	35.9	67,994	100.0
1940	44,276	58.5	31,350	41.5	75,626	100.0
1941	44,745	59.8	30,136	40.2	74,881	100.0

Source: - *Ying Mei Yan Gongsi zai Hua qiye ziliao huibian*. Page 733.

was generally high. Thus, the operating performance of B.A.T. in China was overall markedly better than that of Nanyang Brothers. One factor in this was B.A.T.'s greater access to locally grown American "bright" tobacco (see below). Thus, in the four years 1933-1936 the share of raw materials in B.A.T.'s total manufacturing costs was 3 percentage points lower than that of Nanyang Brothers (77).

Despite the emergence of this first serious, and seemingly well established, competitor to B.A.T. progress by local competitors was overall slow. By 1924 there were only 16 Chinese owned tobacco factories and in that year the B.A.T. share of sales of cigarettes in China was 82% (see Table Six).

The May 30th Incident of 1925 markedly changed the situation to the detriment of B.A.T. The firm's plants in Shanghai and also the factory in Hankou were hit by strikes. The Shanghai workers stayed on strike for 124 days helped by a subvention of \$100,000 from Nanyang (78). B.A.T. was also hit by a more serious move – a boycott in which its products were declared unpatriotic. This lasted until 1926. Nanyang were prominent in the May 30th movement – playing the patriotic card to the utmost and organising a vigorous campaign against B.A.T. with no holds barred – including violence :-

....." the Nanyang Tobacco Co. are more responsible than any other agency in the promotion of the Boycott movement" (B.A.T. to British Consulate General (79)).

The effect of the boycott on B.A.T.'s sales was significant but apparently not nearly as serious as suggested by contemporaries or more recent studies e.g. by Sherman Cochran in Big Business in China. Sino-Foreign Rivalry in the Cigarette Industry, 1890-1930 (80). Here, after quoting contemporary sources reporting on various areas of the country, he concludes that "throughout China B.A.T. sales came crashing down" and "... the market for B.A.T. goods collapsed". (Part of the difference in view could lie in the fact that the B.A.T. sales figures quoted below would refer to shipments to dealers not to final offtake at the consumer level. It is obviously impossible to assess the build-up of stocks between the factory and final consumption.). Sales of cigarettes by B.A.T. fell by 7.4% in the twelve months to end September, 1925 as compared with the previous financial year to September, 1924 and by a further 1.3% in the financial year to September, 1926 (Table Six). Nanyang Brothers Tobacco Company clearly benefited from B.A.T.'s problems – its net profits in the financial year to end October, 1926 at \$2,301 thous. were 89% above the 1925 financial year figure of \$1,220 thous. although below the levels of 1920-23. Sales in value terms were up by 45 percent over the previous financial year (81).

Another serious effect on B.A.T. of the May 30th Movement was the mushroom growth of Chinese cigarette companies. Admittedly, these tended to be small and poorly capitalised but in aggregate they further threatened B.A.T.'s preponderance. No less than 28 such companies were listed in Shanghai between May 30th, 1925 and July 8th, 1925 (82). Chinese owned factories developed thus (83) :-

	<u>Shanghai area**</u>	<u>Other</u>	<u>Total</u>		<u>Shanghai area**</u>	<u>Other</u>	<u>Total</u>
1924	14	2	16	1931	64	23	87
1925	51	1	52	1932	60	23	83
1926	105	n.a.	n.a.	1933	n.a.	n.a.	95
1927	186	n.a.	n.a.	1934	84	26*	110
1928	94	34	128	1935	67	n.a.	n.a.
1929	79	n.a.	n.a.	1937	45	12	57
1930	65	n.a.	n.a.				

* Of which 8 in Qingdao – no other location with more than 3.

** In 1935 accounting for 95% of cigarettes produced in Chinese factories.

The net result of the above movements was that by 1928 B.A.T.'s share of cigarette sales in China was down to 61% against 82% in 1924 and the volume of sales 19% down – see Table Six.

However the situation was completely reversed with B.A.T. sales increasing by 59% in 1929 coupled with a seven percentage point increase in its share of cigarette sales – see Table Six. There was a mass failure of Chinese cigarette companies – see the table immediately above. Even given favourable trading conditions many of the recent entrants would have failed being small and under capitalised but the crisis was strong enough to adversely affect the larger companies. Thus, to take the bellwether of the Chinese cigarette industry – Nanyang – its sales fell from \$27.3 million in 1927 to only \$13.4 million in 1929 – a decline of 51%. Losses in 1929 were \$3.2 million (1928 \$2.25 million) – 23.8% of sales – 29.5% in the case of the Shanghai operation. In December, 1928 the Company closed the smaller of its two factories in Shanghai with a loss of 2,700 jobs (84). This factory in Pudong had only been opened three years previously. In February, 1930 the Company's factory at Broadway East was mothballed (85). (Production in Shanghai was resumed in 1932). All sales were to be supplied from Hong Kong. The company attributed its misfortunes to as follows (86) :-

“Taxation is more than five times what it used to be. We have to compete with the better financed foreign cigarette companies. We have been unable to increase our prices because every time we increase them, the Government... has hampered us by imposing heavier taxation.”

The Company also blamed the high cost of raw materials, “exchange against us” and “wages never so excessive”

The Company experienced considerable labour trouble in Shanghai in 1929/30 and the North China Herald (87) could not resist pointing out that :-

“Certain officers of the company took a very ill-advised step when they gave encouragement to the labourers of rival firms, thus eventually preparing a rod for their own backs.”

This weakening of the Chinese cigarette industry was due to the following factors :-

- (a) Price reductions by B.A.T.
- (b) A Government ruling against offering of prizes by private concerns which affected the smaller Chinese companies.
- (c) Due to its strong position in obtaining supplies of American – breed tobacco from Shandong, Anhui, etc (see below) the proportion of imports in B.A.T.'s consumption of tobacco was much less than other companies. Thus, it was not hit as seriously as the great majority of Chinese tobacco firms by any deterioration in the exchange rate.
- (d) Military and other disturbances affecting transport was less of a burden on B.A.T. with its dispersed plants than on Chinese competitors who were overwhelmingly in Shanghai.
- (e) The introduction of a regressive tax schedule on cigarettes which benefited B.A.T. and penalised the great majority of Chinese firms – see below.

By 1935 the number of Chinese cigarette factories in Shanghai had shrunk to 67 as against 186 at its peak. (see above). The leading Chinese cigarette firm was a partly revived Nanyang Brothers which had restarted paying dividends in 1931 but was now only a relatively insignificant competitor to B.A.T. Its sales of cigarettes by quantity in 1937 were only 8% of those of B.A.T. as compared with around 26% in 1928.

Profitability of Nanyang was restored in 1931 but remained at a low level in the succeeding years. The other leading Chinese cigarette firms were even smaller in relation to B.A.T. (88) :-

	<u>Capital - \$thous.</u>	<u>1934/35</u> <u>No. of cigarette machines</u>
B.A.T.	215,540	407
Nanyang Bros. Tobacco Co*	11,250	85
Hwa Ching Tobacco Co.	3,600	33
Foh Chong Tobacco Co.	300	8
China Tobacco Mfg. Co.	300	15
Hwa Tung Tobacco Co.	200	12
Hwa Dah Tobacco Co.	200	10
Men Chung Tobacco Co.	200	6
Wha Mei Tobacco Co.	150	5

*Capital reduced from previous \$15,000 thous. Figures include Hong Kong operation.

The outbreak of hostilities in 1937 caused great damage to the Chinese-owned cigarette industry. In Shanghai out of the largest 18 concerns of the 45 then in operation, 8 were destroyed with a loss estimated at over \$5 million (89). The two largest factories – Nanyang and Hwa Ching, - employing 6,000 between them were heavy sufferers. By 1938 B.A.T.'s share of cigarette sales in China at 73% was at its highest level since 1924 (Table Six).

(2) Assessment of the Record of B.A.T. in its Dealing with the Competition of Local Producers.

With the financial strength of the B.A.T. Group, its strong technical lead, advertising and marketing flair coupled with its clever use of pre-existent Chinese channels of widespread distribution, it is clear that competitors would not find matters easy. What is at issue is how far B.A.T.'s defence against Chinese cigarette companies was also buttressed by :-

- (a) Oppressive business practices.
 - (b) Utilising their strength and diplomatic connections to gain favourable treatment from the authorities with resultant competitive advantage.
- (a) There seems no doubt that on occasion B.A.T. did use practices which were ruthless exploitation of its strengths – price wars, exclusive dealing arrangements, denigration of competitor's products, poaching of staff, etc. These tactics were not, as mentioned, unique to the Group's operations in China having been an essential part of the armoury of the American parent. Also, Nanyang Brothers, as the main competitor, were also culpable in this regard.
 - (b) The crux here is how far B.A.T. were able to pressure the Chinese Government of the day into granting them favourable treatment.

A tax on tobacco products performs a useful function of being an inexpensive and effective tax-gathering mechanism with its utility being particularly marked where the writ of the State extends only weakly to certain geographic areas. Hence its attractions to Chinese Governments during the period under review. By the mid 1930s the tobacco tax was the third largest source of revenue for the Government (90).

From its early days in China – 1904 (91) – B.A.T. was engaged in a constant fight with the various authorities (central and local) on taxation. On balance the advantage and the results lay with B.A.T. (92). It was, however, shortly after the advent of Guomindang rule and the return to the post of finance minister of

T.V.Song (Song Ziwen) that the apparent result of B.A.T.'s influence and importance as a contributor to taxes led to a situation where it seemed that the Government was prepared to disadvantage the indigenous cigarette industry against B.A.T.

In an attempt to reform the chaotic tax system and ensure a large tax income the Government in 1928 introduced the "Consolidated Rolled Tobacco Tax" (93). When first introduced in February with 7 rates for 7 grades of cigarettes the incidence was fairly neutral between the various grades – slightly more favourable for lower priced products (in which local producers tended to specialise). The same applied in the next 7-grade tax system (at higher rates) from December 1st, 1928 to September 30th, 1930. However, the new 3 tier system introduced from October 1st, 1930 meant that the burden on low grade cigarettes was higher than that on higher grade ones (i.e. on B.A.T.). This was followed by another 3-grade system which lasted from February 1st, 1931 to March 20th, 1932 and restored the balance slightly in favour of the lower priced cigarettes. It was the introduction of the 2-grade system as from March 21st, 1932 that tipped the balance decisively in favour of B.A.T.'s products. This advantage was raised by a revised 2-grade system effective from December 5th, 1933. It is hard to analyse the precise differential as it involves selecting the price points within the tax bands but the following gives a good guide (94) :-

Indicative Tax Rates – Percent.

	<u>High grade</u> <u>Cigarettes</u>	<u>Medium grade</u> <u>Cigarettes</u>	<u>Low grade</u> <u>Cigarettes</u>
9.2.28 to 30.11.28	17.9	16.0	14.7
1.12.28 to 30.9.30	25.8	23.4	21.2
1.10.30 to 31.1.31	22.5	14.0	23.2
1.2.31 to 20.3.32	30.5	20.2	28.3
21.3.32 to 4.12.33	9.5	23.8	39.9
5.12.33 to 1.4.37	16.0	40.0	58.0

It is likely that the elasticity of demand for low grade cigarettes was higher than for the more expensive grades and Chinese producers found it hard to shift the burden to the customer. In 1934, 24 Chinese owned cigarette firms in Shanghai, where shortly after the last tax rise 12 tobacco factories failed, petitioned the Government pointing out :-

"...the majority of Chinese factories are engaged almost exclusively in the production of low-grade cigarettes. Past experiences have shown that the original seven-rate system of taxation was most favourable to Chinese firms ; the revised three-rate system was less favourable, but the present two -rate system is favourable only to the foreign factories."(95).

The increasing tax burden meant that there was increasing competition from small-scale producers of hand-rolled cigarettes. (In some cases the raw material came, to some extent, from cigarette stubs picked up in the street) (96). Often imitating well-known brands this affected the legitimate manufacturers including B.A.T. Enjoying lower rates of tax from provincial authorities (if they paid tax at all) the hand-rollers undercut manufacturers. In the early 1930s these producers were affecting B.A.T.'s market share in Northern China and the Yangzi basin. After representations by B.A.T. and the British ambassador competition from this source was sharply reduced by Government action. (97).

The desperate need for finance by the Nanjing Government meant it sought prepayment of taxes. Only B.A.T. had the financial strength to do this. It was alleged (98) that B.A.T. enjoyed a discount of 20 percent on these prepayments. If this was so this does not represent the total advantage to B.A.T. as from the discount must be deducted the interest B.A.T. would hypothetically gain if it placed the money on deposit for the prepayment period.

There thus seems little doubt that B.A.T. – by the mid 1930s the largest single taxpayer – reached an accommodation with the Guomindang ruling elite. In 1928 it appeared to have had advance knowledge of a tax rise and preempted this by stepping up shipments at the existing rate (99). Also in 1928, the Government exempted B.A.T.'s imports from all other Guomindang taxes such as import duties on raw materials, surtaxes and luxury taxes. This gave B.A.T. an advantage of 10% in comparison with the tax burden facing their Chinese competitors (100). In 1935 the Ministry of Finance is believed to have received an advance payment of \$10 million from B.A.T. and, in return, is alleged to have agreed that the present advantageous (from B.A.T.'s point of view) tax system would continue until it had been repaid (101).

However, the shady side of the Nationalist administration then came into view in 1937. In March of that year, T.V. Soong acquired around 27% of the share capital of Nanyang Brothers Tobacco Company. Soong purchased 200,000 shares at \$5 per share and was granted power of attorney for an additional 200,000 shares. (although not a majority interest, in effect a controlling interest). (102) He became Chairman of the Board of Directors. It cannot be a coincidence that in the next month the Ministry of Finance announced a new cigarette tax structure with a four-tier system. Taxes were raised but the proportionate rise in higher grade cigarettes was much higher than on the lower grades. This favoured Chinese owned companies – who had been campaigning for such a situation for a considerable time but had been ignored. This action by Soong is equivalent to a British Chancellor buying a substantial interest in a whisky company and then halving the duty on whisky while maintaining the rates on competing spirits.

(E) FINANCIAL RECORD.

(1) Cost Structure.

Pages 1515 and 1517 to 1519 of *Ying Mei Yan Gongsi zai Hua qiye ziliao huibian* give an account of the development of the cost structure of B.A.T.'s cigarette production in China relating to the British Cigarette Company in 1909-11, the Pudong factory 1919-1938 and B.A.T. factories in China 1933-1940. As a proportion of manufacturing cost the key elements were the labour costs, packaging costs and raw material costs. Packaging costs were always an important item but were clearly controlled by B.A.T.'s backward integration – these varied from a high of 46.0 percent of total manufacturing cost in 1919 to lows of 19.0 percent in 1929-31 and 23.7 percent in 1940. Labour costs were a relatively small proportion of manufacturing costs. At no time did they exceed 11.3% of total manufacturing cost – in 1909. Despite all the labour troubles, this action did not push up significantly the share of wages. Indeed, by the 1930s the share of labour costs was declining (faster and more efficient machinery was clearly a factor). Even during the turbulent 1920s the share of wages in manufacturing costs only advanced by 2 and 3 percentage points. The key element in costs was tobacco leaves and B.A.T. took energetic steps to control this all-important factor in their costs. These costs were at a low in 1909 (33.2 percent of manufacturing costs) but generally well above 50 percent and reached peaks of 75.4 percent in 1929-31 and 65.4 percent in 1940.

In its early days as a cigarette producer in China B.A.T. relied on imports of tobacco - virtually all from the USA. The local crop variety did not meet their standards. An obvious cost saving was to develop local production of American "bright" tobacco originally developed in Virginia and North Carolina and eminently suitable for cigarettes. This would save on shipping costs, reduce risk of damage in transit and tap a low cost labour source. As early as 1906 the Company sent out specialists from the USA to investigate the possibility of growing this variety in China. (103). After investigating various provinces B.A.T. chose Shandong, Hubei, Anhui and Henan – particularly the former – as the most promising areas for growing American type tobacco. The attempt to grow "bright" tobacco was aided by :-

- The long experience in China in growing tobacco. However, the American style crop involved additional inputs in the form of iron pipes and coal to be used in on-site curing sheds.
- The Chinese were well used with the highly intensive cultivation which tobacco needs. Also, the Chinese bean cake fertiliser proved surprisingly effective.

B.A.T. provided many initial incentives for Chinese farmers to cultivate Virginia tobacco seeds :-

- distribution of free seeds.
- lending apparatus for the preliminary curing process.
- promises and guarantees were given by B.A.T. such as promising to buy the first crop regardless of quality.

By 1915 this programme began to produce results. In that year B.A.T. purchased 222 tons of American type tobacco (all from Shandong) – by 1920 this had grown to 22,350 tons from Shandong, Henan and Anhui in that order of magnitude. (104). By 1924 purchases by B.A.T. of Chinese grown "bright" tobacco had further grown to 26,216 tons. It, however, tapered off – one of the reasons being the cessation of supplies from Henan for nearly a decade. Purchases, however, rose sharply in the early 1930s and by 1935 were at the record level of 41,044 tons. In that year virtually all of the needs of B.A.T. were met from local production. Also usually in the period 1931-1941 B.A.T. relied less on imported tobacco than competitors. (105).

B.A.T. established a network of leaf collection stations in Shandong, Henan and Anhui where the farmers could sell their leaves. These included foreign staff – usually a tobacco expert with experience in the USA tobacco growing sector. The expert graded the tobacco leaves and set the price at which the Company would buy. There were contemporary accusations, crystallised in the work of Chen Han-Seng, that by manipulating grading, arbitrarily reducing leaf weights, currency manipulations, intimidation etc B.A.T. abused its market position (106). Apart from three Japanese companies buying for export, the only other companies to have regular collecting agencies were Nanyang Brothers (established in Henan and Shandong in 1922 (107)) and Hwa Ching. It is hard to assess the potency of these accusations at this remove in time.

In addition to the collection stations B.A.T. established factories in the growing provinces to further bake collected leaves to reduce the bulk and prepare leaves for further storage, dressing and packing. The largest of these was at Erh-shih-li-p'u (Ershilpu) in Shandong. Employment here was obviously very seasonable but at the peak time high (108) e.g. :-

January, 1928	62
October, 1928	1,167
November, 1928	1,341
December, 1928	1,163

Similar plants existed in Henan and Anhui – the former seriously affected by military action. Further handling facilities existed in Shanghai, Qingdao and Hankou.

The interests of B.A.T. in supplying its cigarette factories with Chinese “bright” tobacco were highly dependent on support from Chinese interests (109). Each collecting station had a comprador who supervised the Chinese staff and maintained liaison with the tobacco growers. Before the First World War the Company could buy land for its collecting stations and curing, etc factories in the key growing area of Shandong from the German administration who controlled land along the Jiaozhou-Jinan Railway. After the War this alternative was no longer available – foreigners were not legally able to buy land in the interior. B.A.T. circumvented this by setting up ostensibly Chinese owned companies whose owners were in fact B.A.T. compradores. These companies were the Hung An Land Investment Co., Ltd. and the Hsuehchang Leaf Tobacco Co., Ltd. – see Appendix One.

After the development period when B.A.T. subsidised the growers, the business developed predominantly into the B.A.T. compradores or agents providing the growers on credit with seed, fertiliser and fuel for curing. The credit was usually extended via the local gentry or, alternatively, the local gentry made the loans. Even with the advent of banks in the area credit was usually extended via local merchants or gentry.

This incursion by B.A.T. into the agricultural sector was a rare occurrence. Foreign incursion into Chinese agriculture was very unusual – in great contrast to the development of foreign plantations in fully colonised countries in Asia and Africa.

This post-honeymoon period after the growers had been induced to growing “bright” tobacco gave rise to weighty contemporary criticism – in particular by Chen Han-Seng in *“Industrial Capital and Chinese Peasants : A Study in the Livelihood of Chinese Tobacco Cultivators.”* He argued (1939) that (110) :-
“The high cost of producing tobacco has a very significant social and economic aspect. It means that without the assistance of Chinese trade capital and usury capital, foreign industrial capital in the form of B.A.T. cannot go very far in China. The comprador and collectors having a huge quantity of ready cash from the Company, are able to dictate to the tobacco peasants because of their dire need of cash.”

The weakness of the growers was “made possible by the extra-economic power derived by the B.A.T. from its close alliance and mutual co-operation with the Chinese bureaucrats and the influential Chinese gentry” (111). This meant that “those who cultivate American seed tobacco generally speaking have lost more than they nominally gained” (112). In essence, the charge was that B.A.T. attracted peasants into a dangerous degree of dependency on commercial agriculture.

The peasants needed loans in the form of seed, bean cake for fertiliser and fuel for curing and it was asserted that these conditions “increased and intensified usury” (113). With the exception of rich peasants the growers were very weak sellers and according to Chen Han-Seng were unable to recoup a large part or even all of the cost of their labour. (To be fair B.A.T. claimed that farmers who received their seed from B.A.T. were not required to sell their product to the company. (114)). This work of Chen Han-Seng in this regard represents the “distribution theory” of Chinese agriculture in the first half of the last century. Opposed to this is the “technologist” approach as particularly represented by the work of Ramon Myers in *“The Chinese Peasant Economy : Agricultural Development in Hopei and Shantung, 1890-1949”* (1970) (The last province was, of course, the leading growing area in the period of American type tobacco). In

very broad terms, he argued that the absence of any strong technological progress in agriculture was the key problem and if applied to tobacco growing this view of his would divert much responsibility from B.A.T. and its allies in the North China countryside. Discussion of the two approaches has been a well-beaten path and it is not intended to proceed further here. It is, however, worth pointing out that even if the former hypothesis applied it would be rather unfair to blame B.A.T. for socio-economic relationships in the North China countryside. In any case, if tobacco cultivation was so unattractive to peasants why did they persevere with it?. Also, as access to local "bright" tobacco was economically advantageous to B.A.T. why would they jeopardise its cultivation?. (Similar contemporary development of local cultivation of "bright" tobacco under the auspices of B.A.T. took place in India, Argentina, Brazil and Africa and seems to have progressed well -- in the case of India leading to a substantial export trade (115)).

(2) Profits and profitability.

Throughout its period in China up to the Pacific War B.A.T. was never in a loss situation and normally made attractive profits. Even during boycotts and other disturbances and the height of its interface with Nanyang Brothers, B.A.T. had plenty in reserve. Also, over the period, B.A.T. typically retained a generous portion of these profits in its Chinese subsidiaries. Using data from the accounts of its successive flagship companies of The American Cigarette Company, Limited, British Cigarette Company, Limited and the British-American Tobacco Company (China), Limited then the general position was as follows :-

Net Income – (A) Before transfers to reserves, provisions, etc. (B) after transfers to reserves, provisions, etc. (116).

	<u>As % of Sales.</u>		<u>As % of Issued Capital</u>		<u>Dividends as % Issued Capital.</u>
	<u>(A)</u>	<u>(B)</u>	<u>(A)</u>	<u>(B)</u>	
1902-05	26.3	18.8	70.9	50.7	n.a.
1906-10	15.0	10.4	28.2	20.0	n.a.
1911-15	36.9	n.a.	82.3	58.8	n.a.
1916-20	24.2	17.3	n.a.	n.a.	n.a.
1921-25	31.5	24.2	17.8	13.7	8.0
1926-30	32.9	23.5	18.7	13.6	7.4
1931-35	34.5	23.0	18.1	12.1	5.8
1935-41	50.0	25.0	65.8	32.9	19.9
-1937	n.a.	n.a.	20.2	13.1	8.0
-1938	n.a.	n.a.	25.4	15.3	8.6
-1939	n.a.	n.a.	74.0	26.1	15.3
-1940	n.a.	n.a.	80.3	46.3	32.2
-1941	n.a.	n.a.	115.5	84.2	49.2

The small initial business was very profitable but there was a decline in profitability during the years of rapid expansion – especially in 1908. The period 1911-15 saw high levels of profitability but the next period showed a lower, albeit good, profitability. The period up to the 1925 boycott was also a satisfactory one for the Company. Surprisingly, profitability generally held up well in the late 1920s and early 1930s although dividends were restrained. 1935 was, however, a very poor year. Profits at the main operating companies were very poor and the ordinary dividend of the parent company was slashed to a nominal 1% (117).

Profits, albeit in the context of a rapidly depreciating currency, were at record levels in the period leading up to the Pacific War. The Company made large stock profits on its holdings of tobacco (although the

interest costs in holding stocks of tobacco at the production company of Yee Tsoong Tobacco Co. were high (118)). Sales margins were very attractive – for example, the profits as percentage of sales price for six representative brands varied between 37% and 46% in September, 1941 (119). Even when translated into Sterling, profits in these immediate pre-War years kept up well – those in March, 1940 being a record (120).

In this period 1937-1941 around two thirds of profits were earned at Yee Tsoong Tobacco Distributors Company, Limited (121). Profits in 1940 as a percentage of capital at this company were 117% and in 1941 203%. In the latter year this company paid a dividend of 188% to its parent. Profits at the production company of Yee Tsoong Tobacco Company, Limited were, in contrast, relatively low (122). This difference was obviously dependent on the transfer prices agreed within the Group. Useful profits were made at the packaging and printing subsidiaries and the tobacco importing firm of Tobacco Development Company, Limited (123). The only relatively weak spot was the Manchukuo company of Chi Tung Tobacco Company, Limited (see PART IV(C)). It was, of course, in Manchuria that the main initial impact of rising competition from Japanese owned cigarette companies was felt.

(3) The Position of the B.A.T. Chinese Interests as Part of the B.A.T. Group.

In terms of unit sales of cigarettes the share of China in B.A.T.'s total sales peaked in 1924 at 54% (Table Four). The share fell markedly from the early 1930s partly owing to the difficulties described above but also to increased B.A.T. presence in the Americas. By the immediate years before the Pacific War China accounted for less than a third of Group sales (Table Four) although still remaining the largest single market for the Group.

In terms of financial ratios the position is not as clear-cut but some progress can be made. In terms of profitability of the Group it is clear that the Chinese operations were a very important profit centre. The B.A.T. Group was very profitable, particularly in the first quarter century of its existence. Apart from dividends on the ordinary shares, which in some of the financial years ending March were in excess of 30% (e.g. 37.5% in 1910/11) shareholders also received bonus share issues, etc. in several years (1911/12, 1917/18, 1918/19 and 1925/26) (124). Also, in September, 1928 B.A.T. formed Tobacco Securities Trust Company, Limited. Shareholders were given shares in this B.A.T. subsidiary which took over a portion of the publicly quoted shares of Group companies in Australia, Canada and South Africa plus a portion of the unquoted shares held by B.A.T. in its subsidiaries and associates (already recently hived off into Tobacco Investments, Ltd.). Thus, for example, 17.5% of the ordinary shares of British-American Tobacco (China), Limited were transferred to this company (125). It is probable that by the early 1920s B.A.T.'s China operations accounted for roughly 40% of these high Group Profits. By the mid-1930s this had shrunk to around 20% although this proportion increased to around 30% just before the outbreak of the Pacific War.

(4) Financial Structure.

Pages 1567/8 and 1470-1478 of *Ying Mei Yan Gongsi zai Hua qiye ziliao huibian* give valuable information on the financial structure of the following important B.A.T. companies in China :-

British Cigarette Company, Limited.

British-American Tobacco Company (China), Limited.

Yee Tsoong (Yizhong) Tobacco Company, Limited.

Yee Tsoong (Yizhong) Tobacco Distributors Company, Limited.

Chi Tung Tobacco Company, Limited.

From this balance sheet information it is clear that the first two (flagship) companies tended to rely relatively little on loan finance. The main exception was 1911 when loans accounted for 40.7% of the total finance of the British Cigarette Company, Limited (126) but by 1914 this had been reduced to 13.1% (127). Borrowings in the case of British-American Tobacco Company (China), Limited were initially at a low level – only 4-5% of total finance in 1920 and 1923 (128). By 1931 they had risen to 17.9% (129) but were at a modest level until 1938 when they reached a peak of 21.4% of total finance (130). The immediate pre-War years had, however, borrowings at a low level – 4.3%, 5.0% and 10.1% respectively in 1939 to 1941 (131). Borrowings at the three subsidiary companies above, however, increased sharply in the period 1938-41 (132) – presumably this was mainly inter-Group borrowings.

B.A.T.'s cautious financial policy can be illustrated by the example of British-American Tobacco Co. (China), Ltd. in the years before the Pacific War. Apart from transfers to reserves the Company built up provisions, particularly "general provisions", to a very high level. In the years 1937-41 provisions amounted to 70.5% of profits after transfers to reserves and provisions – in one year –1939 - they were 184.1% (133).

This balance sheet information also provides an invaluable basis for estimating the development in B.A.T.'s investment (issued capital plus retentions) in China as given in PART II above. There was, however, a step change that needed correcting in using this company data. This change, as described in PART II, is associated with the formation in 1919 of British-American Tobacco Company (China), Limited and was due to two factors – the incorporation of B.A.T. companies in China not consolidated previously in the accounts of the British Cigarette Co., Ltd. plus a large revaluation of the assets of B.A.T. in China. Thus, associated companies amounted to 32.6% of total assets of the new company in 1920 and goodwill 49.7% (134).

(F) POSTSCRIPT.

By 1952 all the assets of B.A.T. in China had been, in effect, sequestered. (In 1950 B.A.T. had stated that it held "directly or indirectly 80% of the capital of the China companies whose assets are worth c. £13,000 thous." (135)). Thus ended a half century of B.A.T. presence in Mainland China. In its half century presence B.A.T., on the positive side, introduced to China mass production technology and sophisticated marketing and advertising techniques coupled with the management expertise necessary for the efficient running of such a large organisation. B.A.T.'s large and extensive sales network in China offered employment and wealth making opportunities to many Chinese (without whose cooperation this network would have been impossible). The effect on the development of a Chinese owned tobacco industry of B.A.T.'s strong financial and market position was not favourable and B.A.T. undoubtedly, on occasion, abused its strength. However, this should not necessarily be regarded in a imperialistic context as B.A.T. employed such tactics in Western markets until restrained by regulatory authorities (which were absent in Guomindang China). B.A.T. also developed an import substituting crop in a controversial fashion but again

this backward integration by the Company was not peculiar to China either before the Second World War or currently by the Company in many countries.

The survival for so long of B.A.T. as a profitable enterprise in trying conditions in China in the 1920s and 1930s was not only due to the competitive advantages advanced above but also to the way it played on the desperate need of the Guomindang Government for tax revenue. The Government was prepared for a long period to sacrifice the interests of the indigenous industry in return for tobacco tax revenue. B.A.T. recognised, as other UK companies also began to realise, that cooperation with the Guomindang elite was a major factor in prospering in pre -- Second World War China.

PART III – CHAPTER TWO – MINING

“it is probable that the anthracite coal field of north-eastern Honan covers an area similar in extent to that of Pennsylvania”

“...Shansi is one of the most remarkable coal and iron regions in the World...the World, at the present rate of consumption of coal, could be supplied for thousands of years from Shansi alone.” (Letters of Baron F. von Richthofen to the Committee of the Shanghai Chamber of Commerce, 1870-1872).*

British investment in China in extractive industries before the Second World War was, in contrast to the post-1978 period, confined to the mining sector. There was no UK investment, or indeed any foreign investment, in oil (or gas) extraction despite some exploration effort apart from Japanese ventures utilising shale and lignite in Manchuria (see PART IV (C) below). Marketing, as distinct from local output, of kerosene, etc was the main activity by the Asiatic Petroleum Company (Shell) and American companies. Mineral mining was, thus, the predominant UK interest in extractive industries – mainly of coal but also of other minerals.

The investigations of Baron von Richthofen and others exaggerated the prospects but for a long time the impression persisted of an El Dorado. Thus, the “Battle of Concessions” at the end of the Nineteenth Century involved many British enterprises in the field of mining. Of the 17 mining enterprises that were associated with British interests (see Appendix One) the majority were established in this period :-

1896	1
1897	1
1898	4
1899	3
1900	4
1903	2
1909	1
1919	1

Unusually for British industrial investment in China, investment in mining was predominantly of UK registered companies specifically dedicated to mining development in China. These accounted for the following proportion of the value of total UK investment in this field :-

1901	100%
1905	98%
1910	97%
1915	98%
1920	91%
1930	95%
1940	98%

However, although important in a Chinese context, and also in terms of UK companies for coal and iron ore mining projects overseas, these UK registered companies dedicated to mining operations in China were a small proportion in terms of capital of total UK registered companies for mining abroad :-

% of total share capital and loan capital of UK registered mining companies for operations abroad (1)

	<u>1907/8</u>	<u>1929</u>	<u>1930</u>	<u>1931</u>
Coal and iron	20	37	30	31
Total mining	1.5	4.5	4.5	4

UK mining investments in South Africa, West Africa, Australia, etc. – particularly in the case of the former, were considerably in excess of those in China (and were a reflection of Imperial interests).

* Although he was wildly optimistic it is fair to von Richthofen to point out that in the year 2000 Shanxi produced 246 million tons of coal (25% of total PRC output) and Henan 77 million tons (8%).

Of the 17 mining concerns, many never got beyond the company formation or concession stage. Some of them had their concessions redeemed by the Chinese authorities in the "rights recovery" movement in the first decade of the last century. Coupled with this was the failure of ventures to realise expectations in terms of the poor yield or operating difficulties. Only seven companies entered full mining operations. Of these, two were small coal mining concerns :-

- The Tung Hsing Coalmining Company in Hebei which was founded in 1896. After a record output of 80 thous. tons in 1915 (2), the mine closed when completely flooded in 1917.

- Kiangpei Ting Coal and Iron Mining Company. In 1898 Mr Archibald John Little began to work this concession in Sichuan in conjunction with some Chinese. In 1906 the above company was formed (3). Output of coal amounted to 28 thous. tons in the eleven months to end January, 1908. Mining operations very shortly ceased and in July, 1909 the Company was "successfully jockeyed out of its holding" (4). The shareholders received 220,000 taels (c.£29,000) to buy out their claim – about 70 percent of their outlay. The "Chinese did not intend the Company to work" (5). It was claimed that the death of Mr Little in 1909 was hastened by "anxiety over bad faith by officials" (6).

Other two concerns out of the seven that did not last long were the Anglo-French Quicksilver and Mining Concession (see PART IV (B)) and the short-lived Weihaiwei Gold Mining Company. This last company was formed in early 1903 on the Shanghai Stock Exchange by British investors. The issued capital was \$600,000 (c. £50 thous.). The shares fell sharply in December, 1904 on disappointing results on the first ore crushing (7). In spite of this the shareholders resolved to put in more money via debentures with option to convert into ordinary shares (8). This proved to be throwing good money after bad and in January, 1907 a meeting agreed to wind up the company (9).

There were other examples of British mining enterprises being affected by local opposition and the desire to retrieve mining rights already granted. It is, however, worth noting that in one case, at least, this process did not work necessarily to the disadvantage of the British company concerned. The London and China Syndicate, Limited was formed by Sir J.P.L.Kaye in 1900 with a wide range of possible projects in mining, railways, waterworks and wharves (10). In 1902 a prospecting agreement was made by the Syndicate and an iron ore deposit was delimited 55 miles North of Wuhu. In 1904 the Company obtained an agreement on mining rights for this iron ore deposit from the Governor of Anhui which received Imperial sanction (11). The Syndicate ran into strong harassment from the provincial authorities and the local gentry. At the beginning of 1909 the Chinese Government offered to agree to a scheme of joint working of the mines (12). On this understanding Sir John Kaye came out to Beijing in May, 1909 only to be told that the Chinese Government could not induce the Anhui local interests to concur (13). The Chinese Government then proposed to buy back the mines for £50,000. This compared with the £47,000 claimed by the Syndicate to have spent on the project by the end of June, 1909 and their valuation of the ores in sight of over £850,000 (14). The new formed Chinese company to which the concession was transferred failed to successfully exploit the site.

Doubts were raised concerning this claim by the Syndicate both before and after the settlement was reached. The site was visited by a Swedish expert – a Dr. Felix R.Tegengren in 1917 who asserted :-

"How the preparatory work done could have consumed the high sum of £50,000 sterling is almost incomprehensible" (15).

This suspicion is given further credence by an earlier comment made in 1907 :-

“It will be interesting in the future to see what claim Lister Kaye will present to the Chinese on account of “these costly operations” involving an expenditure of fifteen shillings (£0.75) a day.” (16).

Negotiations were broken off in August, 1909 after which the Chinese Government increased its offer to £52,000. Through the intervention of the British Foreign Office this revised offer was accepted by the London and China Syndicate in February, 1910 (17). The Syndicate was wound up in 1912.

In terms of British mining organisations that engaged in sustained operations in China running from the early years of the last century until the outbreak of the Pacific War then we are thus left with three coal mining companies :-

(A) The Shanghai Exploration and Development Company, Ltd. (Mentougou Coal Mining Company).

(B) The Pekin Syndicate, Limited.

(C) The Chinese Engineering and Mining Company, Limited. This was until 1922 the largest coal mining enterprise (via the joint venture Kailan Mining Administration) in China. After then it occupied second place to the Japanese owned Fushun mines.

These three companies occupied a significant place in the coal mining industry in China. Just before the First World War their share of total national output was around 25 percent. In the early 1920s it was around 20 percent – declining to around 15 percent by the mid 1930s. Also they accounted, after early years, for the lion’s share of total UK investment in value terms in mining in Mainland China :-

1910	83%
1920	92%
1930	96%
1940	96%

(A) The Shanghai Exploration and Development Company, Limited.

Incorporated in 1919, the main activity of the Company was an anthracite mine at Mentougou, about 16 miles from Beijing. An early project to establish mining in the Philippines was abandoned (18) and a later mining venture (1934-36) in Indochina proved to be disastrous with £29 thous. written off (19).

The hillsides around the mine (by early 1924 output had reached a rate of 220 thous. tons per annum) was “honeycombed with native owned mines (about 100)... They have no pumps at all as their workings are at a higher level than this company’s, and, thus, water drains down to the pumps of this mine”. In the early days of the mine, to reduce competition from the small mines when the Company had large stocks and had not got proper rail transport they “ceased pumping and prayed for rain in abundance” ! (20).

The Company was regarded as a British company – Messrs George McBain and Sons were their general agents (as they were of the large mining, timber, oil and rubber company of Lankats) and annual meetings were held at their Shanghai office. There were, however, a large number of Chinese shareholders – probably up to 50 percent – and by 1935 the Company had a Chinese director and the engineer-in chief at the mine was Chinese.

The mine’s record was chequered and it was unfortunate for the Company that its best years were close to the outbreak of the Pacific War. From the outset the Company suffered flooding and transport difficulties. In 1924 the mines were closed for five months due to railway disruption and flooding. In 1925 the supply of power from the plant of the Peking Electric Company (5 miles away) caused “great

anxiety" (despite the mine supplying the power company with 100 tons per day of coal) and the directors decided to install their own generating plant (21). In 1927 losses were made "due entirely to civil war, transport and insatiable demand for money by local military authorities" (22) while in 1928 the mine was closed for the entire year (23). The Company took advantage of this by being one of the relatively few mines in China to abolish the vicious "contract system" -- all the labour contractors were discharged in the year and twenty foremen were appointed in their place to hire labour directly (24).

Although the mines reopened in April, 1929 progress was slow and at the general meeting that year a shareholder commented that the Company should "retire from the barren field with what grace we find courage to muster" (25). However, the Company held on and, apart from a very bad year in 1931 (the capital was halved in 1933 (26)) profits were made in every year before the Pacific War. Problems at the mines were eased -- except in a very wet year -- and transport was more in keeping with requirements. Given no interruptions the colliery was very competitive -- in 1935, for example, its mining cost was \$2.400 per ton, slightly higher than Kailan (\$2.200) but well below that of the Zhongfu Mining Company (see below) - \$3.170 -- and the Chinese average of \$3.800 (27).

In 1938 to 1940 profits and dividends were high (see PART V) and this encouraged speculation in the shares. From a low of \$4.50 in 1939 the peak of \$34 per share was reached in May, 1940. By November, 1940 output was running at 515 thous. tons per annum (a record level) and things seemed set fair. The outbreak of war changed that.

(B) Peking Syndicate, Limited.

The prime mover in the Syndicate's formation was the well connected Italian businessman Angelo Luzzatti who arrived in Beijing in 1896 with a view to initiate some enterprise in China. On return to Europe he made contact with British financiers and, thus, in March, 1897 the Syndicate was registered in London with a modest issued capital of £20,000. Luzzatti returned to China and concentrated on securing mining concessions in Shanxi and Henan, influenced by the work of Baron von Richthofen. The selection of these areas had a profound influence on the future characteristics of the Syndicate :-

- mining by modern methods and on a large scale in these remote areas necessitated the construction of long railways.

- unlike the Chinese Engineering and Mining Company, near British presence in the Treaty Port of Tianjin, the operations of the Syndicate lay well outside the feasible radius of British protection.

Luzzatti's quest for concessions was aided by "the liberal distribution of bribes" (and alcohol) to officials (28) and support by British (and Italian) diplomats and British public opinion as instanced, for example in the Times (29) :-

"...the interests involved are of sufficient magnitude to justify her Majesty's Minister at Peking on insisting that foreigners shall be given the same access to coalfields in other parts of China which has already been given to the Russians in Manchuria."

In May and June, 1898 respectively concessions were obtained by the Syndicate to open and work coal and iron ore mines in Shanxi (30) and Henan. In the case of Henan the agreement was signed with the Yu-Feng Company which had been sanctioned by the provincial governor to work all mines in Henan North of the Yellow River (31). This company was organised by some light fingered local officials. Their

rights were made over to the Syndicate in return for an initial loan – their managers later absconded with the money.

1898 also saw the transformation of the Syndicate into a substantial and well connected enterprise (there was a link with those previously involved in South African mines. The Chairman (Carl Meyer) was associated with Cecil Rhodes while one of the other directors (George Cawston) was a founder of the British South Africa Company). The issued, fully paid, capital rose to £495 thous. at end 1900 to £1,243 thous. at end 1905. An engineer on the Board of the company (Mr J.H.G.Glass) reported in very optimistic terms in November, 1899 that “the coalfields and iron ore deposits” of the Syndicate were “of enormous extent and value” (32). The construction of railways linking the mines to navigable waters was considered to be tractable. There was an ambitious plan to transverse four provinces (Jiangsu, Anhui, Henan and Shanxi) with a line of over 450 miles linking Shanxi to Pukou opposite Nanjing. The financial prospects presented by Glass were mouth-watering. Annual profits were estimated as follows :-

	<u>£ thous.</u>
On sales of 2,500 thous. tons of coal	750
On sales of 225 thous. tons of iron	500
On working railways	<u>400</u>
Total	1,650

The cost of the railways, mines and foundries would mean a capital outlay of £6-7 million (33).

The Syndicate decided to open up the concession in Henan first, starting with a railway. Nevertheless, the “chief industrial operations of the syndicate will be as always intended on the Tzechow plateau* where coal and iron are found in close proximity...” (34). Although justified on logistic grounds the decision to concentrate initially on Henan rather than Shanxi plus the general delay caused by the Boxer troubles was grist to the mill of local interests opposed to the Syndicate’s presence. It was not until 1905 that the Syndicate sent out prospecting teams to Shanxi. These teams “gave great stimulation to the nationalistically minded provincial officials and gentry to take action for impeding the British goal” (35). A blocking move was to set up a rival enterprise, the Tung-chi Mining Company – later organised into the Paochin (Baojin – literally Protect Shanxi) Mining Company. Popular opposition was organised and in negotiations with the Syndicate the Shanxi representatives demanded complete abrogation of the Syndicate’s rights (36). Deadlock ensued and on January 24th, 1907 the British Government presented to the Chinese Government a demand for compensation on behalf of the Syndicate for £200 for every day’s delay by the provincial authorities in issuing a permit for the Syndicate to begin mining operations (37). Due to the influence of Beijing, the local gentry and officials reluctantly agreed on redemption rather than abrogation – influenced no doubt by visions of the anticipated mineral reserves in the concession area. In January, 1908 it was agreed by the Company and the provincial authorities that the Syndicate’s mining rights in Shanxi be redeemed for 2,750 thous. taels (£356 thous. as recorded by the Syndicate on receipt) in four instalments (38). This was probably a good agreement for the Syndicate. Their expenditure in Shanxi had been slight – for example, only £1,200 in 1906. The prospects for coal and iron mining in Shanxi were not nearly as rosy as thought in the euphoria of 1898 – in the case of coal the seams were thinner than hoped and the iron ore deposits were smaller than expected (39). The progress of the Chinese *The Syndicate, however, later balked at the expense of the 34 mile extension of their proposed railway onto this plateau in South Shanxi over very difficult terrain - see below.

owned Baojin Mining Company which took over the concession was poor. A similar history applied to the railway project. By the end of 1904 90.5 miles had been completed at a cost of £614,600. The Syndicate shrank from extending the line into Shanxi with the expense involved in overcoming difficult terrain (40). In 1905 the Syndicate sold the railway to the Chinese Government for £800,000 in Government bonds.

The Company thus concentrated in developing the Jiaozuo site in Henan – sinking of a shaft had begun in 1902. Due to water difficulties output of coal (semi-anthracite) did not start until August, 1908 (41). Output of coal rose encouragingly until in September, 1912 it was running at 2,000 tons per day. Then disaster struck in terms of inbursts of water. In the twelve months to end June, 1912, output of coal was 478 thous. tons – this output was not regained until 1915/16 (489 thous. tons). If this, and an outbreak of miners' hookworm was not enough, operations were adversely affected by debilitating conflicts with the local authorities and vested interests in the form of local coalmines. (In 1904 the Provincial Government had established a Bureau of Mines with the object of checking the Syndicate's expansion (42) and in 1909 there was a boycott against their sales in the Province (43)). Three of these local Chinese mines were operated in serious competition with the Syndicate and were supported by the authorities. In May, 1915 the conflict was ended with an agreement between the Syndicate, the Henan Government and the Chung - Yuan (Zhongyuan) Company, comprising the three mining companies. While retaining their identities all coal produced by the two concerns would be sold via a 50/50 venture – the Fu Chung (Fu-Zhong) Corporation – as "Honan Anthracite". Profits were, after 5-10% to the Henan provincial authorities, to be split in proportion to coal sales.

The formation of the Fu-Zhong Corporation, which had the approval of both the Chinese and British governments, had a beneficial effect on the Syndicate's coal operation and this was freely admitted by the Syndicate. In the short term these benefits were not fully realised due to a shortage of railway stock with military interference plus production difficulties – explosions and fire together with further difficulties with water inflow. However, by the early 1920s the benefits of the joint selling company were realised. In the financial years 1922-23 and 1923-24 the return on fixed capital employed in the mines was 15% and 16% respectively.

Apart from the Henan mines the Syndicate made moves to diversify into other mining ventures, merchanting and banking – this last was disastrous (see PART IV (B)). However, by the early 1920s with the lack of success of these diversification moves it was clear that the Henan mines would be the Syndicate's core business for the foreseeable future.

In the financial year ending June, 1924 the future seemed set fair – at the rate of profits on the mines in that period the remaining capital expenditure on the mines would be amortised in six years. It was a false dawn. After 1924/25 when the business was hit by railway dislocations due to struggles between rival military leaders (44) and profits were halved, the next decade saw losses on the mining venture (see PART V). The Syndicate was hit by a nine month strike after the May 30th Incident (45), strong local opposition, the uncertainties of operating in one of the most lawless provinces in China and the local ascendancy of the Warlord Feng Yuxiang. He took over the property of the Zhongyuan Company, prevented the Syndicate from operating its mines and crippled its rail outlets. The Syndicate decided to discontinue coal output and in April, 1927 nearly all of the 10,000 workers were paid off.

It was not until October, 1932 that the mines reopened and under Government auspices a new joint company was formed – the Chung Fu (Zhongfu) Mining Company with the Zhongyuan Company having 51% of the capital and the Syndicate 49% (46). The two companies retained their properties and merely merged them for joint working and sales purposes (47). The initial experience of the Syndicate with the new joint venture was very disappointing. The Chairman claimed at the Syndicate's 1934 ordinary general meeting that there was over-staffing, waste, lack of cooperation from the Chinese mines and high freight charges by the railways (48). The joint venture was in early 1934 losing about \$160,000 a month – c.£10,700.

The Chairman of the Syndicate arrived in China in May, 1934 and saw the British ambassador. After an approach by the ambassador, Chiang Kai-shek (Jiang Jieshi) took draconian steps by arranging, inter alia, for (49) :-

- suspension of the directors of the Zhongfu Company and the Zhongyuan Company.
- appointment of a Special Readjustment Commissioner to pursue a strict retrenchment policy.
- over 2,000 troops to be sent to the mining area for protection purposes.
- the labour unions in the mining areas concerned to be dissolved.

Jiang Jieshi was clearly concerned about dangers to the livelihood of 70,000 Chinese and Chinese credit in Europe (The Syndicate was in constant touch with the French and Belgian legations as well as the British). Also, he probably welcomed the excuse to send troops into an area where Communist influence had been strong.

The situation rapidly improved from the viewpoint of the Syndicate. The 1935 profits of the Zhongfu Company were \$920 thous. and sales of coal were 30 percent higher than in 1934 (50). 1936 was an excellent year – sales were 54 percent higher than in 1935 and stocks were reduced (51). Following these results the Syndicate decided to pay its first (and only) dividend – although this was in the context of a capital reduction of a third with net assets being written down to reflect the declining parity of the dollar compared with Sterling (52). The dividend payment took £27.3 thous. out of the Syndicate's net income of £34.5 thous.

1937 opened well – “The Chung Fu Administration was finding no difficulty in obtaining transport for and disposing of its coal at the rate of 1,500,000 tons per annum at prices giving a satisfactory return.” (53). Due to the hostilities and the consequent lack of rail transport, it was decided in October to close down the mines. In February, 1938 the mines were occupied by the Japanese military (see Annex A to PART IV). Some machinery was evacuated and the Zhongfu Company started to develop three new mines in Sichuan.

With the confiscation of the Henan mines the Syndicate became primarily an investment and trading company. With its close relationship with the Guomindang Government (for example the Nationalist Minister for Natural Resources was a Board member of the Zhongfu Company (54)) the Syndicate's attempts to find fresh fields of activity were linked with the Central Government. In 1939 the Syndicate was appointed sole selling agent for exports of wolfram from Free China (55). Later the Syndicate became during the Second World War the purchasing agent of the Chinese Government in respect of goods purchased with UK Government credit from the Sterling Area other than the UK.

(C) The Chinese Engineering and Mining Company.

There were successively three companies of this name :-

(1) The Original Chinese Company.

The "Chinese Engineering and Mining Company of Tientsin in the Empire of China" - 1878-1901. This was the official English rendition of the Chinese name although the Kaiping Mining Company and other variants incorporating Kaiping were also used (Kaiping was the name of the coalfield).

(2) The Original UK Registered Company.

The Chinese Engineering and Mining Company, Limited - 21st, December, 1900 - 1st, July, 1912.

Consequent on the Company pooling its mining interests in the Kaiping coalfield with the Lanchow (Luanzhou) Mining Company into the Kailan Mining Administration the Company went into voluntary liquidation.

(3) The Successor UK Company of the Same Name - 1912-1956.

Shares were given to the shareholders of the preceding UK company on a one-to-one basis. This new company acquired all the assets and liabilities of the old company.

The original Chinese company was formed as a "government supervised merchant enterprise" to exploit a very good coalfield (inland from Tianjin) in terms of quality of coal (bituminous) and potential (56). The mining engineer, Herbert Hoover, estimated in 1900 that the reserves amounted to 325 million tons or at 2.5 (new) pence per ton £8,125,000 (57). By 1900 there were three mines operating on the coalfield and land had been purchased for a new colliery. Also, in 1899 the Company began the development of an ice-free port at Qinhuangdao. Apart from its mainstream activity the Company also had other activities - accounting for 30 percent of the capital employed - in bricks, cement, silver mines, wharves, steamers, etc (58). The attraction of the company to any predator was increased by the fact that its performance could be rapidly improved at little cost by eliminating wasteful and corrupt management practices. Thus, it was discovered by the Western interests when the concern was taken over that 6,000 of the theoretical 25,000 employees were fictitious (59). The Company's shareholders were mainly Chinese but there was also some of the capital in the hands of foreigners.

In the last years of the Nineteenth Century the Company began to run seriously short of fixed and working capital - a major factor being its ambitious expansion plans. Recourse was made to foreign borrowing in 1898 from, firstly, the Deutsche - Asiatische Bank and then, more threateningly for the Company's future independence, a larger loan (£200,000) to be raised by Charles Algernon Moreing (of whom more shortly) of the firm of Bewick, Moreing. At the end of the following year two London financiers - Edmund Davis and Walton F. Turner - formed the Oriental Syndicate, Limited. This was formed to finance Moreing's mining ventures in China if they materialised. The largest share of the initial issue of ordinary shares was to investors in the UK - 50.1% (over half, directly or indirectly, to the two founders), 37.7% to investors in Belgium and 12.2% to investors in Germany (60). Because of these large foreign borrowings, the Chinese concern was in a weak financial position with loans, when fully called up, amounting to 176% of share capital (61). The high "gearing" was dangerous in view of the high interest charged - 12% in the case of the loan arranged by Bewick, Moreing (62) (The average rate of discount charged by the Bank of England in 1900 was 3.9%). "In 1899 people on the inside track began to hear rumours of a British company acquiring the whole concern..." (63). In modern Stock Exchange parlance the Company was "in play" and a "concert party" was being organised. The Boxer Rebellion was the catalyst that threw the Company into the arms of unscrupulous predators.

The takeover of the company by what can be most charitably described as financial sleight of hand was an ingenious and complicated affair. The writer's research notes on the process utilising the archives of the British company (64) amount to 25 pages and only a summary can be provided here. However, before turning to this, it is worthwhile to give a brief account of the leading members of the unsavoury team involved in the acquisition :-

Dramatis Personae

(a) Based in the UK.

- Charles Algernon Moreing. A civil engineer. Senior partner of Bewick, Moreing – mining engineers, mine managers and financiers. Moreing had a bad reputation in the City of London. J.M. Frochisse notes that how the disdain that those large firms that had a marked interest in Chinese business held him turned into hostility. “Une véritable campagne est menée contre le nouveau propriétaire de Kai-ping.” (65). On Moreing's general character even one of his fellow conspirators (Leon Trouet) described him as a “brigand” (66). Also, his bad reputation was shared by those who worked for him. One of his mining managers stated that he was “a ruthless old villain... he had absolutely no ethics” (67).

- Edmund Davis. Financier. One of his many interests (which in the past had included cornering virtual control of World chrome supplies) was directorship of the Anglo-Continental Gold Syndicate, Limited which specialised in holding shares in mining companies. Described by a contemporary as a man who would cheat his blind grandmother at cards (68).

- Walton Fitzjames Turner. Chartered Accountant. Director of the Anglo-Continental Gold Syndicate.

- Alfred William Berry. Company secretary of :-

- The Anglo-Continental Gold Syndicate, Limited.

- The Oriental Syndicate, Limited.

- The Chinese Engineering and Mining Company, Limited.

All these companies had the same registered office – 22 Austin Friars, London EC.

(b) Based in Belgium. The background to Belgian involvement in this and other British/Belgian joint ventures in China is given in PART IV (B) below.

- King Léopold II. “Le roi est un grand homme d'affaires”. (Anon)

- Colonel Albert Thys. Engineer. Joint Managing Director of the Compagnie Internationale d'Orient - the main Belgian coordinating and facilitating agency for investment in China.

(c) Foreigners in China.

- Gustav Detring. German. 1877 appointed Commissioner of Customs at Tianjin. In 1895 he also became a director of the Chinese mining concern.

- General von Hanneken. German military adviser to the Chinese Government. Son-in-law of Detring.

- Chevalier de Wouters d' Oplinter. Belgian lawyer. In 1895 he became legal adviser to the Chinese foreign office. Agent for the Compagnie Internationale d'Orient for the Far East.

- Herbert Charles Hoover (President USA 1928-32) (69). Mining engineer. In 1897 he joined Bewick Moreing. In March 1899 he arrived in China from his first assignment in Australia. His assignment was to be a technical consultant to the Director General of Mines in Zhili and Jehol – Zhang Yanmou (see immediately below). However, in addition to this well paid job (£2,500 per annum) Hoover was given another assignment (paying £1,000 per annum) to supervise for Moreing the interests of the foreign bondholders in the Chinese company and, in general, to act as the eyes and ears of Bewick, Moreing in

China. It seems clear that Hoover bit the hand that fed him the most i.e. his Chinese employers. Hoover, who played a leading part in the takeover, had little scruples about working against the national interests of his Chinese employers. Coupled with a shrewd eye for the main chance, Hoover was undoubtedly a racist. In a paper read to the Institution of Mining and Metallurgy in London on June 19th, 1902 (reproduced in the Colliery Guardian of June 25th, 1902) Hoover made explicit racist statements concerning Chinese workers at the Kaiping mines. He added, with complete insensitivity, that – “The disregard for human life permits cheap mining by economy in timber, and the aggrieved relatives are amply compensated by the regular payment of \$30 per man lost”.

(d) Chang Yen-mao / Zhang Yanmou. Director from 1892 and then head of the Chinese concern. In November, 1898 his responsibilities were enlarged when he became in addition Director- General of Mines for the province of Zhili and the district of Jehol.

THE “STING”

- Spring, 1898. Moreing visits China and, amongst others, meets Zhang Yanmou and Detring. A loan to finance capital projects was discussed and also the possibility of engaging a mining engineer to survey mining possibilities in North China.

- August, 1898. Zhang Yanmou signed a letter authorising Moreing to raise a loan of £200,000.

- March, 1899. Hoover arrives in Tianjin.

- December, 1899. The Oriental Syndicate, Limited was formed by Davis and Turner.

- 1900. The Boxer Rebellion and the Russian incursion into North China. Some of the Company's distribution facilities had been occupied by Russian (and Japanese) troops) and disorder ran around the mines. Production collapsed almost completely with the miners having run away. An already weak financial situation now became desperate and the shares with a par value of 100 taels were being offered at 35 taels (70). Also, there were justifiable fears that on occupation by one of the allied armies (in particular Russian) the mines could be sequestered.

- March 28th, 1900. Compagnie Internationale d'Orient formed (71).

- June, 1900. Detring and Zhang Yanmou meet. In Detring's own words – “After much consideration they decided that the only course was to admit foreign capital and register the Company as an English Company. This registration could have been effected in a very short time in Hongkong but they wished at the same time to secure foreign capital for the undertaking as the Mining Company had hitherto been hampered by under-capitalisation” (72).

- August 1st, 1900. In the presence of a local British lawyer (engaged by Hoover) and Detring's son- in law Von Hanneken, Detring (who had been given full powers of attorney) and Hoover signed an indenture dated 30th, July which did “grant, convey, sell, assign and transfer” to Hoover the assets of the Chinese company. The new British registered company envisaged was to have an authorised capital of £1 million. This document was in many respects an extraordinary one :-

- There was no consultation or authorisation with the shareholders in China. The disorder in North China was, of course, a convenient excuse.

- There was no provision for the directorate of the new company and other organisational matters.

- Most important, there was no stipulation as to the distribution of shares in the new company after allocation to existing shareholders. It was believed but not specified that the British promoters could get

£150,000 and Zhang Yanmou £50,000. To give carte blanche to Moreing seems such an act of naivety that one suspects a hidden motive by Detring in particular (see below).

However, the document was flawed from the conspirators' point of view and needed to be amended. In the re-working of the agreement (see below) there were salient alterations. Crucially, there was in the amended document no mention of Hoover in the role of a trustee. Also, in the first version Hoover was to use methods of forming the new company as were "ordinarily used and usually regarded as proper". Now, Hoover could use "such means and agencies as he deemed proper" (73).

- August 11th, 1900. Hoover, after formally registering the deed in Shanghai, sent a cablegram to Moreing stating "Have obtained necessary agreement placing under offer to you Kaiping" (74).

- October 8th, 1900. Hoover arrived in England with relevant papers for Moreing.

- October 13th, 1900. Moreing notified the ratification of the July 30th agreement to Detring and started to arrange financial support for the new venture. There was, as noted above, no support from the establishment in the City of London. Moreing turned to Davis and Turner and the Oriental Syndicate. Recourse was made to Belgian sources of finance after Davis and Moreing met Thys in Brussels and agreed a strategy.

- November 10th, 1900. Hoover left for China to retrieve the situation in that the July 30th agreement was not in the form that the UK and Belgian financial interests wanted to maximise their promotional profits.

- December 13th, 1900. Moreing formally agreed, as arranged in Brussels, to sell to the Oriental Syndicate the rights to the Chinese company when (and if) acquired and the Belgian interests acquired a majority in the Oriental Syndicate (75).

- December 28th, 1900. The Chinese Engineering and Mining Company, Limited was registered in London. The Memorandum of Association (76) was a curious document. There was nothing apart from the name of the company to indicate the specific purpose for which it was formed. There was a reference to coal mining but also to 13 other activities such as brewing, textiles, shipbuilding, building, dredging, etc. One significant item was that which allowed the Board to borrow without sanction of a General Meeting up to half the issued capital. Nothing concerning the new company was disclosed to China.

- February 19th, 1901. After acrimonious discussions in Beijing, Hoover and Wouters d'Oplinter on the one part and Zhang Zanmou and Detring for the old company sign two documents :-

- The Transfer Agreement (77). This gave the Western interests what they wanted to secure financial control of the Chinese concern – no mention of Hoover's role as a trustee, etc. As a fiction the document was also dated July 30th, 1900.

- The Supplementary Memorandum (78). This related to the control and management of the new company. Inter alia, this stipulated that there were to be two Boards - one in China and one in London and that Zhang Zanmou would be Director General resident in China. The London board would be elected by all shareholders – Chinese and foreign. The Westerners involved completely ignored this document claiming it had "no legal effect whatever" (79) and this attitude was reflected by the cavalier attitude of the management sent out to China by the new company. (Their intention to ignore such a document was clear in that there was no mention in the Memorandum of Association of the new company of such a Board in China).

- May 2nd, 1901. Three agreements were signed :-

- Moreing transferred to the Oriental Syndicate the benefits of the amended contract of July 30th, 1900.
 - The Oriental Syndicate transferred to the Chinese Engineering and Mining Company, Limited the benefits of the contract of July 30th, 1900.
 - The Oriental Syndicate contracted to give 50,000 (£1) shares in the new company, free of charge, to Moreing for onward transmission to Zhang Yanmou and Detring.
 - May 25th, 1901. First moves in the allocation of shares in the new company commenced. This financing was a complex affair and this complexity erected a screen behind which the European interests could disguise their financial manipulations. By the 11th, December of that year the issue of £1 shares in the new company was complete. The following shares were allocated (80) :-
 - Numbers 1-7. These were originally the necessary first subscription on setting up the Company. At first subscribed by clerks and secretaries associated with the Anglo-Continental Gold Syndicate and later transferred to Belgian interests, these were the only shares issued for cash.
 - Numbers 8-375007 – to the old company's shareholders in China. These were deliberately the last to be issued.
 - Numbers 375008-425007 – to Moreing for onward transfer to Zhang Yanmou and Detring.
 - Numbers 425008-575007 to the Oriental Syndicate. This represented the amount scheduled for promotional profits. The Syndicate was wound up voluntarily in July, 1902 and these shares were distributed to the Syndicate's shareholders.
- So far so good – the Europeans could claim that, on the surface at least, they had acted in reasonably good faith. It is with the creation and distribution of the balance of 424,993 £1 shares that the most flagrant abuse of the rights of the shareholders in China occurred. These shares, numbered 575008-1,000,000 were to “nominees of the Oriental Syndicate”. 250,000 of these were linked to the issue of debentures. At a Board meeting of the new company on the 5th June, 1901, the issue of £500,000 in 6% debentures was approved (81). For every £2 subscribed there was a right to one free share in the Company. These debentures were to be allotted by way of subscription or in exchange for bonds of the old company. The Western promoters claimed that the debentures issued were needed to pay off the debts of the old company and provide working capital but :-
- the “new money” raised via the debentures was £334,000 but the balance sheet of the new company showed a cash balance of £268,000 at end February, 1902 (82).
 - given the increased tranquillity of China with the suppression of the Boxer Rebellion, it should have been possible to raise money by the cheaper alternative of a share issue in Shanghai and also perhaps in London.
- The balance of 174,993 shares that were nominated by the Oriental Syndicate were, predominantly, given to the main organisations and individuals involved in the takeover. For example the Anglo-Continental Gold Syndicate received 25,075 shares, Mrs Moreing 25,100 shares and Messrs Davis and Turner 3,500 each.
- The general conclusion concerning the financing of the new company must be that the original shareholders (who had their share reduced to 37.5% of the new company) ran into some of the more disreputable techniques in contemporary company formation. It was an operation which did not just lead to stock “watering” but flooding of Biblical proportions.

The main individuals involved in the financial operations relating to the formation were handsomely rewarded. Thus in late 1902 (after the winding up of the Oriental Syndicate) the individual holdings (i.e. excluding beneficial holdings via companies with shares in the new company) were for some of the main persons involved were as follows :-

C.A. Moreing/Mrs Moreing - 83,925 £1 shares – face value c. £5.5 million at present sterling value.
Herbert Hoover – 17,375 £1 shares.
W.F. Turner – 15,500 £1 shares.
Edmund Davis – 12,720 £1 shares.
Colonel Albert Thys – 9,855 £1 shares.

On these shares, if retained, the above would receive in dividends in the decade after the takeover nearly one and a quarter times the par value of the shares and in the last half of this decade the market price of the shares hovered around the £2 mark. Also, they and others involved in the takeover would receive directors' fees (£250 per annum for Board members other than the Chairman) plus 10% of the balance of profits after a dividend of 10% for shareholders had been declared - this happened in 7 out of the first 10 years of the Company's operations.

A further point – to what extent were Zhang Yanmou and Detring willing partners in this financial manipulation? The evidence is not conclusive but gives some support to the view that Detring, at least, was guilty of sharp practice. The Company later showed considerable solicitude to its two adversaries in a Court battle (see below). In 1911 the Company lent 50,000 taels (£6,400) to Zhang Yanmou at 5% annual interest (83). Detring's actions were particularly suspect. His son-in-law, von Hanneken had acquired some of the old company's bonds immediately before the debenture issue plus additional debentures. It is hard to believe that this move was done without collusion. Again, the Board minutes of the Chinese Engineering and Mining Company, Limited for 15.11.1901 read "resolved offer Detring job at £250 per month with the company" (This was sent by private cable) (84). Also the Board minutes of the successor company contain the following entry :-

"26.6.1913. Agreed that subject to executors of the Will of the late G. Detring formally withdrawing all claims against the company to concur in an allowance of £400 per annum for life to Madame Detring" (85).

Reaction to the takeover

Initial reaction to the swindle (in which the original owners of the Company saw their share fall to a minority after issue of fully paid up shares to the European promoters or their nominees) came at meetings (two in Shanghai and one in Tianjin (86)) of the original shareholders in China. A Committee was formed of five Chinese and six Europeans, including Detring and von Hanneken, to bring about by negotiation a "just observance". In addressing the meeting in Tianjin in November, 1902, the latter, having acquired shares and debentures in the new company, was clearly sailing under two flags :-

"I therefore venture to propose our unlimited support in every direction for the interests of H.E. Chang and the shareholders of the old company". (87).

Much more weight was given to legal protests against the actions of the British and the Belgians by the Chinese Government – activated by the influential Yuan Shikai. However the legal actions of 1905/6 in British courts were inconclusive – the Defendants had on their side two of the stars of the Edwardian Bar – Rufus Isaacs (later Lord Reading) and Richard Haldane (88).

The Chinese returned to the attack by the creation of a rival mining venture on the Kaiping coalfield. Yuan Shikai instructed one of his followers – Zhou Xuexi – to establish the Lanchow (Luanzhou) Mining Company which came on stream in 1908. There followed four years of acrimonious controversy between the two competitors. In the contest between the two companies the British company showed no reluctance to use extremely questionable practices to defend its interests. The following extracts from the Board minutes illustrate this :-

2.4.1910. Letter submitted from Nathan (the local manager) saying that they “had subscribed \$2,000 to a new Chinese newspaper... against an undertaking ... to support our cause in every possible way” (89). This followed a loan to 12 local salt merchants in exchange for similar support (90).

4.5.1911. – from Nathan 22.3.1911 enclosing translation of the Secret Memorial submitted to the Throne by Duke Tsai Tse and Sheng Hsuan Huai on the 5th January, 1911 (91).

24.8.1911. Telegram sent... authorising advance of 25,000 taels (c.£3,250) to Tang Shing Pu “ to purchase shares in the Lanchow Company in order to have a voice and insist on settlement... he should be given to understand that shares must be deposited with this company as security for loan and in the event of settlement with Lanchow Company they would be transferred to us but that if his services should materially assist settlement Board would consider making him a present of part or whole of the shares “ (92).

There were other examples.

At the end of 1910 the British company decided on a price war. On the 15th September, 1910 “a cablegram to Nathan on the subject of the reduction of the selling price of coal was settled...instructing that reduction of selling price must be decided by political rather than pecuniary considerations...” (93). This move had Government backing – “Letter from Foreign Office stating that they had communicated with Sir John Jordan (The British Minister in Beijing) with reference to our proposal to entertain a war of prices with Lanchow Mining Company and he entirely approved this course...” (94).

The price of coal where the two companies interfaced fell sharply. The British company was in a far better condition to withstand this attrition :-

- Unlike its financially stretched competitor the British company had large cash reserves (£105 thous. at end February, 1911) and low “gearing” (95).

- The British company trimmed its costs (96).

- A significant proportion of its sales did not interface with its rival. In the calendar year 1911 out of total sales of coal of 1,381 thous. tons shipments through Qinhuangdao port amounted to 39%. Apart from price cutting the British company also put pressure on its rival by granting generous credit terms. The effect of this policy on the Company’s profits was serious but nowhere near a loss situation :-

	<u>Net Profit on Coal-\$ Thous. (97).</u>
April, 1910	289
December, 1910	221
August, 1911	127
December, 1911	187
January, 1912	165

The rival company increasingly realised it was engaged in an unequal struggle. In January, 1912 a preliminary agreement was made between the two companies. In March both Governments gave their formal sanction (98). The two companies were to combine to form an association called the Kailan Mining Administration (KMA) – i.e an abbreviation of Kaiping and Lanchow – which would administer the assets

of the two companies in China and their sales. Both companies were, however, to retain their individual identities – Boards of directors, share capital, etc. The British company was, however, to be dissolved and a new company with a similar name (in the event the same) formed. The British company held the strongest position in the KMA in terms of share of the profits and management control.

Progress of the First UK Company.

On the vesting date of 19th February, 1901 the mines were in a “truly lamentable condition” (99). However, the recovery in output was rapid coupled with a vigorous attack on wasteful and corrupt practices. With a great shortage of coal after the disruption of the Boxer Rebellion, the mines’ output was readily saleable and profits were made even in the early months. The Company was, thus, able to pay a dividend of 7.5% in its first financial year although this was to some extent “window dressing” in that in this year and the following year no allowance was made for depreciation. The Company, however, realised quickly that despite its initial success it needed to invest considerably in its mines and transport facilities. The Company spent in the period 19.2.1901 to 28.6.1912 £755 thous. on tangible fixed assets – this was nearly twice depreciation in the same period. Apart from spending on the mines (particularly on electrical equipment), spending on steamers accounted for 12% of total spending while spending on the harbour at Qinhuangdao was much higher accounting for 29%. Unfortunately, these port facilities developed an unsavoury trade in human cargo. On 7th December, 1904 the Board “granted to Major Nathan, 10% of the net profit arising from the engagement of coolies for South Africa” (100). (Major Walter S. Nathan was for many years the very capable General Manager of the Company in China). In the previous July, Nathan on behalf of the Company had signed a contract with the Chairman of the Witswatersrand Native Labour Association giving these labour recruiters the right to rent 1,222 acres at Qinhuangdao for building recruiting offices and labour depots. In return the Company were paid recruiting and delivery fees on a per capita basis - £1.875 for recruiting and £4 for transportation. Including the rent for the land, the estimated total income was c.\$2 million (c.£190 thous.) (101).

The Rand mines faced an acute labour shortage after the War – hardly surprising as the death rate amongst locally recruited workers was 80 per thousand in 1903 (102). Apart from the arduous conditions in these deep mines, the Chinese workers could only work in the mines, only live in compounds and could be punished by a special court. The Chinese workers needed a special permit to leave the mining premises and were forbidden by law to do skilled work. The “Chinese Slavery” cry by the opposition in Parliament was one of the factors in the Liberal landslide in the 1906 General Election. A majority of shipments of labourers was under the auspices of the Chinese Engineering and Mining Company, Limited. From May, 1904 to November 25th, 1906 when the last shipment of labourers left, embarkations from Qinhuangdao amounted to 43,258 out of a total of 63,811 – 67.8 percent (103).

The Company enjoyed unspectacular profits during its 10 year existence – in many years the Chinese market was depressed and towards the end there was, as described above, significant local competition :-

	<u>Financial Years to end February</u>				
	<u>Net Income - £thous.</u>	<u>Dividends - %</u>	<u>Net Income - £Thous.</u>	<u>Dividends - %</u>	
1902	84	7.5	1907	156	15.0
1903	72	5.0	1908	149	15.0
1904	76	7.5	1909	154	15.0
1905	108	10.0	1910	155	15.0
1906	103	10.0	1911	101	10.0

In the period 1.3.11 to 27.6.12 before the Company was dissolved there was a dividend of 7.5 percent.

Retentions were small – in the period 19.2.01 to 28.2.11 dividends accounted for 95.1% of net income.

Progress of the Second UK Company.

The period from the formation of the KMA to the late 1920s (see below) was the golden age of the Chinese Engineering and Mining Company, Limited. Despite the disruptions of the War years, sales of coal by the KMA joint venture rose from 1,756 thous. tons in the year to end June, 1913 to 3,045 thous. tons in the year to end June, 1918. Operating profit per ton of coal raised at the KMA increased by 47 percent from 1913/14 to 1919/20. The net profit (i.e. after interest, depreciation, allocations to reserves, etc.) of the KMA rose sharply from \$1,636 thous. in 1912/13 to \$8,918 thous. in 1919/20 – a rise of 495%. The share of this profit going to the UK company when translated into Sterling was, because of the exceptionally high value of the Chinese currency during the later period, even faster growing – a rise of 1,007 percent. At £1,118 thous. the UK company's share of the Administration's net profits in 1919/20 was at a level never equalled. Unfortunately for the shareholders, dividends in this year and the two previous years, albeit high, were restrained by the need to pay excess profit duty.

The profits and dividends up to the Pacific War by the Chinese Engineering and Mining Company, Limited developed as follows (104) :-

	<u>Years to End June.</u>	
	<u>Net Income - £thous.</u>	<u>Dividends – Percent.</u>
1912/13	86	8
1913/14	147	10
1914/15	149	10
1915/16	177	10
1916/17	160	12.5
1917/18	172	15
1918/19	278	20
1919/20	451	30
1920/21	299	22 (31)*
1921/22	171	13.5 (19)*
1922/23	229	16 (22.5)*
1923/24	452	20 (28)*
1924/25	191	10 (14)*
1925/26	132	10 (14)*
1926/27	221	15 (21)*
1927/28	399	25 (35)*
1928/29	272	20 (28)*
1929/30	149	9 (16)*
1930/31	43	2.5 (4.5)*
1931/32	167	7.5 (13.5)*
1932/33	19	2.5 (4.5)*
1933/34	-3	- (-)
1934/35	30	- (-)
1935/36	25	2.5 (4.5)*
1936/37	168	5 (9)*
1937/38	185	7.5 (13.5)*
1938/39	224	7.5 (13.5)*
1939/40	54	3.75 (6.75)*
1940/41	257	- (-)

* The figures in brackets are the equivalent on pre-scrip issued capital – issues made in 1921 and 1930.

Despite problems arising in the 1920s :-

- Labour problems. There were, particularly in 1920 and 1922, very serious strikes.

- Military operations. There were two periods of direct harassment at the pits. That of June, 1928 was the most serious with the mining area being occupied by undisciplined soldiery. On June 26th the First Battalion of the Bedfordshire and Hertfordshire Regiment arrived from Weihaiwei (105). After stabilising the area the troops were withdrawn in November.

- The influence of the military on railway transport was the most serious problem. To alleviate this problem of appropriation of rolling stock by the military, the KMA purchased coal wagons and locomotives. In the financial year 1927/28 no less than 78% of shipments by the Administration were in their own cars and only 22% in cars supplied by the Peking – Mukden Railway. (106).

After the bumper financial years of 1927/28 and 1928/29 the net income of the Company fell by nearly a half in 1929/30. Things became much worse until a measure of revival in 1936/37. Dividends were either small or, in 1933/34 and 1934/35, were passed. Fortunately, the Company was in a strong position to face such a lean period. Cash at June 30th, 1929 amounted to £725 thous. (107).

Factors influencing this decline in financial performance were :-

- The impact of the World depression on China.
- The declining value of the Chinese currency.
- Military and other disruptions. The Manchurian Incident affected the Company's distribution facilities and the Japanese expedition to Shanghai in 1932 its market.
- An expensive dispute with the Peking – Mukden Railway in 1931. (108).
- Further labour troubles. There was a particularly serious series of strikes from the middle of January, 1934 to the middle of April, 1934 which "caused serious interruption and disorganisation in the working of the mines" and "had been a more dangerous threat to the Administration than any previous dispute..." (109).
- Price erosion. The average price of KMA coal fell by 24% from 1927/28 to 1934/5.
- Electric power was gradually replacing steam generation in factories and oil replacing coal in ships.

Apart from these financial difficulties (which the British company weathered very well – at end June, 1937 cash, securities and debtors at £606 thous. were nearly 12 times current liabilities of only £51 thous. (110)) the Company also faced a revival of Chinese nationalism from the late 1920s similar to the earlier "rights recovery" movement. In both February, 1931 (111) and December, 1933 (112) the Luanzhou Mining Company complained, very reasonably, to the British company that their share of the KMA profits was unfair. In August, 1934 a new agreement called the Supplemental Agreement was entered into by the two companies. This was ratified by the Chinese Government in September and the British Government in November (113). The original agreement was that all profits of the KMA up to £300,000 was split 60% to the British company and 40% to the Luanzhou Mining Company – over £300,000 they were to be equally divided. The revised agreement was to split profits equally at all levels of total profits. Changes were made in the management structure of the KMA which loosened to some extent the British control of the KMA.

During the period between the outbreak of the Sino-Japanese War and the Pacific War the Company's fortunes improved to a modest extent. The share price and dividends revived moderately. The main reason was the value of the mines' output to the Japanese and the Company's willingness to accommodate the invaders. An account of this shabby episode is given in PART IV (C).

Assessment.

There are certain aspects of the mining sector which add extra dimensions in assessing the beneficial, or otherwise, impact of foreign industrial investment on the Chinese economy :-

- the very high rate of return, if successful, in the mining sector leads in some cases to conduct which is unethical – bribery, corruption, etc.

- mining, by definition, involves a depreciation of a country's physical resources and this leads to Government interest and participation in the form of granting of concessions. In some cases the concession may often be too generous and turn out to not fully compensate for this depreciation. Also, in the case of redemption of a concession, the sum paid may often exceed considerably the actual worth of the assets and rights redeemed. In the case of mining companies of foreign origin their national government is in many cases of initial concession or redemption liable to be drawn in to advance the interests of its nationals involved by putting pressure on the Government of the host country.

In the case of China the golden age of granting concessions was from 1896-1903. The Treaty of Shimonoseki did not explicitly permit foreign investment in mines and thus it was desirable for foreigners to seek help from their Governments via diplomatic representations. In the case of the concessions granted to British interests, they would seem on paper to be reasonably balanced between the parties concerned and in the light of modern experience would not be regarded as particularly exploitative. After 1903 Chinese interests both in the Capital and the provinces promoted a policy of withdrawing new permits and recovering alienated mining rights. In the case of the London and China Syndicate, Limited (see above), at least, it does seem that the influence of the British Government did lead to overpayment by the Chinese Government when the concession was redeemed. The diplomatic efforts of the British Government on behalf of the interests of British industrial enterprises in China were mainly confined to this mining sector.

All the British mining enterprises engaged in long sustained operations in China were mining coal. This meant that unlike other contemporary mining investments by British interests in developing countries the products were not predominantly destined for export but for local consumption. The smallest of these three enterprises was the Shanghai Exploration and Development Company, Limited. This company had, as described, in its early days a cavalier attitude to its small Chinese competitors but by the mid 1930s about half its shareholders were Chinese and there was Chinese involvement on the Board and senior management.

A comparison of the Pekin Syndicate, Limited with the Chinese Engineering and Mining Company, Limited in regard to the formation of both companies would, in terms of acceptable practices, be clearly in favour of the Syndicate. Although the Syndicate did employ bribery of officials, this was understandable, if not excusable, given such a venal bureaucracy and, in any case, it did not employ such techniques of unscrupulous financial manipulation as brilliantly employed by its counterpart. In fact financial manipulation by the Syndicate was at the expense of its Western shareholders – a case in point being the affair of the Banque Industrielle de Chine – rather than of Chinese nationals. (See PART IV (B)).

The Syndicate's early transformation from a small enterprise into a large (capital £1,500 thous.) firm was with the aim of establishing a significant British company with presence in mining, etc. in China. The Company persisted for nearly forty years with this aim at the expense of the shareholders' anxiety for dividends. The Company was, however, unsuccessful or unfortunate throughout its career both politically and technically in achieving its aims. The troubles of the Syndicate, in particular the difficulties with

provincial authorities and mining companies, were not to a large extent of its own making but, also, they were a result of its own deficiencies. For example, the Henan mines were badly sited in terms of water inflow and the pumping needs were one of the reasons for the relatively high cost structure. Also, in the early years, the Syndicate suffered from a complicated and inequitable share structure and internecine strife between the British and French/Belgian interests involved (see PART IV (B) below).

As regards the Chinese Engineering and Mining Company, Limited assessment by contemporaries as to the standards of behaviour of the Westerners when it became British/Belgian owned is still valid today. In the words of "Champion Market Rigger alias Colonial Englishman" in a letter to the Investors Review of January 31st, 1903 :-

"The story...is one for which we can see no excuse, and the sooner the English and Belgian gentlemen who have been acting so high-handedly became better mannered, the more chance they will have of taking a creditable part in the development of the mineral resources of China. If they go on as they have done in the past intelligent Chinamen will be slower than ever in the future to allow Europeans to have any share in the industrial development of their country."

This episode created an atmosphere that tainted the Chinese attitude towards inward investment for many years and is still a century later the subject of academic authors in China (114).

Having, in the words of the author of the above letter, "fleeced the pockets of the Chinese shareholders and lined the pockets of an Anglo-Belgian gang" the sense of being cheated intensified the already strong opposition of Chinese to foreign mining ventures. As evident from the internal documents of the Company this tendency to cut ethical corners persisted throughout the Company's history (as did their arrogant attitude in dealing with the Chinese generally) as instanced by, for example :-

- The supply of labourers to the Rand.
- The in-fighting with the rival Luanzhou Company.
- The cooperation with the Japanese when the vast majority of the Chinese, of whatever political complexion, were engaged in armed resistance.

The rewards to those engaged in the financial manipulations which accompanied the 1901 takeover were, as noted, high but, at a lower magnitude, the rewards to modest investors in the UK and Belgium were also high. Many scenarios can be advanced depending on the size, date of entry and duration of an individual holding but, for example, if someone subscribed £1,000 to the initial issue of debentures in 1901 and sold his free shares in 1930 his return would have been sixfold. In a period of relatively low inflation they received an attractive return. It could be justified, if one accepts an enterprise economy, as a reward for risk taking. The key point, however, is that by the standards of the mining sector, the Kailan Mines were a risk free investment. There were no doubts as to the geological richness of the field and the risk free nature of extraction. The rewards to the European investors were more a function of financial sleight of hand than of backing a problematic venture.

The high profits obtained by the Company from the mines, particularly during the First World War and the 1920s were mainly remitted to Europe. The rate of re-investment was low. Retentions as a percentage of net income developed as follows :-

	<u>Percent</u>
Original UK company (1901-1912)	4.9
1912 company – Years to end June	
- 1913-1923	22.9
- 1924-1934	10.8
- 1935-1940	24.8
<u>TOTAL – both companies</u>	<u>15.8</u>

This ratio was low for foreign industrial enterprises in China being well into the lower quartile of the retention ratios of foreign industrial enterprises in China over 1872-1936 as calculated by Chi-ming Hou in *Foreign Investment and Economic Development in China, 1840-1937* (page 102). (Although a modest portion of the dividends would have accrued to Chinese shareholders and the Company's share of the retentions of the KMA would also tip the balance moderately).

It could be advanced that despite the tawdry nature of the 1901 takeover there was a compensating benefit attaching to a Western controlled enterprise providing capital and new technology and management skills and hence advancing the enterprise. Admittedly after the takeover there was a sharp improvement in the performance of the concern and in the first decade capital expenditure was twice depreciation. However, a large portion of the improvement was due to the elimination of corruption and over manning. This was a function of honesty of management rather than nationality of management. In any case, to receive the necessary injection of capital it was not necessary for the Company to be majority owned by foreigners – a 50/50 or foreign minority enterprise would have sufficed. In terms of technical expertise any deficiency could be catered for by hiring Western mining engineers and over time the supply of Chinese engineers grew.

The Western enterprise did make some useful investments in the mines but these tended to be in the areas of power facilities, coal washing, harbour facilities, etc. rather than in coal cutting / transport mechanisation. (A factor in this was the unsettled state of China which made companies reluctant to invest in expensive labour saving equipment). Thus, although the mines were on a par with the best in China the failure to install the more modern cutting equipment, underground transport facilities and safety features had a bad effect on labour relations and this was worsened by the retention of the labour contractor system (against the advice of local management). However, to be fair to the British company, it is probably correct to say that conditions and remuneration in the Kailan mines were above average for the period. Also there was a large rise in real wages at the KMA in the 1920s and early 1930s – see PART V.

As a Western controlled enterprise the Chinese Engineering and Mining Company, Limited did enjoy certain advantages over its locally owned counterparts. In particular, these included :-

- greater financial strength (particularly evident in the price war against the Luanzhou concern).
- greater protection against civil or military disturbances.

However, it would appear that these advantages did not seriously inhibit the growth of a Chinese owned modern mining industry or destroy to a significant extent the number of small "native" mines :-

- transport difficulties obviously inhibited many areas from interface of Chinese mines with the Company.
- although the Company made efforts to restrict competition in the important markets of the Tianjin area and Shanghai in the mid 1930s this was a joint effort with the strongest of its Chinese competitors (Zhongxing).

- the Company's share of total Chinese coal output fell over time from, for example, around 17% in 1913 to 10% in 1936 – partly, albeit, against Japanese owned mines but mainly against Chinese mines.

On balance, the Chinese Engineering and Mining Company, Limited brought some benefits to the development of the Chinese economy but the circumstances of its founding meant that it was never really accepted by the host nation. Its unfortunate reputation was an embarrassment to other UK industrial enterprises in China with a more honourable foundation and record.

PART III – CHAPTER THREE – TEXTILES.

(A) COTTON TEXTILES.*

British interests were as prominent in taking advantage of the relaxation of the prohibition on foreign investment in 1895 as they were in the fight to achieve it. The entry of foreign capital into this industry was precipitate. Six foreign joint stock companies were floated in 1895. There were four that eventually constructed mills (all in Shanghai) – two of which were British :-

	<u>Nationality</u>	<u>Authorised Capital</u>	
		<u>Thous. Taels</u>	<u>(£ thous.)</u>
The Laou Kung Mow Cotton Spinning and Weaving Company, Limited	British	800	(112)
The Ewo Cotton Spinning and Weaving Company, Limited	British	1,500	(210)
The Soy Chee Cotton Spinning Company, Limited	German	1,000	(140)
International Cotton Manufacturing Company, Limited	American	1,000	(140)

The high hopes, as evinced by the glowing prophecies of success adorning the prospectuses of the founders, were uniformly disappointed. The Ewo Cotton Spinning and Weaving Company paid a small dividend (3.5%) in 1897 but did not resume payments until 1903 while the Laou Kung Mow (Lao Gong Mou) Company paid a modest interim dividend (4%) for the first half of 1898 which was “perhaps to be regretted” (1). Dividend payments were not resumed until 1905. The Ewo Cotton Spinning and Weaving Company reflected the poor trading environment by halving its capital by 1903 (2). Share prices tumbled – against a par value of 100 taels per share the Ewo Cotton Spinning and Weaving Company stood at 40 taels in August, 1901 and that of the Laou Kung Mow at 45 taels.

Under-capitalisation was an important factor in this situation. In the case of the Ewo Cotton Spinning and Weaving Company expenditure on fixed assets alone totalled 1,360 thous taels by end October, 1898 with another 140 thous. taels to come against an issued capital at that date of 1,134 thous. taels (3). In the case of the Laou Kung Mow the Chairman constantly referred to the under-capitalisation of his company at the annual meetings :-

“Interest, as usual, has been a heavy charge owing partly to the fact that our undertaking has been under-capitalised from the start” (4).

The Laou Kung Mow made an operating profit even at the worst of times (very early on – in 1900 – the Chairman claimed that –“ As regards our total cost of production we have exchanged copies of our working account with some well-known Indian mills and find that our total expenses are very nearly the same...” (5)) However, in some years e.g. 1900 interest alone exceeded the operating profit.

Under-capitalisation, which also affected other foreign mills, would not have exerted such an adverse influence if the companies had attained large trading margins. They failed to do so for several reasons :-

(i) Labour problems.

This was a problem in the very early days but was a teething problem that was quickly overcome. In 1898 the Chairman of the Laou Kung Mow Company complained that “...the demand for trained labour

*A detailed account of the fortunes of “British Cotton Mills in Pre-Second World War China” is given by the author in Textile History, Volume 32, Number 2, November, 2001 p.p. 175-216.

has naturally been far in excess of the supply, resulting in an exasperating independence amongst the work-people which has been a source of endless trouble” (6) (Hardly the comment of an enlightened employer). However, by 1904 it was reported that this problem “has been largely overcome by training...” (7).

(ii) The supply, price and volatility of price of local raw cotton.

The plans of the first foreign mills relied upon their ability to obtain abundant supplies of local cotton (short staple and only suitable for coarse yarns) at reasonable prices. The price of indigenous cotton in 1895 was around 10 to 11 taels per picul (c.133 lbs) and had been at this level for years. The estimates made by the new enterprises were based on the belief that local cotton would never go beyond 11.5 taels per picul but “In 1903 and 1904 the price of Chinese cotton was 90 percent above the figure on which the original calculations were founded.” (8). Factors in this rise (which given the move to increase spindleage should surely have been foreseen) were increased demand from Japan (for wadding as well as spinning purposes) and the need to clothe the sharp rise in local spindle capacity.

The underdeveloped nature of cotton marketing in China fostered speculation because the local cotton market was “practically in the hands of an unscrupulous net of cotton growers and dealers, who are able to manipulate it almost at will...”(9). The Chairman of the Laou Kung Mow mill at the 1899 meeting stated that the gap between the highest and lowest quotations for his mill’s raw cotton during 14 months had been very nearly 40 percent and that this was entirely unwarranted by World movements. To curb the “cunning of the native speculators” he suggested that a Cotton Exchange be established (10). These difficulties of the local market necessitated a high level of working capital thus adding to the problems of under-capitalisation.

(iii) Adulteration of locally grown raw cotton.

This was a running sore to the mills. The usual trick was to water the cotton although there were other forms of adulteration such as mixing 5 to 30 percent unginmed seed cotton with the clean article. The loss in weight was bad enough but there were also difficulties in separation – one mill, at least, made a separate machine for this (11). Another trick was short-weight deliveries. At the annual meeting of the Laou Kung Mow mill in 1902 (12) the Chairman bewailed the delivery of false-packed cotton and of “cotton watered to such an extent that it could be used as a sponge without any added moisture” and thundered that “now people who bring watered cotton into Shanghai...do so at considerable risk to their persons and their pockets”. (This last refers to the formation of the “Watered Cotton Association” in 1901 by the mill-owners and others with a force of inspectors. It was not, however, particularly effective).

The situation improved with the formation in 1911, with official support, of the Cotton Anti-Adulteration Association. A Cotton Testing House was established worked jointly under the auspices of the Imperial Maritime Customs and the Association (13). Problems still, however, persisted. Thus, for example, in 1924 the Ewo Cotton Mills complained about two fraudulent practices relating to mixing inferior cotton with better qualities and as much as 20 percent moisture frequently added i.e. some 12 percent fraudulently added (14).

(iv) “Dumping” of yarns in the Chinese market.

Thus, for example, in the second half of 1898 the Laou Kung Mow mill was hit by yarn imports from India and Japan – yarn prices were cut by 10-15 percent and some varieties were “absolutely unsaleable” (15).

The situation improved markedly after 1905 – one factor being the improved supply of local cotton. The First World War brought boom conditions to the industry with the restriction of supplies from abroad. The post-War boom lasted longer in China than in other textile centres. Deliveries to China of textile machinery were delayed with the need to meet pent-up demand in machinery producing countries together with shipping shortages. In the case of the British companies the buoyant conditions were reflected in their high stock market prices – in December, 1919 the market value of the Ewo Cotton Spinning and Weaving Company ordinary shares was nearly 14 times their par value.

Dividends (ordinary) were very high at the British mills :-

	<u>1918</u>	<u>1919</u>	<u>1920</u>
<u>The Jardine Matheson Companies.</u>			
The Ewo Cotton Spinning And Weaving Co.	34%	130%	180%
The Kung Yik Cotton Spinning and Weaving Co.	16%	50%	80%
Yangtzepoo Cotton Mill, Ltd.	16%	70%	100%
Laou Kung Mow Cotton Spinning and Weaving Co.	7%	50%	65%
Oriental Cotton Spinning and Weaving Co.	8.3%	50%	106.7%

From 1922 onwards, when the industry capacity came in line with demand, the overall situation of the industry became unfavourable and these difficulties lasted with varying severity until the period 1938-1940 (when abnormal conditions – analysed in PART IV (C) – due to the conflict with Japan brought prosperity to those mills such as the British mills that escaped destruction or occupation. These survivors also benefited from the reduction in competition from Europe after the outbreak of the Second World War). There were several factors in this situation. Overall factors include the World-wide depression of the 1930s and also in that decade the various Japanese provocations and incursions leading to all-out war in 1937. Civil wars, civil disturbances and lawlessness caused difficulties in transport of raw cotton to the mills and affected distribution of finished cotton goods.

The foreign mills were also particularly affected with labour problems and gangsterism. The cotton industry was amongst the most strike prone in China after the First World War. Although Chinese mills were by no means immune, the major impact was on British and Japanese mills. In the Shanghai cotton mills there were 85 strikes during 1919-26 in the Japanese mills and 20 in the British as against 34 in the Chinese mills although the Chinese mills outnumbered the others (16). Both Japanese and British mills were subject to gangsterism. This did not, however, uniformly work to the employer's disadvantage as gang control could be useful in labour recruitment and discipline (17).

The Economic Position of UK Mills in the Chinese Cotton Textile Industry.

Altogether there were eight British connected enterprises (all in Shanghai) that had, at one time or another, a presence in the Chinese cotton industry before the Second World War. With one insignificant exception – Anglo-Chinese Cotton Manufacturing Company – all the units listed below combined weaving with spinning for at least part of their lives. (The Anglo-Chinese Cotton Manufacturing Company was a small – 11,678 spindles – spinning mill started up in 1908. As the name implied, it was a joint Chinese/British enterprise. This mill became wholly Chinese owned in 1909 (18)).

<u>Name</u>	<u>Founded</u>	<u>Initial Issued Capital - £ thous.</u>
<u>(1) Early Entrants.</u>		
Ewo (Yi He) Cotton Mills, Limited	1921	880
- Ewo Cotton Spinning and Weaving Co.	1895	140
- Kung Yik Cotton Spinning and Weaving Co.	1910	60
- Yangtsepoo (Yangshupu) Cotton Mill, Ltd.	1914	195
Laou Kung Mow Cotton Spinning and Weaving	1895	80 Mill bought by Japanese in 1925.
Oriental Cotton Spinning and Weaving Co.	1917	120 Was German. Liquidated in 1928.
Anglo-Chinese Cotton Manufacturing Company	1906	55
<u>(2) Late Entrants.</u>		
New China Textile Company	1937	155
China Printing and Finishing Co*.	1924	900

*Originally a finishing plant. Spinning and weaving added in 1936. Capital given refers to this date.

The improved conditions in the industry after 1905 led to an expansion in British capacity by the time of the First World War. Part of this was due to expansion at the Ewo Cotton Spinning and Weaving mill (in 1910) and at the Laou Kung Mow mill but there were also two new ventures associated with Jardine Matheson :-

-The Kung Yik Cotton Mill was established by a former Jardine Matheson comprador – Zhu Dachun – in 1907. Jardine Matheson were closely associated with this venture from the start – for example, the British machinery was imported via their agency. This spinning mill (weaving capacity was not installed until 1912) was “floated” under the auspices of Jardine Matheson in 1910 (19). Jardine Matheson became general managers of this new company – the Kung Yik Cotton Spinning and Weaving Company – and nursed it through its early years (the firm had an overdraft with Jardine Matheson of 73 percent of its issued capital at end November, 1911 (20)). Although attractive, the profitability of the Kung Yik mill was low compared with the other two mills in the Jardine Matheson stable. The main reason lay in the fact that the main market for the yarn sales of Kung Yik was Sichuan (a centre of hand weaving) with the insecurity of transport in troubled times.

-The main constituent, both financially and in terms of machinery, of the 1914 floated Yangtsepoo Cotton Mill, Limited was an unsuccessful Jardine Matheson company in Hong Kong – The Hong Kong Cotton Spinning, Weaving and Dyeing Company, Limited which began running in June, 1899 (21). Its raw cotton came principally from India while China was its chief market. At its peak the mill had 55,632 spindles (22). However, owing mainly to Japanese competition, the mill became increasingly uneconomic. The last dividend was paid for the year ending July, 1907 (23). 10,000 spindles which had been idle were sold reducing the complement to 45,696 spindles (24). The other constituent of the new company was the Jardine Matheson owned Yangtsepoo Cotton Mill established in 1913 with 9,936 spindles (25). By early 1915 the new company had 20,000 spindles running with the remainder being shipped from Hong Kong (26). Also, in that year the decision was made to install looms. By early 1917 the full shipment of 416 looms from the UK was installed and working (27). Apart from the spindles the new company received “virtually all the moveable equipment” of the Hong Kong mill (28). (Ironically this situation was

completely reversed after the Second World War as many Chinese mill owners in Shanghai moved their businesses and diverted equipment to Hong Kong).

The separation of the three firms in the same industrial sector that became to be managed by Jardine Matheson was clearly untidy. As the Chairman of the Ewo Cotton Spinning and Weaving Company reported at an extraordinary general meeting of the Company in March, 1921 :-

“...many new mills have been projected, and we must be prepared for keen competition in the near future, to meet which we cannot...adopt a sounder course than consolidate our interests with those of the Kung Yik and Yangtsepoo mills.” (29).

This consolidation was achieved in April, 1921 when the Ewo Cotton Mills, Limited was founded with Jardine Matheson continuing as general managers. The new company was conservatively financed – a very wise move in view of the cyclical nature of the textile industry and of the civil, military and labour disorders that were to hit the Chinese cotton industry in the next two decades.

The environment in which Ewo Cotton Mills operated in the next two decades was one that was completely contrary to sustained, efficient operation of the mills and financial stability. There were long periods of serious political instability and civil war, lawlessness, Japanese aggression and labour troubles. A typical example of this first as it affected the Company was the item in the accounts from 1922 to 1937, when it was written off (30), of “debts due by the Chinese Government” of \$143,000. This related to supplies of blankets to the Beijing based Government, the authority of which the later Nationalist Government did not recognise.

As regards the attacks on Shanghai in the 1930s by the Japanese, the Company was in terms of physical damage fortunate. In 1932 although it lost the best part of two months’ output there was only a small amount of damage (to the Kung Yik mill) (31). In the fighting that began in August, 1937, its mills were only superficially damaged but owing to the general disruption it was not until February, 1938 that the Ewo and Yangtsepoo mills resumed operations and “then only in a very small way” (32).

In the field of labour relations, the Company experienced 15 major strikes and lockouts between 1925 and 1940 (33). These strikes were in general company specific but in 1925 the Company’s mills were “practically idle for four months” (34) due to an overall Anti-British movement as a consequence of the May Thirtieth Incident. It might be deduced from the strike record that the Ewo Cotton Mills were by contemporary standards in China bad employers. The reverse would seem to be true. Their mills were an obvious target for strikes as, in contrast to the majority of Chinese owned mills, their financial strength meant that a prolonged strike would not mean permanent closure. The Company was the leader in attempting to end the scandal of child labour. From September, 1923 it no longer hired boys under 10 or girls under 12 (35)). Throughout its existence the Company had a superannuation fund for Chinese staff (adopted by its constituent companies just before the merger).

The Ewo Cotton Mills showed remarkable powers of adaptation in an extremely challenging environment (Between 1921 and 1940 it never passed a dividend and only made a loss – a small one – in one year, 1924). In its mainstream business of cotton spinning (and weaving) its strategy became that of occupying a position between that of the local Japanese and Chinese owned mills. Their average count (until fairly recently the method of expressing the fineness of cotton yarns – the higher the count, the finer the yarn) in

the early 1930s was 19.3 (although their mills spun up to 42's) against 17 for Chinese mills and 26.5 for local Japanese mills (36). By 1940 the position was that the mills spun coarse yarn (6's) on condenser mules and 10's to 40's on ring frames. (37). Although no entirely new mills were built and much of the original Platt Brothers of Oldham spindles were still operating in the 1930s, the Company still persevered with additions and improvements. Expenditure on fixed assets from 1921 to 1929 was 132 percent of depreciation and in 1931 to 1936 207 percent. (for financial information on the Jardine Matheson mills see the STATISTICAL ANNEX, TABLES NN to QQ).

The number of British cotton mills in China was swelled during the First World War. The Soy Chee (Rui Ji) Cotton Spinning Company was incorporated under German law in 1895. By 1915 it had 50,768 spindles (no weaving capacity had been installed) (38). There was significant British ownership in this company.

During 1916 the Company was informed by H.M. Consul General that its name with its enemy connotation must be changed (to Oriental Cotton Spinning Company) (39). In May, 1917 this renamed company was wound up and sold to a new company called the Oriental Cotton Spinning and Weaving Company, Limited (40). The Company was now recognised as a British company – all the Board members were British.

Thus, by 1918 British presence in the Chinese cotton industry reached its peak (See TABLE JJ in the STATISTICAL ANNEX):-

	<u>Number of spindles</u>
Ewo Cotton Spinning and Weaving Co.	73,952
Kung Yik Cotton Spinning and Weaving Co.	25,376
Yangtszepoo Cotton Mill, Limited	55,632
<u>Sub-total Jardine Matheson Mills</u>	<u>154,960</u>
Laou Kung Mow Cotton Spinning and Weaving Co.	40,096
Oriental Cotton Spinning and Weaving Co.	<u>50,768</u>
<u>Total UK mills</u>	<u>245,824</u>
- UK share of national total	21.7%
- Japanese share of national total	21.2%
- Chinese share of national total	57.1%

If the Jardine Matheson bid in 1918 for the American company of International Cotton Manufacturing Co., Ltd. with its 53,056 spindles and 500 looms had been accepted (it was transferred to Japanese ownership – with Jardine Matheson being outbid by 1,300,000 taels against 1,200,000 taels (41)) the UK share of China's spindleage would have been 26.4 percent.

The UK share was still slightly higher than that of Japan. However, the UK did not share in the virtual trebling of capacity in the post-War boom. Coupled with the demise of the Laou Kung Mow and Oriental mills (see below), the UK share of national spindleage fell to only 3.9 percent in 1930 compared with 38.7 percent for Japanese mills. With two new entrants (see below) the UK share improved marginally to 4.5 percent by 1937 but by then the Japanese share was 44.5 percent. This pattern was repeated in the case of power looms at the integrated mills. In this sector the Japanese share by 1937 (51.4 percent) even surpassed that of the Chinese. (See TABLE MM in the STATISTICAL ANNEX). The reasons for this diminution of the UK to a minor force in the Chinese cotton textile industry and the rise of the Japanese presence are analysed in PART IV (C) below.

One of the reasons for the decline in UK presence was due to the fact that the Laou Kung Mow and Oriental concerns did not share the resilience and adaptability of the Jardine Matheson mills :-

- The Laou Kung Mow mill shared in the industry's boom conditions from 1917 to 1921 but not to the same extent as the Jardine Matheson mills - one factor being its delayed move into weaving. During Spring, 1918 the concern received "repeated inquiries to view the mill". Several intended Japanese buyers "went thoroughly over your property but no bona fide offer was received" (42). In view of the subsequent history of the Company this was very unfortunate for the shareholders. In 1922, 1923 and 1924 the Company made horrendous losses totalling 105 percent of issued capital. (See TABLE RR in the STATISTICAL ANNEX). By the end of 1923 all reserves had been completely run down. In 1924 the mill was closed from 1st, July to 17th, November due to trading conditions. Shareholders refused to put in more capital into the Company (43) and it was wound up in April, 1925 (44). In the next month the mill was bought by a local subsidiary of the Kanegafuchi Spinning Company - one of the largest cotton spinning companies in Japan. (Jardine Matheson had been interested in acquiring the concern in November, 1924 but decided against it (45)).

- The Oriental mill shared in the general prosperity of the industry in 1919 and a dividend of 50 percent was declared. Transfers to reserves were 40 percent higher than these dividend payments as the Company was "most anxious to take advantage of the present prosperity and to free it once and for all of the hardship of insufficient funds ..." (46). Unfortunately this policy was slackened in 1920 and 1921. Transfers to reserves in 1920 were only a quarter of the record dividend of 107 percent and in 1921 there was no transfer to reserves or depreciation. (For financial information on this company see TABLE SS in the STATISTICAL ANNEX).

The improved conditions encouraged the company to integrate forward into weaving which it had been planning "for a number of years". In June, 1919 an order was placed for 440 looms (47). To help pay for this the capital was increased in 1920 and 1923. A further diversification, which was modest, albeit useful, was a waste spinning plant together with an associated blanket weaving installation which was initiated in 1923 at a cost of 49 thous. taels (£7 thous.) (48).

The success of this last venture was a drop in the ocean compared with the series of losses that hit this company from 1922 onwards. Losses in 1922-1927 amounted to 93 percent of the issued capital. The general weakness of the industry was compounded in the case of the Company by unfortunate raw cotton purchasing (49) and violent labour relations. Even by the standards of Shanghai in the 1920s labour relations at the Oriental mill were particularly vicious. In 1927, for example, two strikes closed their spinning mill for two and a half months. One of their foremen was assassinated, another shot and a Russian watchman murdered. The labour contractor at the mill had to go about all through 1927 under armed protection and pleaded to be relieved of his duties. (50). Also, the Company suffered from its relatively little downstream activities - integrated mills tended to fare better during the periodic crises in the industry. The Chairman admitted at the April, 1928 annual general meeting that :-

"It would certainly have been better had we, during the good years of 1919 to 1921, paid smaller dividends and invested part of our profits in weaving and finishing machinery, etc. At that time, however, everybody was so optimistic in regard to the cotton spinning industry that there seemed no necessity for extending the activities of our mill in other directions" (51).

The Company went into liquidation in September, 1928 (52). In early 1929 its facilities were sold to a Chinese cotton concern - the Shen Hsin (Shen Xin) Cotton Spinning and Weaving Company owned by the Rong Brothers (53).

The loss of these two companies was replaced by the entry of two other British firms of which one was the local subsidiary of a British based cotton textile concern – the Calico Printers' Association (CPA). Given the plight of the export oriented British cotton textile industry after the First World War with the growth of local cotton industries in previously large export markets and severe competition in these markets from Japan, it seems strange that there was only one British based cotton textile firm that installed a plant in what had been a very important export market in pre-War years. The reasons for this failure of Lancashire firms (apart from CPA) to invest in China are postulated in PART IV (C) together with an account of the progress of the CPA venture. A feature of this CPA venture was, because of the relatively fine nature of its products, it was in direct competition with the local Japanese mills rather than the Chinese mills. Apart from the tobacco industry this was the main competitive interface between British and Japanese concerns in China in the 1930s.

The other British late entrant was of less importance in terms of scale (and profitability) than the CPA subsidiary of the China Printing and Finishing Company, Limited. It was also of less significance in terms of British presence in the cotton industry in China. Unlike the CPA venture it was not an attempt by a British textile firm to emulate the Japanese success in China but more an attempt by an import merchant to establish a tied outlet for its wares. The China Engineers, Limited (54) was established as a private company in 1928. The major part of their business was in supplying textile machinery (virtually all British) and electrical machinery to Chinese mills on credit terms ranging from one to four years. Other interests included supplying other machinery and trading in raw cotton, wool tops, textiles and chemicals. The Company had considerable trouble in 1937 in trying to protect installations of its textile machinery, on which the clients still owed money, from Japanese takeover. These attempts (described in PART IV (C)) met with little success.

Of more success was the Company's participation in the launching of the New China Textile Company, Limited as a private company in December, 1937 – it was converted into a public company in November, 1939. Issued capital grew from \$2.5 million at end 1938 to \$7.2 million at end October, 1940. Two issues were made at a premium in late 1940 which attracted considerable support from Chinese investors. This was due to the mill producing a basic need and being situated in the International Settlement in Shanghai. The registered office of this new company was that of The China Engineers, Limited and its Chairman the managing director of China Engineers. However, three out of the seven strong Board were Chinese and this influence increased with successive share issues.

The building for the spinning machines (capable of "economic development" up to 100,000 spindles) was completed in November, 1938 and 5,000 spindles were started up in December. By March, 1939 27,000 spindles were working and by June 200 looms were started (55). All this machinery was previously installed in a Chinese mill in Qingdao.

Even at its peak, this mill was smaller than that of the China Printing and Finishing Company, Limited :-

- 1941 -

	<u>Number of spindles</u>	<u>Number of looms</u>
New China Textile Company	38,000	260
China Printing and Finishing Company	42,240	1,130

Although increasingly profitable, the Company was less profitable than the CPA subsidiary :-

	<u>Net profits after transfers to reserves</u>		<u>Dividends</u>	
	<u>New China Textile</u>	<u>China Printing and Finishing</u>	<u>New China Textile</u>	<u>China Printing and Finishing</u>
	- £ thous.*-		Percent	
1938	2.6	130.0	-	22.5
1939	14.5	18.0	10	-
1940	27.8+	104.0	10+	20+

*Converted at average yearly rates. + First half.

Also, The China Printing and Finishing Company made much larger allocations to reserves than the New China Textile Company.

ASSESSMENT.

British direct investment in the Chinese cotton industry obviously produced both favourable and unfavourable effects on the general economic development of China. On the whole, it seems likely that the former outweighed the latter. There are several facets to this.

A common criticism of foreign investment in the period covered is that it led to geographic distortion of industrial development by favouring the coastal strip. Thus, all the British mills were situated in Shanghai with the advantages accruing there to foreigners. However, even without these, Shanghai would still have developed as a centre of the cotton industry as against inland districts. All industries have to start somewhere and Shanghai was much better situated as regards access to cotton than, for example, the initial centre of the US cotton industry in New England. Moreover, Shanghai was favoured by locally owned cotton mills --in 1936, for example, 39 percent of Chinese-owned spindles were in Shanghai and 59 percent in Jiangsu as a whole (56).

Another criticism is that industrial investment by foreigners carried adverse effects on local handicraft production. In the period covered the productivity of a power spinning operative would be around 80 times that of a hand spinner while that of a non-automatic power loom operative would show a lesser, albeit pronounced, advantage over the hand loom weaver. It was clear that the introduction of power spinning was a priority in any move to industrialisation. It might be thought that the development of spinning mills of Chinese, British, etc. ownership in the 1890s was entirely at the expense of local hand spinners. In fact, it was also in substitution of the very large imports of machine spun yarn from India and Japan. Nevertheless, it did not take many years for handicraft spinning to be greatly reduced by competition from machine spun yarns. Precise figures for this relative and absolute decline are impossible to calculate -- one difficulty being that if one eliminates the consumption estimate for cotton used in machine spinning from total consumption it is still impossible to accurately assess the significant consumption in wadding as compared with hand spinning. However, the following figures from the work of Xu Xinwu are very informed estimates. His figures for the relative usage of machine spun and hand spun cotton yarns in the weaving of hand woven cloth run as follows (57) :-

	<u>Hand spun yarn used in hand woven cloth.</u>	
	<u>Thous. tons.</u>	<u>As % of total Consumption</u>
1894	284	77
1913	65	28
1920	172	49
1936	54	24

(The revival in 1920 was short-lived and was due to a temporary capacity restraint in the mill sector (58))

The resultant loss of employment was softened to some extent by relatively sustained employment in hand loom weaving.

Already, as happened in the early days of the Industrial Revolution in Britain, hand spinning could not satisfy the expanding needs of the hand loom weavers. The availability of machine spun yarn removed this bottleneck and the increased strength of the machine spun yarn enabled hand loom weavers to prepare longer warps. As described in PART I, the day of the power loom in China dawned much later than machine spinning. However, despite the resilience in hand loom weaving and a rise in other handicraft sectors such as lace, there is no doubt that the collapse of hand spinning did lead to hardship for many displaced spinners.

Another angle is the effect on China's balance of international payments. All the machinery installed in British mills was, with minor exceptions, imported from the UK. Also, to a certain extent, British mills used imported raw cotton (but, as outlined above, this was mainly a result of deficiencies in local supply). To balance this, the British mills substituted imports of cotton manufactures and a small export trade also developed. (In 1939 and 1940 the Ewo Mills endeavoured to increase their export business with agencies being set up in the UK, Iraq, Lebanon, Syria, East Africa, the Belgian Congo and Thailand (59)). Remittance of profits to UK investors would seem to suggest that, over time, there was a net out-payment but, as time went on, Chinese local shareholders were by far in the majority (except for the CPA venture). Also, retentions were fairly significant – for instance, over the life of the various Jardine Matheson mills retentions amounted to 23 percent of dividends.

Given, also, an influx of scarce capital, the training of labour, the backward linkage into development of local mill supplies, etc the net effect of British cotton mills on the Chinese economy can be adjudged positive. In any case, by the late 1920s British presence in the local cotton industry was small (after a promising start) and thus the effect, either positive or negative, on Chinese economic development was slight.

(B) NON – COTTON TEXTILES.

The early promising position of British firms in the silk textile industry was not sustained as was that of other Western entrants into the silk filature sector. By 1911 only the Ewo Filature was “still running under entirely foreign ownership and management” (60). The filatures were notorious for providing probably the worst industrial working conditions – the nature of the process used meant literally “sweated labour”. In a socially responsible sense, the loss of British participation in this sector was to be welcomed.

However, this decline in British interest in non-cotton textiles was more than counterbalanced in the long run by a movement into other textile sectors under this head :-

- There was a move by the Ewo Cotton Mills into jute weaving in 1929 (61) and making gunny bags (62) in 1935 - by 1936 the Company possessed 25 gunny bag looms (63). This move was not, however, made by other British textile companies in China as they did not possess downstream packing interests like Jardine Matheson.

- Of much more significance was the entry of three British enterprises into a new branch of the local textile industry - worsted spinning (for hand knitting, machine knitting or weaving) and weaving. In 1932 an experimental plant to produce worsted yarns was installed in the Ewo Cotton Mills. In 1934 this plant was

extended and an experimental weaving, dyeing and finishing plant was installed (64). By 1935 there were 30 looms installed. In 1936 83 percent of the Company's expenditure on new machinery was devoted to expanding the worsted plant at a cost of \$170 thous. (£10 thous.) (65). The number of looms was increased to 50 and a further 1,800 spindles installed for weaving and knitting yarns (66). By October, 1939 the capacity was as follows (67) :-

Spindles - Hosiery yarn	1,440
- Weaving yarn	2,700
- Mules	<u>2,400</u>
	6,540
Looms	66

By 1941 there were 116 looms (68).

The British worsted spinning firm of Patons and Baldwins, Limited, with mills in the UK, Canada and Australia, had a significant business exporting worsted yarns to China. With new import duties it faced exclusion from this market (UK exports of worsted yarn to China fell from 937 tons in 1933 to 14 tons in 1936). Hence a decision to build a mill producing tops and worsted yarns in Yangshupu which came on stream in 1934. The initial capital of this enterprise was £750 thous.

The enterprise prospered and by 1940 had a workforce of over one thousand and there were 20 British employees. After the Second World War the Foreign Office noted that "it was the only British factory still operating in China" (69). It was not until 1959 that the mill was transferred to Chinese ownership. It is fairly likely that the reason for survival was the relative inexperience of the Chinese in worsted spinning as compared with the long lasting experience in the technology of cotton spinning (Even as late as 1958 there were two expatriate staff at the mill (70)).

Shanghai Worsted Mills, Limited, founded in 1935, was a local enterprise "under the aegis of Chinese Engineers, Ltd. with the collaboration of a group of Chinese merchants" (71). The Chinese presence was strong throughout – 4 out of 9 directors, for example, in December, 1940. There were two departments – one producing hand knitting yarns and the other making other worsted yarns, woven worsted fabrics, wool tapestries, etc. By 1941 there were 55 looms installed (72).

Six hundred spindles were imported from England and put into operation in August, 1935. The Company made useful profits in its first three years but lost heavily in the year to March, 1939 (73) :-

	<u>Issued Capital</u> \$ thous.	<u>Net Profit</u> \$ thous.	<u>Dividend</u> \$ thous.
1935 (5 months)	150	13	-
1936	200	116	-
1.1.37-31.3.38	500	29	-
1.4.38-31.3.39	521	-349	-
1.4.39-31.3.40	521	395	42 (8%)
1.4.40-30.9.40	1,070	238	-

A recovery in the next financial year and the payment of a modest dividend encouraged the Company to float in a context of a desperate desire of Chinese investors to seek security in shares in local British enterprises – see PART IV (C).

By the outbreak of the Pacific War British enterprises occupied a prominent position in this emerging industry (74) :-

	<u>Number of worsted spindles</u>	<u>Output of worsted yarns</u> Tons per annum
Ewo Cotton Mills, Ltd.	10,260	1,665
Shanghai Worsted Mills, Ltd.	4,200	805
Patons and Baldwins (Far East), Ltd.	<u>12,000</u>	<u>3,485</u>
Total	26,460	5,955

The importance of British firms in this important new industry can be illustrated by the fact that as regards worsted yarns they accounted for 46 percent of national output in 1941 (75). In recent years China has become a very significant producer of worsted items – for example, it is currently by far the World's largest producer of worsted hand knitting yarns.

(C) MAN – MADE FIBRES. (76)

In 1924 Jardine Matheson considered the possibility of a viscose filament plant in Shanghai. Courtaulds were approached as a partner. However, an interview with a Mr. Bell, the Managing Director of Courtaulds threw cold water on such a project :-

- Low labour costs were not a crucial factor only accounting for 15% of the finished material.
- The existing import duty into China was not heavy.
- The manufacture of viscose filament required considerable expert staff of which there was a shortage.

PART III - CHAPTER FOUR - ENGINEERING

There was no UK presence (in contrast to Japanese presence – see PART IV (C) below) in the manufacture of primary metals in China despite two promising projects which never materialised :-

- in 1919 the Chinese Engineering and Mining Company, Limited seriously investigated the establishment of a iron and steel complex at Qinhuangdao (1). The project included :-

- coke ovens.
- iron works (1,000 tons pig iron per day).
- steel works (500 tons per day).
- coke ovens
- a central power station.
- a sulphuric acid plant.

and was to cost around £2 million (2). The project seemed attractive. The Company shipped large quantities of coal from its port at Qinhuangdao to Shanghai. On return they could load with Yangzi iron ore from that port.

- in 1936 (reflecting the increased authority of the Nanjing Government in the South) a preliminary agreement was signed between the Guangdong Provincial Government and a British Group for the establishment of a large integrated iron and steel plant (3). On the outbreak of hostilities in 1937 the project, as yet not fully defined, was abandoned.

There was, however, considerable UK presence in engineering, This was particularly concentrated in marine engineering :-

- ship repairing
- shipbuilding
- ship breaking at China Ship-Breakers, Limited (founded 1933) – the major part of Metal Industries of China, Limited which was floated in 1937 by Wheelock and Company, Limited (4).

The shares were heavily oversubscribed by six times (5)

although there was also a relatively modest presence in general engineering.

The general engineering field included British ventures in nails, railway coaches and freight cars, water fittings, metal windows, foundry products, etc (see Appendix One). In this sector a modest proportion of the activity was ancillary to the main operations of an UK owned company. Thus the British owned tramway company of the Shanghai Electric Construction Company, Limited had a machine shop making tyres from steel for tramcars and a moulding shop for brass castings (6). Another example is the oil drum factory installed in Shanghai in 1911 by the Asiatic Petroleum Company, Limited (Shell) (7). It is impossible to disentangle these activities so, to a minor extent, there is an underestimation of UK industrial investment in the engineering area. Where the company with these ancillary engineering activities was in an industrial sector e.g. the Chinese Engineering and Mining Company, Limited with its engineering workshops or the British American Tobacco Company, Limited with its engineering department and its Acme Foundry, Limited (see above) then obviously the total figure is not affected.

There was, clearly, some overlap between the these two engineering sectors with the British owned marine engineering firms also engaged to a limited degree in general engineering. These included supplying structural steelwork, heating installations, pumping plants, metal plating, engraving, erecting oil storage tanks, etc. Many of these activities were linked to the foreign community in Shanghai. Thus the Shanghai Dock and Engineering Company, Limited supplied structural steelwork for the Shanghai

Volunteer Drill Hall, the Holy Trinity Cathedral and the Race Club stand (8) while in 1927 its rival – the New Engineering and Shipbuilding Works, Limited repaired and modified the armoured cars of the British 5th Armoured Car Company sent to Shanghai from India to defend the International Settlement.

Apart from some repair facilities in Tianjin, Fuzhou and Qinhuangdao and the example, already noted, of the enterprise in Xiamen that was sold in 1918, British presence in marine engineering was confined to Shanghai – the prime port of China which grew explosively :-

Vessels Entered and Cleared in Shanghai – Tonnage. (9)

1856	320,458	
1900	9,432,419	
1936	<u>18,826,779</u>	(22,779)*
- Chinese ports	7,704,592	(6,528)*
- Foreign ports	8,360,928	(1,768)*
- Inland trade	2,761,259	(14,483)*

*Number of vessels

By 1929 Shanghai was in terms of tonnage handled second only to Rotterdam and before Hamburg (No. 3) and London (No.4) (10). It must be borne in mind, however, that because of the deficient transport network in China the proportion of coastal shipping (41% of Shanghai tonnage in 1936) and vessels utilising inland waterways (15% of tonnage and 64% of vessels in 1936) was much higher than in European ports.

Despite the significant volume of inland trade, it was only in one (unsuccessful) enterprise that the UK marine engineering companies in Shanghai started a venture to service repairs for inland craft at an up-river location. This was an unique venture as regards foreign marine engineering concerns in China. In 1920 the New Engineering and Shipbuilding Works, Limited started to extend its operations by purchasing land at Yichang to carry out repairs on river craft (11). This subsidiary – Upper Yangtze Engineering Works – never got off the ground despite the Company’s perseverance. By 1927 the Company had organised machinery and building materials and awaited a “hoped for improvement in conditions on the Upper Yangtze” (12). In 1928 the Company despatched engineers and commenced organising the plant but “within a few weeks of having the yard completely established” the Chinese Government “ordered complete cessation of work” (13). The Company decided towards the end of 1931 to abandon the scheme entirely as they were “not able to overcome many difficulties”. The expenditure to date on the venture – 155 thous. taels (£8 thous.) was written off (14).

By 1900 a high proportion of the significant facilities for marine engineering in Shanghai were in the hands of two British companies :-

- Boyd and Company, Limited.
- S.C. Farnham and Company, Limited.

and this strong position was reinforced by the purchase in the same year of another (unsuccessful) British concern (The Shanghai Engineering, Shipbuilding and Dock Company – see PART V below) by S.C. Farnham. In a further move in 1900 S.C. Farnham and Boyd and Company merged into S.C. Farnham , Boyd and Company, Limited which “controls all the shipbuilding and docking business of the port”(15). Reorganised in 1906 as The Shanghai Dock and Engineering Company, Limited this was the principal UK marine engineering company although a major UK competitor arose with the foundation of the New

Engineering and Shipbuilding Works, Limited in 1900 which amalgamated its interests in 1912 with the 1905 founded Vulcan Ironworks, Limited.

The Worldwide extreme depression in shipping in the early 1930s brought the two British companies together. The Chairman of The New Engineering and Shipbuilding Works lamented in 1935 the “continued cutthroat competition existing between us and the only other British dock company in Shanghai” (16). In June, 1936 the two companies amalgamated the majority of their interests in the Shanghai Dockyards, Limited (17). By 1940 the process of amalgamation was complete. This enterprise plus Mollers’ Engineering and Shipbuilding Works, Limited (specialising in smaller vessels) then constituted the British presence in shipbuilding and repairing in Shanghai. Although a significant force in shipbuilding and repair the UK presence in Shanghai did not approach the scale of the British yards in Hong Kong. Thus, for instance, in terms of ships built up to 1938 over a broadly similar period, the position was (18) :-

	<u>No. of vessels.</u>	<u>Tons.</u>	<u>Average per vessel –tons.</u>
<u>Shanghai.</u>	<u>66</u>	<u>95,000</u>	<u>1,440</u>
Shanghai Dock and Engineering and predecessors.	38	73,000	1,920
New Engineering and Shipbuilding Works.	28	22,000	785
<u>Hong Kong.</u>	<u>174</u>	<u>291,000</u>	<u>1,670</u>
Taikoo Dock and Engineering Co., Ltd.	78	141,000	1,810
Hongkong and Wampoa Dock, Co.	96	150,000	1,560

As noted, British firms enjoyed a commanding position in the marine engineering industry in Shanghai at the turn of the Nineteenth Century. This position began to be eroded within five years. The major factor was competition from the Chinese State owned Kiangnan (Jiangnan) Dock and Engineering Works with a captive outlet in the China Merchants Steam Navigation Company. Originally these facilities worked exclusively for the Government but in 1905 the business was put on a commercial basis and competed with the other dockyards on the open market.

Originally the Chairman of S.C. Farnham, Boyd and Company, Limited foolishly underestimated the threat. At the Company’s AGM held on the 23rd June, 1905 he stated (19) :-

“I do not think the Arsenal Dock will affect us. We have tried to stir up the officials about it. They have taken away some of our men by offering double the pay they were receiving from us *. They have not, however, made a very brilliant start. One ship they have docked has turned over.”

This was in response to a question from a shareholder (which also gives an insight into the attitude of British businessmen in China at that time) :-

“We know that already the Arsenal has made arrangements to do outside work and while we don’t like it, we cannot help it, unless the directors are able through the British Minister, or other Minister, to prevent the Government competing with a mercantile business. Until we succeed in doing so, we have something staring us in the face that will in a few years’ time seriously compete with us and probably take something out of our dividends.” (20).

*The key worker who left the British company (Mr A.B. Mauchan) was the general manager of the Chinese company for twenty years (21). As late as 1920 the number of foreign engineers outnumbered the Chinese engineers by 14 to 9 (22)

(a) Ship repairing

The Table below shows how the commanding position of British firms had slipped by the 1930s. There was severe competition from, in particular, the Jiangnan Dock and Engineering Works but also from another Chinese firm and the Société Franco-Chinoise de Constructions Métalliques et Mécaniques (see PART IV (B)). Apart from this competition from these big players (i.e. those with dry docking facilities) there was also competition from other Chinese units – about ten of significance in 1930.

The British share of the area of dry docks in Shanghai thus fell as follows :-

<u>Percent.</u>	
1900	100
1910	82
1920	83
1930	63
1937	47

There was a further fall by 1940 due to rationalisation of facilities upon the unification of the two British companies involved which started in 1936.

DRY DOCKS IN SHANGHAI – FEET.

	<u>1930 (23)</u>			<u>1937 (24)</u>		
	<u>a</u>	<u>b</u>	<u>c</u>	<u>a</u>	<u>b</u>	<u>c</u>
<u>BRITISH.</u>						
<u>Shanghai Dock and Engineering.</u>	<u>1,282</u>	<u>197.5</u>	..	<u>1,282</u>	<u>185</u>	..
Old Dock	399	53	16	399	53	16*
Tunkadoo Dock	355	67	16	355	67	16+
International Dock	528	77.5	23.5	528	65	23..5+
<u>New Engineering and</u>						
<u>Shipbuilding Works.</u>						
Yangtsepoo I	<u>577</u>	<u>61</u>	20	<u>584</u>	<u>62</u>	20+
Yangtsepoo II	<u>335</u>	<u>60</u>	14	<u>342</u>	<u>61</u>	16+
<u>TOTAL BRITISH DOCKS.</u>	<u>2,194</u>	<u>318.5</u>	..	<u>2,208</u>	<u>308</u>	..
<u>OTHER.</u>						
<u>Jiangnan Dock and Engineering</u>						
<u>Works.</u>	<u>1,047</u>	<u>130</u>	..	<u>1,687</u>	<u>203</u>	..
I	545	70	20	545	62	20
II	502	60	23.5	502	61	23
III	-	-	-	640	80	23.5
<u>Kung Mow Engine and Shipbuilding</u>						
<u>Works – Pingan Docks.</u>	<u>250</u>	<u>30</u>	15	<u>268</u>	<u>38</u>	13
<u>Société Franco-Chinoise de Constructions</u>						
<u>Métalliques et Mécaniques (Kioussin</u>						
<u>Dock).</u>	<u>250</u>	<u>35</u>	12	<u>242</u>	<u>35</u>	12
<u>Whangpoo Conservancy Board.</u>	<u>190</u>	<u>40</u>	16	<u>190</u>	<u>40</u>	16
<u>TOTAL OTHER.</u>	<u>1,737</u>	<u>235</u>	..	<u>2,387</u>	<u>316</u>	..
<u>TOTAL</u>	<u>3,931</u>	<u>553.5</u>	..	<u>4,595</u>	<u>624</u>	..

(a) Length on blocks. (b) breadth at entrance. (c) Depth of high water at ordinary Spring tides.

* Sold in 1938 to Messrs Mollers' Ltd. –another British company.

+ Transferred in 1936 to the joint venture company of Shanghai Dockyards, Ltd.

(b) Shipbuilding.

Shanghai was by far the largest centre for shipbuilding in Mainland China – as regards both Chinese and foreign firms – particularly the former. The shipbuilding industry in Shanghai reached its peak production during the First World War and the immediate post-War years. The pressure on Allied shipyards led, in the case of the Shanghai Dock and Engineering Company, to an order of three identical ships (a larger order for these ships was given to a Hong Kong yard). In the eighteen months to September, 1919 launches from this company totalled 22,850 tons and vessels totalling 13,000 tons were under construction (25). In the twelve months ending September 30th, 1919 its smaller British counterpart – the New Engineering and Shipbuilding Works – launched 12 vessels aggregating 920 tons – the largest being only 250 tons. Tonnage under construction amounted to 6,450 tons – the largest being a ship of 2,050 tons (26). In 1921, a relatively good year, the two British shipyards completed the following (27) :-

	<u>No. of vessels</u>	<u>Tons</u>	<u>Average per vessel – tons</u>
Shanghai Dock and Engineering Co.	6	11,243	1,875
New Engineering and Shipbuilding Works	15	5,203	345

As can be seen, the average size of vessel was by European and North American standards small. The largest vessel ever launched by the Shanghai Dock and Engineering Company was 6,000 tons and by the New Engineering and Shipbuilding Works was 3,400 tons. The successor company to these two – Shanghai Dockyards – also did not exceed the 6,000 ton level.

In terms of the number of ships launched and the size of vessels the Jiangnan Dock and Engineering Works was the clear leader. By 1928 this concern had built over 600 ships. In 1919 their yards were engaged in constructing four 10,700 tons steamers for the United States Robert Dollar Company Line (28). These 430 feet long ships were completed in 1921 and were the largest built in China before the Second World War.

In 1930 shipbuilding at the major Shanghai yards was as follows (29) :-

	<u>Number of vessels.</u>	<u>Tons launched.</u>
Jiangnan Dock and Engineering Works.	32	4,737
Shanghai Dock and Engineering Company.	11	4,917
New Engineering and Shipbuilding Works.	9	225
Kiousin Dock	6	2,960

Japanese yards developed the capacity to produce considerably larger ships than those made in China. A factor in this was the naval connection. Initially the Japanese navy relied principally on British yards for large warships. However, 4 armoured cruisers were launched in 1905-11. By 1907 the first battleship was launched followed by 5 other pre-Dreadnoughts by 1911 and 2 Dreadnoughts by 1912 (30). Thus, by the time of the First World War local yards had developed the techniques and facilities for producing large ships for naval or commercial use (31).

Other competition to British firms in local shipbuilding came from the Société Franco-Chinoise de Constructions Métalliques et Mécaniques and some Chinese companies of which the most important were the Kung Mow Engine and Shipbuilding Works and the Nicholas Tsu Engineering Works.

ASSESSMENT.

The extent of UK investment in non-marine engineering was so modest that it did not exercise an appreciable influence – beneficial or otherwise – on indigenous economic development. In terms of

of import replacement for items such as steel windows, water fittings, etc for the modern building boom in Shanghai and the introduction of new technology the effect was positive.

In the key sector of marine engineering it is clear that British investment did not lead to geographic distortion of the economy in Shanghai and the Shanghai region generally. Given the underdeveloped transport system and the key role of water transport, ports such as Shanghai with large water access to the interior grew explosively. Marine engineering facilities merely followed this growth. Given the World lead enjoyed by Britain in shipping and shipbuilding in the Nineteenth Century it was very likely that British firms would take a prime role in marine engineering in the leading port of Shanghai.

In the last five years of the Nineteenth Century the two main British firms involved made good but not spectacular profits. The rates of retentions were reasonable over this period – 30% of net income in the case of Boyd and Co. and 39% in the case of S.C. Farnham and Co. (See STATISTICAL ANNEX, TABLES VV and WW).

The merger of the three British firms at the turn of the Century and their monopoly of large scale ship repairing facilities (i.e. the possession of dry docks) in Shanghai did not lead, as might be expected, to significant exploitation of this position :-

- unlike customers of a public utility monopoly in a locality, customers could in many cases easily switch to yards in other Chinese ports (Xiamen, Tianjin, Daku, Fuzhou and Dalian – this last Japanese owned), Hong Kong and Japan except, of course, in the case of salvage operations. Here, for example, the Shanghai Dock and Engineering Company worked in conjunction with another British concern – The Shanghai Tug and Lighter Company, Limited (32).

- competition from 1905 onwards from new, non-British entrants. The first new Chinese entrant was the Jiangnan Dock and Engineering Works. Discounted at first by the original UK monopoly, this was to prove a strong competitor. With other new entrants the UK share of commercial dry docking capacity fell from 100% in 1900 to 47% in 1937.

- the entry of the New Engineering and Shipbuilding Works in the first years of the new Century and its 1909 opening of a dry dock plus acquisition of the Vulcan Ironworks led to a long period of fierce competition with the incumbent British firm of S.C.Farnham, Boyd / Shanghai Dock and Engineering. Even without the entry of non-British firms this competition acted as a restraint on the previous monopoly position.

The profits of the 1900 merged British company were fairly modest even up to 1905 and in the years leading up to the First World War were fairly poor. (For data relating to this paragraph see TABLES YY, ZZ, AAA, BBB and CCC in the STATISTICAL ANNEX). The Company shared to a modest extent in the prosperity of all Allied shipyards in the War and in the immediate post-War period. Over the whole of the period its profits were poor compared with those of its British competitor – the New Engineering and Shipbuilding Works whose dividend in one year (1920) was 100%. After this immediate post-War period the positions of the UK companies were reversed with the Shanghai Dock and Engineering Co. performing better – sustaining dividends even in the depression years of the 1930s. This company drew in its horns and operated the business almost as a “cash cow”. Retentions over its existence were only 15.5% of earnings. In contrast, its British rival retained over twice (33%) this proportion. These two British companies began to

merge as a defensive move in 1936. After a modest start the new company made substantial profits in 1939 and 1940 (see PART IV (C) below) due primarily to the lessened competition from local firms.

The impact of this UK investment on the Chinese economy was probably, on balance, positive. It brought technical and management skills which were sown widely – many expatriates left the original 1900 company to join (for much higher salaries) the Jiangnan company. This investment stimulated some local metal and timber working enterprises. It also brought in the form of China Ship-Breakers, Limited a new segment of the industry to Shanghai in the 1930s. The relatively easy transference of business meant that any exploitation of high local market share was tempered. Dividends may have seemed excessive during and immediately after the First World War but this was a Worldwide phenomenon in this industry. As time went on an increasing proportion of dividends paid by local British firms in this sector went to local Chinese investors – certainly by the time of the Second World War over half. The effect of local facilities for shipbuilding and repair on the balance of payments was positive even allowing for the fact that a high proportion of the machinery and components involved was imported.

PART III – CHAPTER FIVE – CHEMICALS.

(A) INDUSTRIAL CHEMICALS.

(a) Bulk Chemicals for Industry and Agriculture.

British participation in this area was minor being virtually confined to a producer of industrial acids - Major Brothers, Limited. This situation could, however, have been considerably different if projects in two sectors – synthetic soda ash (sodium carbonate) and ammonium sulphate – by Imperial Chemical Industries (and one of its founder companies – Brunner Mond and Company) – had come to fruition (1). ICI / Brunner Mond were leading suppliers to China of soda ash (where competition from a local Chinese producer – Yung Lee Soda Company - commenced in 1924) and ammonium sulphate for fertiliser use.

Soda ash.

Discussion of local manufacture dated back to 1899 (2) and was revived after the First World War. In 1928 ICI rejected a proposal by the South Manchuria Railway Company to cooperate in a soda ash venture near Dalian (3). In 1929 the ICI Main Board approved an investigation into the prospects for local manufacture but nothing materialised (4).

Ammonium sulphate.

ICI were leaders together with I.G.Farbenindustrie in supplying this fertiliser to China. There was some resistance to the use of ammonium sulphate as a fertiliser in the context of Chinese agricultural conditions and in 1926 ICI set up a small plant in Shanghai making mixed fertilisers (i.e. combining nitrogen from ammonium sulphate, phosphate and potash). However, this plant was subsequently abandoned as unprofitable (5).

In 1931 the Chinese Ministry of Industries as part of a programme of import replacement initiated investigations into the establishment of a joint venture ammonium sulphate plant with foreign participation. ICI and I.G. Farbenindustrie agreed that they would jointly investigate the project and a joint mission visited China in early 1932 (6). A preliminary report was submitted to the Chinese Government in mid 1932 followed by a detailed report in January, 1933 based on an investment of \$15 million (7). An alternative proposal (8) for a smaller plant costing \$11 million :-

- \$3 million by the Ministry of Industries.
- \$3 million by Chinese investors.
- \$5 million by ICI / I.G.Farbenindustrie.

was also made. However negotiations broke down. Further ICI projects in 1936/7 for ammonium sulphate plants in Guangdong and Hunan also floundered (9).

(a) Industrial acids. (See also TABLE DDD in the STATISTICAL ANNEX).

As described in PART I, Major Brothers, Limited., a long established Shanghai enterprise, had from its original business in refining precious metal items and producing industrial acids (nitric and sulphuric) moved into widely diverse activities. By 1907, however, it had virtually given up these last and concentrated on its core activities.

After a loss in 1905, The Company accepted the fact in 1906 (10) that, despite spending 26 thous. taels (4 thous.) on renovating the acid plant (1879) in 1900 and 1901 (11), it was antiquated and that they needed a

newer plant.

In early 1907 the Company completed the purchase of 5 acres of land in Shanghai for a new plant (12). This plant finally cost 250 thous. taels (£35 thous.) when completed in 1908 and was based on modern - machinery imported under conditions of secrecy in operation from a company in Berlin (13). This new works employed 250 men.

Despite the new plant, losses were made in every year from 1909 to 1913. Factors in this were :-

- keen competition from imports of Japanese sulphuric acid.
- a high interest burden due to high bank overdrafts, mainly connected with financing the new plant.
- a factor affecting the Company's performance and competitiveness in this and other periods was the Government's archaic attitude to the import and transport of sulphur. This was regarded by the Government as an ingredient in explosives. The Company was thus faced with absurd and bureaucratic restrictions in accessing an essential raw material.

Although things improved by 1914 and succeeding years, the Company only shared very modestly in the post-War boom. In 1919 the Company stated that "your directors realise that the demand for acids in China is not sufficiently great to occupy the works fully" (14). The 1920s (apart from 1929 when a dividend of 20 percent was paid) were for the most part disappointing. By the early 1930s the acid plant was constantly breaking down and "no longer economic owing to amount we had to spend on repairs" (15). Thus, in the period from 1930 to 1934 a program of replacement took place and the old machinery was completely scrapped. Also by 1934 the refining operations had practically ceased owing to the establishment of the Central Mint and Government legislation (17).

Thus, by the late 1930s the Company was a small, albeit better equipped, operation with only 23 employees. Capacity for acids was 4 thous. tons per annum but production was usually well below capacity. Thus in 1936 output was as follows (18) :-

	- Tons -
Sulphuric acid	2,721
Hydrochloric acid	151
Nitric acid	<u>181</u>
	3,053

On a national scale the Company's share of output of sulphuric acid was only around 2-3 percent and, even in the context of Shanghai, the firm was only one of ten local producers of sulphuric acid.

(b) Adhesives.

The Yue Kang Glue Factory Company was established in Shanghai in January, 1901 but was liquidated as early as June, 1902. The reasons for its failure was essentially due to its uncritical assumption that British conditions could be transferred directly to China - this is analysed in PART V.

(c) Coatings, etc.

With the exception of a very short lived venture in 1911 - Demovel, Limited producing paint remover - British involvement was confined to the Orient Paint, Colour and Varnish Company, Limited. Apart from a modest Chinese shareholding, this company was a joint venture of two British companies - John Swire & Sons, Limited and the paint company of Pinchin, Johnson and Company, Limited. With

a minor exception, all the references below concerning the Orient Paint, Colour and Varnish Company, Limited are taken from the papers of John Swire & Sons, Limited held at SOAS (19). As with the case of Electric and Musical Industries (see Chapter Six below) these archives give the opportunity of examining the motives, behaviour, etc. of new British entrants to operations in China in the 1930s.

John Swire & Sons felt in the early 1930s that there were good prospects for a paint venture in Shanghai. This was partly actuated by a desire to provide paint to their shipping interests (China Navigation Company) and dockyard facilities (Taikoo Dockyard and Engineering Company in Hong Kong where there were already paint mixing operations). However, the Company also saw great possibilities in the open market for paint, particularly in Shanghai. On instruction from the Head Office in London, the Shanghai office prepared a concrete scheme. In a letter to London of December 23rd, 1932 (20) it proposed the erection of a plant in Shanghai with a capacity of 1,000 tons per annum. Only 22.5 percent of the turnover was to be to Swire's captive outlets (21).

The project progressed but there was a glaring defect – the scant knowledge within the Swire Group of paint, particularly modern paint, production. A joint venture with a paint specialist was an obvious move although there was a clear risk of management problems in whether jobs could be filled "by a paint expert with no knowledge of China or a China expert with no knowledge of paint." (22).

Pinchin Johnson's paints were distributed in China by their subsidiary company of Wilkinson, Heywood and Clark whose manager had been pressing for some time for the establishment of a paint factory in China. Rumours in Shanghai and other factors led Pinchin Johnson to approach Swires and in the latter's words proposed a 50/50 venture "combining with ourselves with the object of preventing two important British interests entering upon the business in competition with each other." (23).

In July, 1934 the two companies signed a "Gentlemen's Agreement" (24). They pledged themselves to take equal shares in the new paint company. The initial capital would be \$1,500 thous. Of this, \$900 thous. (£60 thous.) would be initially taken up by the two companies. It was agreed that "if one or two suitable Chinese can be found, they will be allotted up to \$80,000 between them to be taken equally from the shares allotted ... to the British shareholders ... It is the intention that the remaining \$600,000 unissued capital be taken up, if and as required, largely by Chinese, ... but in so far as it is not taken up by Chinese, the British shareholders agree that they will do so in equal shares." The British shareholders agreed to advance up to £10 thous. each, as required, to the new company on loan as working capital. The initial Board would comprise two directors in Shanghai and one in London from each company and "if suitable Chinese shareholders are forthcoming, one Chinese director". The two companies "will advise the directors nominated by them respectively that they should not court the favour of the "Irish Party" in the person of the Chinese directors. The impression of a secret cabal working behind the Chinese directors' back must, however, at all costs be avoided." !

The new company was registered on the lines indicated above on August 21st, 1934 (25). Even before the new company was formally registered the well connected T.V. Soong (Song Ziwen), having seen the articles of association, wrote a letter to Mr Brown of Butterfield & Swire, Shanghai on 8th, August, 1934 saying that he was interested in the company "from the beginning in a substantial manner" (25). (Earlier in a letter dated 31.7.34 the London Office had stated that "We hope that T.V. Soong will accept a seat on the Board, and that his influence and advice will be helpful to the Company" (26)). Soong was the brother-in-

law of Chiang Kai-shek (Jiang Jieshi) and a member of the "Four Great Families". A former Minister of Finance, he became leader of the Bank of China and created the China Development Corporation. The two partners in the new company thus indicated that they were prepared, as previously agreed between them, to accept Chinese investment participation up to \$80 thous. maximum.

Initially 30 \$1,000 shares were issued to the Chinese and a Mr Tse Tsok Kai – "one of T.V. Soong's henchmen" (27) was appointed to the Board of the new company in December, 1934. He died in January, 1937 (28) and was replaced by other Chinese directors in the course of time. However, these were all creatures of T.V. Soong and in a list of shareholders in March, 1946 Soong was shown as the only Chinese shareholder (29).

A further 30 shares were issued to Chinese interests in June, 1935 and the development from then, when a further 110 shares were issued to the British partners, was as follows :-

- No of issued \$1,000 shares -

	June, 1935		mid-1938	
	No.	%	No.	%
John Swire & Sons	560	47.5	860	47.75
Pinchin, Johnson	560	47.5	860	47.75
Chinese	60	5.0	80	4.50
Total	1,180	100.0	1,800	100.0

The increase in 1938 which brought the authorised capital to \$2,600,000 and the issued capital to \$1,800,000 (which was not further increased) was connected with the acquisition of Wilkinson, Heywood and Clark (see below) and the need to establish the Orient Paint, Colour and Varnish Company "on a sound financial basis" -- by November, 1937 its overdrafts had reached \$277 thous. Proceeds of the share issue were used to eliminate overdrafts and leave a margin in working capital -- by May, 1938 there was a cash balance of around \$50 thous. Also, the two British shareholders cancelled the loan given to the Company, of which £19,200 had been taken up (30).

The paint factory was not finally completed until September, 1935 but limited production began in mid July (31). Half yearly output rose as follows (32) :-

- Gallons -

Six months ending 31.3.1936	2,462
Six months ending 30.9.1936	6,672
Six months ending 31.3.1937	7,666
Six months ending 30.9.1937	9,141

By July, 1936 production for sale at 109 tons exceeded 100 tons for the first time (33).

As evident above from the financing of the new enterprise, it had "a troubled childhood". Part of this was due to production difficulties and marketing problems but an important factor was the confused and duplicated selling units in China of the Orient Paint, Colour and Varnish Company and Pinchin Johnson. The main trouble was the relationship between the former and the local Pinchin Johnson subsidiary of Wilkinson, Heywood and Clark. "That the two organisations must clash was inevitable as the O.P. Company set out to manufacture and sell the equivalent of imported articles which W.H. and C. had marketed for many years," (34). This "need to eliminate competition and expenses of two selling organisations" was not resolved until April, 1938 when it was agreed that Wilkinson, Heywood and Clark was to be sold to the Orient Paint, Colour and Varnish Company (35).

The aim of the Company was to replace imported high and medium grade paints and they “expected to undersell imported paints of equal quality with a fair to large margin of profit” (36). This aim was to a large extent increasingly realised by product diversification. Thus, the Company developed special lines of paint and by early 1938 the number of lines regularly manufactured was 110 (eventually it was 128) (37) :-

- Percent of sales -

	<u>Number</u>	<u>By weight</u>	<u>By value</u>
Category A - Original standard lines	24	45	37
Category B - Special lines	86	55	63

However the Company’s performance was weakened by other factors :-

(i) In terms of domestic sales the Company admitted that it was handicapped by being a foreign concern when quoting for Government, Railway business, etc (38). This was, of course, counterbalanced to an extent by a generally favourable reception to the Company by British, etc concerns in China. (39)

(ii) Although the Company was happy to receive Chinese participation at the Board level – particularly as, it was noted in June, 1941, that “the Chinese director has been quite inactive since 1937” ! (40) - its acceptance of Chinese management was gingerly. There was a split of opinion between the local management (or rather the Local Works Manager – a Mr S.C.Radford) and Swire’s Head Office. In a letter to headquarters on September 19th, 1938 (41) he expressed the following opinion :-

“Many of our coolies are now skilled labour, and will compare with any other nationality, providing they are under direct foreign control. The Staff are making good progress but easily collapse when the foreign staff is withdrawn ... From careful study of our Staff, we are forced to the conclusion that close foreign supervision is the only safe policy if the goods produced are not to be commercially rejected in quality.”

However, this opinion was (rightly) rejected by Head Office who claimed, in response to his request for additional staff, that this should “be carried out by a good Chinese”. This was particularly so after the 1937 hostilities as with some Chinese competitors destroyed :-

“...really first-class Chinese technical experts may now be available to take the place of expensive foreigners and that we might be able to reduce the factory to say one good foreigner and an assistant with Chinese under them”. (42)

Nevertheless the predominance of expatriates in senior positions persisted and, as hinted in the above statement (also see below), this was a competitive disadvantage given their high costs. The local staff estimated the distribution of 1938 factory expenses in January, 1938 (43) as follows :-

Foreign salaries including home leave expenses	<u>Percent</u> 28.6
Sundry foreign staff expenses	<u>1.7</u> 30.3
<u>Chinese employees</u>	<u>15.9</u>
- Watchmen	0.8
- “Keymen”	4.5
- Office	2.0
- “Coolie labour”	8.6
Expert adviser’s fees	15.5
Depreciation	14.6
Rates, insurance, etc.	6.7
Other works expenses	<u>17.0</u>
<u>Total</u>	100.0

Particularly noticeable in the above is the cost of expatriate employees and also the income accruing to Pinchin Johnson for their technical assistance. (for this Pinchin Johnson received \$30,000 per annum plus 5 percent commission on net profits (44)).

(iii) Apart from high and medium grade paints the Company aimed to compete with Chinese plants at lower grades in the local market. There would be small margins in this last business but it would serve to spread factory overheads. It was in the category of paste paints that the main interface took place between the Company and local producers.

By October, 1936 when the "works were operating at such full pressure" (45) the maximum output of the plant was approximately as follows :-

	- Tons per month -
Paste paints	51 (25%)
Dry colours	5 (2%)
Ready mixed paint	102 (51%)
Varnish	15 (7%)
<u>Boiled oils</u>	<u>31 (15%)</u>
Total	204 (100%)

By 1939 the proportion of paste paints in total sales was still significant despite the Company having developed a re-sale business which helped to reduce the impact of overhead charges :-

Sales – January to July, 1939 (46).

	<u>Percent by weight</u>	<u>Percent by value</u>	<u>Average price per ton -\$</u>
Paste paints	26.2	16.2	587
Ready mixed paints	20.2	28.5	1,361
Enamels	0.4	1.4	3,158
Dry colours	9.9	6.8	665
Varnishes	2.6	5.1	1,863
Oils and sundries	17.0	16.5	964
Re-sale items	23.7	25.5	1,041
<u>Total</u>	<u>100.0</u>	<u>100.0</u>	<u>970</u>

(Re-sale items included linseed cake, coal tar, lead piping, powdered calcium carbonate, etc.)

It was in the category of paste paints that the Company found difficulty in competing with Chinese competitors. The first modern paint plant in China started up in 1915 in Shanghai and although there were other centres e.g. Tianjin, Shanghai remained the main centre. Leading firms were (47) :-

	<u>Capital Thous. \$</u>	<u>Operatives</u>
Kailum Paint and Varnish Manufacturing Co., Ltd (1915)	250	260
Chen Hua Paint Manufacturing Co. (1918)	200	125
Yung Koo Paint and Varnish Manufacturing Co. (1926)	120	85
Durvar Varnish Works (1929)	40	20
Dah Kwan Loh Paint Co.	n.a.	15
Wan Li	20	15
Valet Varnish Works, Ltd.	n.a.	20

There were at least 4 others. As usual the capitalisation of the Chinese companies was much less size for size when compared with Western companies.

The Company's sales of their low priced paints were in three categories :-

"C5" "Monkey" (stone powder) – white paste paint.

“C13” “Monkey” (barytes) – coloured paste paint.

“C127” – blended thinners.

The Company’s policy on competing with Chinese rivals in the bulk market for paints and the difficulties they experienced are clearly shown by the internal correspondence given below :-

“Monkey brand being your lowest grade paint must be reserved for paints made from the cheapest materials, and eventually used to compete with the cheapest possible trash which the Chinese produce.” “You must have bulk, you cannot have bulk until you can make trash.”(48). The Company’s efforts to penetrate the cheaper paint market with these products were inhibited at first by production problems – trial batches produced “almost unmarketable paints”. (49). However, the main problem was the Company’s repeated failure to produce these paints at reasonable cost :-

“There is little doubt that the making of Paste Paints to compete with the Chinese article has not been a success and this can in part be ascribed to our heavier overheads for our foreign staff plus technical adviser’s fees and management fees.” (50).

“The local Chinese Paint companies fought amongst themselves for the cheap paint trade (at prices below the cost of our raws and containers)...(51).

The hostilities in Shanghai in late 1937, of course, lessened the competition from Chinese paint plants. (The effect on the Company of these hostilities is given in some detail in Annex A to Part IV(C) below). This obviously created an opportunity for the Company. Detailed reports were made by them on the first five Chinese companies (52) :-

- Kailum - “Badly damaged by shells and fire.” (53)
- Chen Hua - “Bombed and gutted by fire. (53)
- Yung Koo - “Main factory severely damaged. Other factory carrying on.” (53)
- Durvar - “Undamaged but closed down”. (53)
- Dah Kwan Loh
- Valet Varnish Works, Ltd – “Buildings undamaged, machinery dismantled and removed to Settlement.” (53)

Doubtless this was due to the prospect of out-sourcing cheap paints :-

“It is a fact that our Chinese competitors have suffered a great deal from the war and...we are rather taken with the idea of coming to some arrangement with a Chinese factory which might assist us in solving our cheap paste problems.” (54). However, these studies could also have been done to investigate acquisition prospects (immediately after the Pacific War the Company expressed interest in acquiring Kailum and also the Manchukuo Paint Co. in Dalian (55)).

Despite the reduced competition these cheap paints were still the weak area of the Company’s business :-

	<u>Sales margin - \$ per ton</u>	
	<u>C5, C13, C127</u>	<u>Other Products</u>
July, 1939	92	1,508 (56)
August, 1939	94	1,533 (57)
September, 1939	172	1,220 (57)
October, 1939	205	860 (57)

The Company relied to a certain, and increasing extent, on locally sourced materials. It started off by importing its raw materials from Europe but this very quickly tapered off :-

Percent of raw material purchases (58)

	<u>"U.K. and Continent."</u>	<u>"Eastern."</u>
1935	88	12
1936	23	77
1937	16	84
1938	28	72
1939	10	90

In the financial year ending 30th September, 1937 purchases of raw materials totalled \$578 thous. Of this, purchases of Chinese products totalled \$191 thous. (33%) and of imported products \$387 thous. - \$90 thous. from the UK, \$165 thous. from Japan and Manchukuo and \$132 thous. from other countries. (59). The proportion imported from Europe dropped off sharply as war approached. Doubtless local purchases increased but also imports of items such as perilla oil, barytes, red lead, whiting, etc. from Japan rose sharply.

This shift in the geographic profile of the source of raw materials also occurred in the case of the Company's sales. The distribution of sales by territory changed as follows :-

SALES BY VALUE - PERCENT.

	<u>Financial year</u> <u>to 30.9.38 (a)</u>	<u>Financial year</u> <u>to 30.9.39 (b)</u>	<u>November</u> <u>1940 (c)</u>	<u>June</u> <u>1941 (d)</u>
Shanghai	74.5	67.9	51.2	53.4
Rest of Mainland China	8.5	6.3	10.1	1.9
Hong Kong	17.0	25.7	14.6	13.9
"Southern Markets"	-	0.1	24.1	30.8
-Singapore	-	0.1	17.2	14.2
- Penang	-	-	-	4.8
- Kuala Lumpur	-	-	2.7	0.8
- Rangoon	-	-	4.2	-
- Bangkok	-	-	-	11.0

(a) Letter from Shanghai to Swire Head Office November 10th, 1939. Box 2053.

(b) Letter from Shanghai to Swire Head Office February 23rd, 1940. Box 2053.

(c) Sales Report for November, 1940. Box 2058.

(d) Letter to Head Office on July 18th, 1940 from Shanghai. Box 2058.

(e) See also TABLE EEE in the STATISTICAL ANNEX.

For the financial year ending September 30th, 1941 the split of "sales ex production" was (60) :-

	<u>Tons</u>	<u>Percent</u>
<u>Total</u>	<u>1,904.1</u>	<u>100.0</u>
Shanghai	1,148.3	60.3
Rest of Mainland China	109.7	5.8
Hong Kong	341.3	17.9
"Southern Markets"	304.8	16.0

Shanghai was clearly by far the most important sales outlet for the firm throughout its existence. Again, Hong Kong was a constant large market (with large captive sales). However, an important change took place after 1937 in the distribution of sales to other markets. Sales to Free China were over time very small as routes were increasingly blocked while sales in the occupied territories had problems with currency exchange (61). The firm alleviated these problems by building up sales in "Southern Markets". In February, 1939 the Company began looking at outlets in Thailand, Indo-China, Malaya and the Philippines and

market surveys were undertaken (62). In October, 1939 small sales of \$2 thous. were made (to Singapore and Malaya) (63) and by the end of 1939 "these trades" were "building up nicely and as demand in China continues to fall off it is essential that we keep in." (64). By November, 1940 sales had reached \$73 thous. (\$52 thous. to Singapore, \$13 thous. to Burma and \$8 thous. to Malaya) (65). By June, 1941 sales to "Southern Markets" at 92 tons were a record (66) and at \$198 thous. accounted for nearly 31 percent of total sales in value terms. (67). The need to develop these export markets was one reason why the firm persisted with its "Monkey" paints (the other was to spread factory overheads) despite suggestions from Head Office in London that they could be dropped. Shanghai argued that these low margin products were the key to export markets which would then "become interested in our high grades". (68)

Apart from the usual teething troubles of a new enterprise and no supply of experienced labour (this problem was, as noted above, overcome by late 1938) the Company was, as outlined above, suffering from a highly competitive market and had a cost disadvantage against local competition. Losses were made in the first three financial years ending September, 1935, 1936 and 1937 respectively. Cumulative losses in this period totalled \$267 thous. (£16 thous.) (69) :-

- Financial Years ending 30th, September – Profit / loss -.

	<u>\$ thous.</u>	<u>£ thous.*</u>
1935	-57.9	-3.5
1936	-157.6	-9.6
1937	-51.9	-3.2
1938	-24.9	-1.3
- First half	-368.7	-19.2
- Second half	343.8	17.9
1939	539.1	15.5
1940	1,279.2	21.7
1941	1,976.0	27.8

* Converted at exchange rates for the period concerned.

(See also TABLE FFF in the STATISTICAL ANNEX).

Matters gradually improved and by July, 1937 the operation was showing a profit. (70). Unfortunately, the outbreak of hostilities in the next month affected production, sales and profits. After the period of closure of the factory (it reopened for active working in February, 1938 (71)), recovery was helped by the retention of workers at half pay during the crisis. (72). By April, 1938 the Company was breaking even and by the following month making a profit (73). The second half of the financial year thus saw a profit, which, as shown above, nearly overtook the losses of the first half.

The next three years saw an upsurge in the Company's sales even when, more meaningfully, converted into Sterling terms at the exchange rate for the period concerned :-

Total Sales (i.e. including re-sale items) (74).

	<u>\$ thous.</u>	<u>£ thous.</u>
1937	662.0	41.2
1938	1,214.7	52.7
1939	2,773.7	69.5
1940	4,638.0	73.7
May to October, 1940	2,377.1	36.2
May to October, 1941	4,787.4	63.1
<u>Financial years</u>		
1.10.37 - 30.9.38	884.6	44.3
1.10.38 - 30.9.39	2,166.7	62.6
1.10.39 - 30.9.40	4,536.7	77.1

The financial year to end September, 1939 saw a dividend (5%) paid for the first time. (75). Sales in 1938/9 were 145 percent up on 1937/8 in dollar terms but, more meaningfully, 41 percent up in terms of Sterling. In the following financial year sales rose in Sterling terms by 23 percent. Increased export sales counterbalanced the continued closure of a large section of the China market. Profits rose in Sterling terms by 40 percent despite a problem with labour that was not of the Company's creation :-

"Much against their will our men have been forced to join an organisation controlled by the "Puppets" and known as the China Labourers Association". (76).

A dividend of 10 percent was declared. (77). Sales in 1940/1, even in Sterling terms, were at a high level with a particularly high level reached in July, 1941 and the works ran at full capacity. However, margins were increasingly affected by rising material costs. Profits rose in Sterling terms by 28 percent.

Only a relatively small part of the profits reaped in the above three financial years were paid out in dividends :-

	<u>Financial years to end September</u>		
	<u>1938/39</u>	<u>1939/40</u>	<u>1940/41</u>
	- \$ thous. -		
Profits	537.1	1,279.2	1,976.0
+ Amount brought forward	76.4	523.5	622.7
- Dividends	90.0	180.0	-
- Transfers to reserves	-	1,000.0	-
Amount carried forward	523.5	622.7	2,598.7

The outbreak of War came before a decision was made about the relative proportions of distribution or retention of 1940/41 earnings. Dividends had been paid to the two British partners in Sterling but they will have failed to receive any such payment for 1940/41. However, although the Company was "trying not to accumulate local dollars" but was faced with the fact that in "Shanghai customers who can pay in foreign currencies are few", what earnings there were in foreign currencies e.g. from exports had been sent to a London bank. (78).

ASSESSMENT.

Major Brothers had in the Nineteenth Century a period of creative introduction of technology into China including commercial production of acids (previously only produced by Government arsenals). However these ventures tended to fade out and their impact was slight on the Chinese economy. Even in acids its early predominance was lost and it then had a very modest presence in the Chinese market. British presence in bulk chemicals would, of course, been radically different if ICI's prospective ventures had come to fruition.

The situation was completely different in the case of paints. Here, in contrast to the situation in, for example, industrial acids, the two British companies entered a market where already – in Shanghai in particular – there was a well established industry. The experience of their venture is noteworthy in certain respects (and the availability of the Swire archives is invaluable in pinpointing these) :-

- the competitive disadvantage that British firms had to face with the high cost of expatriate staff. The cost structure of the Orient Paint, Colour and Varnish Company brings this out very clearly.

- partly because of this, this company found it very hard to compete in bulk paints with local firms. In no sense could it be described as having a weakening effect on the local industry. It was not until hostilities that weakened local competition that the Company could seriously compete in bulk paint markets.

- with the much worse effect of the War on indigenous suppliers, less affected British firms enjoyed an Indian summer in this and other sectors.

- in speciality paints the Company had a beneficial effect, on balance, on the Chinese economy. Their output in this sector mainly replaced previously imported paints. Also, the Company, by necessity, built up a substantial export trade. Against this is the fact that the Company had to remit to one of its UK owners substantial fees for technical assistance and that all the machinery and, in the early days, the majority of its raw materials had to be imported.

- the Company, reflecting the improved relations between the UK and China in the mid 1930s, had presence on its Board of the then political élite.

(B) CONSUMER CHEMICALS.

British interests here were confined to soap and allied products and candles. There was considerable overlap between British manufacturers in these two sectors and also much interplay between the various British contenders in these markets.

At first Chinese demand for these products was met by imports. The first significant foreign soap factories in China were Japanese followed by French and Russian firms. British presence was initially small – a venture by Major Brothers, Limited (see PART I above) and the Pao Tai Soap Factory (Burtenshaw and Co.) in Hankou. The first Chinese Factory – The Tientsin Soap Manufacturing Company – started in 1905 and, given the ease of entry, was followed by many other Chinese enterprises. It was not until the 1920s that significant UK presence in soap manufacturing occurred.

Candles were a large import item for China with the British concern of Price's Patent Candle Company, Limited (who also had small interests in soap making) having originally virtual control of this trade. The Company lost ground to European competitors and in 1910 purchased land in Shanghai to erect a large candle factory and defeat this European competition by exploiting, at what seemed to be, cheap labour costs (79). Also, for some time the Asiatic Petroleum Company (Shell) had been selling candles to the Chinese market (candle making was an obvious downstream integration from production of paraffin wax).

British producers of soap built up a substantial export business to China in the early years of the last Century. By 1910 imports from the UK totalled 8,913 tons and by 1912 were well over 10,000 tons. (80). Thirty percent of this business was in the hands of Lever Brothers (later on New Years Day 1930 to be one of the partners in the Anglo-Dutch combine of Unilever). The balance was in the hands of Gossage and Sons and Joseph Crosfield and Sons. These two companies were acquired in 1911 by Brunner Mond and Company (later in 1926 one of the four companies to comprise Imperial Chemical Industries) during a period of confrontation with Lever Brothers. (81).

Despite the state of relations between the two companies and the entry of Price's into soap production in Shanghai, discussions took place between Lever Brothers and Brunner Mond in 1913 with regard to a 50/50 venture (to be called the China Manufacturing Company) to make soap in China (82). Land for the

construction of a soap factory was bought on the Yangtzepoo Road in Shanghai for £80 thous. Nothing, however, materialised. The bad blood between the two companies increased, there were legal delays and the World War broke out. Subsequently Lever Brothers transferred their half share of the land to their trading company of Lever Brothers (China), Limited while Brunner Mond transferred their share to the China Soap and Candle Company, Limited. (83). This company was registered in the UK in January, 1917 (84) to carry on the combined interests in China of Crosfields and Gossages and Price's. Price's owned 30 percent of this private company and the two soap companies the balance. The issued capital shortly reached £510 thous.

The situation changed completely in October, 1919 (85) when :-

- Lever Brothers acquired the two soap companies from Brunner Mond.
- Lever Brothers acquired Price's Patent Candle Company, Limited.

Thus Lever Brothers acquired complete control of the China Soap and Candle Company, Limited. Prices's modest soap making facilities in China were lent to the China Soap and Candle Company, Limited for two years until a new factory was erected.

In 1922 Lever Brothers agreed with the Shell Group to form a joint company (Candles, Limited) to which all their illuminants business including Price's was to be sold. In 1923 Shell Company of China, Limited became general managing agents for all Price's (China), Limited's activities including the supply of raw materials and sales of candles. This enterprise had over 250 employees. In 1936 Unilever sold its holding in Candles, Limited to its partner in the venture.

In 1923 the China Soap Company was incorporated in China by Lever Brothers and acquired :-

- the trading company of Lever Brothers (China), Limited.
- the China Soap and Candle Company, Limited which was wound up in November, 1925.

The China Soap Company, Limited had an authorised and issued capital of \$8,000 (£900 thous.). Its factory in Shanghai (Yangtzepoo Road) came on stream in early 1925. Throughout its life it employed around 400 workers. Apart from a variety of soap products the factory produced boracic and cold cream and glycerine for industrial and pharmaceutical purposes. Sales of soap in China by the company developed as follows (86) :-

	- Tons -
1929	17,000
1931	15,000
1934	15,000
1937	19,000
1939	24,000

Apart from 1935 this company was profitable – in some years highly so (see PART V).

Although the largest soap producer in China – the next largest was the International Soap Company with, in 1940, 320 workers against 410 at the China Soap Company and the rest nowhere (87) – the entry of Lever Brothers did not hinder the development of the Chinese owned soap industry. In the 1930s the share of the China Soap Company of the Chinese soap market was around a fifth. (88). The amount of capital needed to enter the industry was small and the same situation applied to candle making. By 1926 there were about 100 Chinese owned soap and candle factories listed in The China Year Book. By 1932 there were about 210 soap factories in China with the main centres being Shanghai (over 50) and Tianjin (40). (89). Even after Wartime disruptions, there were in 1939 no less than 32 candle factories in Shanghai alone (90).

PART III – CHAPTER SIX – SOUND REPRODUCTION.

Apart from an article - “Shanghai Industrial Enterprises – XXII – Electric and Musical Industries (China), Ltd.”, in: *Finance and Commerce*, August 8th, 1934, all quotations and data below are taken from the archives of the EMI Group held at Hayes, Middlesex. When the writer consulted these archives they were not referenced and were contained in ten box files in rough date order.

There was one British factory in China in this modern industry owned by Electric and Musical Industries, Limited (EMI). EMI was registered in London in April, 1931 to combine the following companies :-

- The Gramophone Company, Limited.
- The Columbia Graphophone, Limited.

Their presence in China in terms of local output was virtually confined to the 1930s and their experience in this period typifies the external difficulties experienced by British firms, the means adopted either to adapt to or overcome these difficulties, and, in some instances, the partial success they enjoyed.

The growing Chinese market for records and gramophones and the level of import duties led to a decision in January, 1929 by one of the constituent companies of EMI – Columbia Graphophone - to erect a record factory in China which would also supply their sales to Malaysia, Indonesia, etc. In the event the route taken was acquisition rather than erecting a new plant. In October, 1928 Columbia Graphophone acquired 98 percent of the shares of Pathé Frères of France which brought with it control of Compagnie Pathé Orient. In 1908 this last company first introduced gramophones and records to China on a significant scale. The business grew so rapidly that a factory was built in the Route de Zikawai in the French Concession in Shanghai. The business of Compagnie Pathé Orient was principally in Northern China but with some sales to Hong Kong and Indochina. In 1928 63 percent of sales were to Shanghai, 22 percent to Tianjin, 9 percent to Saigon and 6 percent to Hong Kong. The Company was very profitable in the mid 1920s but 1928 saw a severe decline :-

	<u>Issued Capital.</u>	<u>Profit.</u>
	- Thous. francs -	
1924	2,667	2,068
1925	2,667	3,486
1926	2,667	4,534
1927	2,667	3,382
1928	2,667	414 (£36 thous.)

Source: annual reports (in French) of the company.

Record sales fell from a peak of 800,000 in 1926 to 620,000 in 1928.

After its takeover Compagnie Pathé Orient was liquidated and the assets passed to two new concerns:-

- Pathé Orient, Limited – commercial functions.
- China Record Company – a production company.

The takeover of Compagnie Pathé Orient was a diminution of EMI's ambitions in China. In a letter to Columbia Phonograph Co., Inc (part of RCA which until November, 1935 had a financial interest in EMI) in June, 1931 a Mr Louis Sterling stated : “It had been our original intention to put down a very big factory in China to take care of all requirements but this is in abeyance at present and all we are doing is extending the facilities of the Pathé Orient factory” (24 new presses were ordered for this factory).

Not only were the ambitions for China trimmed but their expectations were disappointed. In a similar letter dated, May, 19th, 1931, Mr Sterling stated :-

“We expect the next few years will show no profit for us in the Chinese market ; owing to the price of silver and the general economic situation business has dropped very much in that territory.”

The difficulties were not only external. In a letter dated December 25th, 1931 to Mr Sterling in London a Mr L. H. White of the Japanese subsidiary stated that :-

“Pathé is sick, can be cured but will require a considerable period for convalescence.” (A not too subtle hint at management problems).

The financial performance was very disappointing :-

<u>Net Profits.</u>		
	<u>Pathé Orient.</u>	<u>China Record.</u>
	- \$ thous. -	
1931	7.0	-16.7
1932	-291.7	46.2
1933	-64.4	22.1
1934 Jan. - June	-387.3	14.5

Output of records at 420,000 in 1932 and 525,000 in 1933 were markedly below the levels previously enjoyed. In April, 1934, while capacity was for 300,000 records per month, output was currently averaging 40,000 per month.

In mid-1934 both Pathé Orient and China Record were absorbed into Electric and Musical Industries (China), Limited. With this new company the improvement was dramatic. A net profit of \$39.9 thous. was made in the first three months and in the first fiscal year (to end June, 1935) a net profit of \$145.9 thous. (£11.5 thous.) was made. In the following year there was a rise to \$244.2 thous. (£12.8 thous.) while the year to June, 1937 saw a rise to \$529.6 thous. – in sterling terms (£27.7 thous.), an all time record. Factors in this improvement were (See TABLES HHH, III and JJJ in the STATISTICAL ANNEX for the financial record of this concern) :-

- better control of working capital.
- closure of poorly performing branches.
- elimination of unprofitable departments such as film hire, cinema equipment, etc.
- a large advertising campaign in the Chinese press.

Sales rose sharply :-

	<u>Records.</u>	<u>Gramophones.</u>
1935 (calendar)	372,000	4,800
1936 (calendar)	884,000	11,040
April, 1937 (annual rate)	1,334,000	14,400

Apart from sales under its own labels of “Pathé” and “Columbia” the Company also produced records for resale by its German associated company of Carl Linstrom AG – also with operations in China (in July, 1935 these accounted for 9.6 percent of the Company’s output of records).

Although the Company did produce records in European languages, the majority of its output was of Chinese records. In the financial year to end June 1936, Chinese records represented 91 percent of their sales by volume of “Pathé” and “Columbia” records.

The Company was quick to realise the increasing influence of the cinema in China and signed up cinema stars such as Miss Butterfly Wu (in the Company's words "the Joan Crawford of China") on exclusive contracts. (See article in *Finance and Commerce* of 8.8.1934). Despite this catering to the Chinese consumer, the management of the Company was exclusively European – in particular British, French and exiled Russians. Thus, Chinese employees had little access to details of modern sound reproduction technology.

Although the Company had the most up-to-date record plant in China, drawing upon the international technical resources of the Group, it did not have a monopoly of the Chinese market. The Company estimated its share of the Chinese record market to be as follows in January/February, 1935 :-

	<u>Sales of records.</u>	<u>Percent.</u>
EMI China	60,000	39
Victor*	35,000	23
Carl Linstrom	29,000	19
Great Wall	10,000	6
Great China	15,000	9
Kon Lun	6,000	4
Total	155,000	100

*From local output and imports from their Western and Japanese plants.

In the years leading up to the Pacific War the Company's profitability was very creditable considering the environment in which it had to operate. Eliminating the distorting effect of the slump in the external value of the Chinese dollar gives the following :-

<u>Years to end June.</u>	<u>Net Profit as Percentage of Sales.</u>
1936	33.3
1937	n.a.
1938	6.4
1939	17.1
1940	18.2
- First half.	22.3
- Second half.	16.1
1941	18.4

By the financial year 1940/1941 the Company had "practically no trade with unoccupied China." but this was more than counterbalanced by :-

- a boom in sales to Shanghai. Converting into Sterling at the average rate for the year concerned, the value of sales to Shanghai rose by 64 percent from 1937/38 to 1940/1941.

- a rise in exports to Malaysia, Indonesia, Thailand and Hong Kong. Admittedly, an increasing proportion of these exports were re-sales of Group products but exports from the Shanghai plant also increased as a proportion of sales from this plant – from 43 percent in 1938/1939 to 50 percent in 1940/1941.

The Company tended in this period before the Pacific War to not retain its earnings – remitting large dividends to the UK parent company (see PART V below). Apart from investing £10 thous. for facilities to produce portable gramophones, investment was pared. The parent company arranged that export earnings were retained in foreign currencies due to the fall in the Chinese dollar. "Surplus funds beyond immediate requirements have been regularly submitted to Hayes". The Head Office became increasingly anxious to repatriate funds and in a cable dated 19th May, 1941 stated :- "Please examine local situation with view declaring and remitting interim dividend maximum possible before 30th June next".

Given a more politically and economically stable environment in China the EMI Group would, no doubt, have, as was its original aim, operated a larger enterprise with a longer term financial history in China rather than living from hand to mouth.

PART III -- CHAPTER SEVEN - DRINK, FOOD, PACKING, ETC. OF AGRICULTURAL PRODUCTS.

Much of British investment in these sectors was either :-

- introduced initially to cater for Westerners or those Chinese with Western tastes (and thus did not compete with established local industries). This was also the case with the piano firm of S. Moutrie and Company, Limited – see Chapter Eight below.
- in the cases of packaging, drying or freezing of local food products or rendering other agricultural products more acceptable to export purchasers and machine pressing them to reduce shipping costs, the introduction was with the prime aim of realising the export potential of Chinese natural products. This potential was substantial and eventually represented a high proportion of Chinese exports to Western nations.

(A) DRINK.

(a) Brewing.

There were two British breweries of note in this industry, separated by many years :-

- The Anglo-German Brewery Company, Limited.

Founded in early 1904 by a syndicate of various nationalities but with British and German interests dominating (see PART IV (B) below) this company had, in terms of product acceptance, a great success from the start. The Company received a gold medal and diploma at the Munich Brewery Exhibition of 1906 (1). The introduction of new technology at the Qingdao brewery (on stream in October, 1904 (2)), and the emphasis on quality has served the enterprise well and even a century later it is still China's leading exporter of beer. However, in the early years these market advantages were not fully reflected in profitability – the Company underestimated the expenses in installing the brewery by 88 percent and also had to write off the cost of a small brewery in Shanghai (the Victoria Brewery) that was acquired in 1905 but proved to be too small and uneconomic (3). Despite this the Company paid modest dividends (5-8 percent) in the first decade of its existence, missing only one year. (See STATISTICAL ANNEX, TABLE KKK). The First World War put an impossible strain on the Company due to its German connection and it was sold to Dai Nippon Brewery in 1916 (see PART IV (B) below).

- The Ewo Brewery (later the Ewo Brewery, Limited).

In 1934 Jardine Matheson began buying land in Shanghai for a brewery at a cost of around \$350 thous. (c.£24 thous.) plus an order for piles costing \$100 thous. (c.£7 thous.). (4). The plant and machinery came from Germany – the Germania Works at Chemnitz. (5). This was a barter deal with the Germans receiving tea, apricot kernels, goat hair, camel hair, etc. (6). The total cost of the brewery and a bottling and pasteurising plant was estimated in March, 1935 at £215 thous. (7). The share of Jardine Matheson in the original private company was a third with the balance held by two partners of the Shanghai stockbroking firm of Messrs Benjamin and Potts.

Jardine Matheson were confident that they could withstand competition from the incumbent producer in Shanghai – the Norwegian owned Union Brewery Company (see PART IV (B)). In 1936 this brewer had an

annual capacity of 300,000 cases of beer as against sales in the previous year of 160,000 cases. (8). The annual capacity of the Jardine Matheson venture was smaller (9) :-

	-Cases-	
	<u>1938</u>	<u>1939</u>
Beer	80,000	135,000
"Maltonic"	36,000	36,000

Nevertheless, Jardine Matheson were confident that their "very efficient and low-capitalised brewery" could compete successfully with the Union Brewery. (10). An "interesting and encouraging fact is that our buildings are to cost \$450,000 against the Union Breweries \$2,400,000 approx." (11).

The Ewo Brewery in Shanghai came on stream in September, 1936. (12). Sales developed as follows :-

	<u>Cases</u>	<u>\$ thous.</u>
1936	n.a.	133(b)
1937 First Half	18,828 (a)	n.a.
Second Half	24,599 (a)	n.a.
Year	43,427 (a)	685 (b)
1938 First Half	40,422 (a)	n.a.
Second Half	35,119 (a)	n.a.
Year	75,541 (a)	1,473 (b)
1939 Year	80,500 (b)	2,201 (b)

- (a) Jardine Matheson Archives (J37). Outward Shanghai to London 1939. Letter of 21.7.39 from Mr W.J. Keswick to Mr B. D.F. Beith. No. 2103.
- (b) Jardine Matheson Archives (J37). Shanghai to London 1940. Letter of 2.4.40 from Mr W.J. Keswick to Mr B.D.F. Beith. No. 2370.

The venture was initially not successful and losses were made in 1937 – 1939. Losses at the trading level as a percentage of sales were (13) :-

1937	58.1%
1938	15.9%
1939	8.7%

The position improved in 1940 (see PART IV (C)) partly because the brewery developed an export trade to the British forces in Egypt. For example, in August, 1941 the Company sold 9,000 cases, valued at £15 thous., to The N.A.A.F.I. in Egypt (14).

Jardine Matheson saw the opportunity in 1940, consequent upon the move into profitability, to realise at least a part of their investment. In March, 1940 there was an approach by the Dai Nippon Brewery seeking the sale of the brewery to them. (15). Terms were discussed but at this stage Jardine Matheson and its partners were already drawing up the letter for sale to the public of a large part of the enterprise (16) - which took place in October, 1940. (See PART IV (C)).

(b) Non-alcoholic drinks.

The main item was aerated water although the British companies involved also made other soft drinks such as tonic water, ginger ale and beer, lemonade, etc. One of the largest British companies in this sector – Crystal, Limited - was an authorised bottler of Coca Cola. Altogether there were about ten British enterprises in the period 1895-1940 in this small and, because of the transport difficulties, mainly localised industry. The four leaders were :-

- J. Llewellyn and Company, Limited.
- A.S. Watson and Company, Limited.
- The Aquarius Company, Limited (established by Caldbeck, MacGregor and Company – a large wine and spirit merchant with branches in the UK, Singapore, Hong Kong and China.)

- Crystal, Limited.

The first two companies were mainly retail chemists, retailers of toiletries, perfumes, etc and the drinks business was only a small part of their operations.

(B) FOOD.

(a) Flour mills.

British interest in this sector was virtually confined to a mill founded in 1896 in Shanghai – the China Flour Mill Company, Limited. The financial fortunes of this company illustrate the problems of enterprises relying on the input of indigenous agricultural materials during the period under review – with the danger of interruption to supplies due to natural disasters or civil or military disruptions accompanied by violent price fluctuations. In its twenty years life the company only paid dividends in six years – 1901-1905 and 1909 – albeit that in two years (1902 and 1905) the dividend was of the order of 20 percent. (STATISTICAL ANNEX, TABLE LLL). In 1906 the price of wheat soared, the mill worked only 100 days and the dividend was passed. (17). 1907 and 1908 saw the dividend passed and although there was a modest revival in 1909 the succeeding years saw losses in every year except 1913. The Company was hit by poor wheat crops, imports of American flour and quality problems. Reserves were run down and increased borrowings led to a heavy interest burden. At end 1914 Mitsui Bussan Kaisha debentures totalled 341 thous. taels compared with 138 thous. taels at end 1913 - “... were it not for the financial assistance of our General Manager we could not continue working.” (18). By the end of 1915 the situation was hopeless – the Company’s properties were heavily mortgaged. Debts (mostly to Mitsui Bussan Kaisha) and accumulated losses totalled 552 thous. taels against an issued capital of 500 thous. taels (19). In 1916 after further losses Mitsui Bussan Kaisha “in exchange for all our properties took over all our liabilities and paid all expenses in connection with the liquidation and winding up of the Company” (20). The shareholders got nothing.

(b) Oils and fats.

(i) Soya bean products.

Although British interests were pioneers in the introduction of modern steam powered technology into the process of extracting soya oil and making bean cakes (see PART I above), subsequent British progress was, however slight. Apart from a short-lived venture by Butterfield and Swire in 1896 in Niuzhuang (which was very shortly “worked by Chinese only and is practically Chinese owned” (21)) and a Shanghai venture in the 1930s producing soya flour – Nutro Products, Limited (22) with “Soyogen” flour, British interest in this important Chinese industry was confined to British financial interest in two ventures in the main processing area for soya beans of Manchuria.

(ii) Other oils.

Apart from tung oil refineries, particularly in Hankou, by Jardine Matheson, Arnhold and Company, Limited and Liddell Brothers and Company and a small cotton seed oil and cake mill belonging to Major Brothers, Limited (see PART I) British involvement was twofold :-

Scharff’s Oil and Bone Mills, Limited.

Founded in 1906, the mill, which came on stream in 1907, was intended for treatment of all kinds of oil seeds. The Company was dogged by troubles almost from the start. The machinery was so unreliable that

duplicate machinery had to be installed in 1909 and there were heavy leakages in oil export shipments (23). The Company incurred heavy losses, especially in 1910 when it was hit by the high price of rape seed and problems with the supply of cotton seed. In July, 1911 the Company went into liquidation (24).

The Lih Teh Oil and Bean Mill Company, Limited.

Founded in 1909, the major product of this Shanghai mill was cotton seed oil and the co-products of cake (cattle feed) and the hulks (for fertilisers, etc). By 1918 the mill could use 6,075 tons of cotton seed per annum providing 1,215 tons of oil (25). (There were at that time five Chinese mills of comparable size in Shanghai).

The mill depended to a large extent on the good supply of cotton seeds in a satisfactory condition. In 1911, for example, the seed supply was generally poor and hit by worms and the Company made a loss after a small profit in its first full year (26). (STATISTICAL ANNEX, TABLE MMM). In January, 1915, after a good period for the Company, it was hit by a fire which destroyed its crushing plant (27) – until this was replaced the Company survived by refining crude oil from Chinese producers. In the year ending May, 1918 a dividend of 15 percent was paid – the first since the first full year of working. This dividend was repeated in the next two financial years when the firm benefited from strong demand and good quality seed supply. However, in the year to May, 1921 the enterprise was hit by declining oil prices and the mill only operated for 66 days - net losses in the year were nearly 40 percent of issued capital (28). The next year's results were adversely affected by a shortage of seeds. (29). There was a partial revival in 1922/3 when the mill operated for 189 days. (30). 1923/4, however, saw a sharp reversal with losses of over 30 percent of issued capital (31). After years of poor performance, the par value of the shares was slashed from 50 taels to 5 taels in 1928 (32). The Company was wound up in 1930 (33).

The history of both the above firms illustrates further the hazard of relying on a consistent supply of local raw materials.

(iii) Margarine.

Edible Products, Limited was incorporated in China in 1933 under the name of the United Margarine Company, Limited – the name being changed two years later. The plant was constructed at the Unilever complex at 2210 Yangtszepoo Road, Shanghai. The paid-up capital was modest - \$300 thous. (£20 thous.).

(c) Other foods.

The principal item in which was an export oriented business was eggs in desiccated or frozen (whole or liquid) form although other items included :-

- frozen game.
- frozen poultry.
- frozen pigs.
- frozen meat.
- lard.
- intestines.

As is apparent from PART II and Appendix Two this business dwarfed the other food sectors.

Egg factories were scarcely heard of in China until the turn of the Nineteenth Century – fresh eggs being sold as such. It was the entry of foreign enterprises and the development of preservation techniques that enabled a considerable export potential to be realised.

The first development of an export business was in albumen – particularly by German enterprises although one of these concerns fell into British hands. This last closed in 1904 (34) – a fate shared by most other producers as the trade declined for a variety of reasons – competition in Western markets from synthetic substitutes, quality problems, difficulties in acquiring good standard salt, etc.

The egg business, in particular, received an enormous boost with the entry of Western firms (necessarily large in view of the technology required) who built refrigerating plants and had access to correspondingly equipped ships and appropriate facilities in the main importing markets in Europe and the USA. The main usage was by the large makers of cakes and pastries.

The development of this business introduced a significant new item in China's exports. From 1,677 thous. Haiguan taels in 1903 egg exports had reached 7,220 thous taels in 1914 (35). The development since then was as follows (36) :-

	<u>Thous. Haiguan taels.</u>	<u>Percentage of Total Chinese exports.</u>
1914	7,220	2.0
1919	20,932	3.9
1924	31,523	4.0
1929 (peak)	51,720	5.1
1934	21,870	5.7

In 1929 Eggs and Egg Products ranked third in Chinese exports after Beans and Products (22.6%) and Raw Silk and Cocoons (15.9%) (37). By 1934, however, despite the elimination of most of the soya bean trade with the loss of Manchuria, the egg trade sank to fourth position (38). In terms of Chinese exports to the UK the egg trade became the leading item. For instance, in 1934 this item accounted for 38 percent of Chinese exports to the UK (39).

The leader in the egg business, was a UK company - International Export Company, Limited. This concern erected in 1908 an extensive plant at Hankou to "freeze eggs, pigs, fowls and game" (40). The first shipment of frozen products to the UK was in May, 1909 in a company ship (41). Apart from pigs, this first consignment contained poultry, game, hares, geese, ducks, eggs, deer and beef (42).

The export of frozen pigs and poultry had an encouraging start which even attracted Parliamentary attention. In reply to a question in July, 1909 Mr Burns (President of the Board of Trade) replied (43) :-

"When members fire the usual volley
Of questions on the day's concern
There's one man thinks the game is folly
And that man is Mr Burns
For when approached re Chinese bacon
And how it ranks as breakfast fare
He made reply, his nerves unshaken
I neither know nor do I care"

However, after this favourable start this pork trade was a relative failure (despite trying to improve the breed of local hogs by providing new British stock) and the egg business became the main activity of the Company. The International Export Company, Limited was 100 percent owned by the Union Cold Storage, Limited – owning cold-storage premises and plants for refrigeration in the UK and abroad. After

relying on other companies for specially equipped ships it began to own its own refrigeration steamers sailing under the flag of the Blue Star Line. The Company was part of the Vestey family empire.

The plant at Hankou was added to by operations in Tianjin and Nanjing. The Nanjing plant (1914) was one of the largest cold storage plants in the World. The value of the buildings and plant in this last operation amounted to £1,500 thous. in 1924 (44).

This company, in contrast to its competitors, bought direct from local suppliers. To this end it employed over 150 purchasing agents (45). In peak periods the Company purchased 2,000 barrels (880-850 eggs) per day:-

Total	<u>2,000</u>
- Nanjing	1,200
- Hankou	580
- Tianjin	220

Two other British companies also entered the field :-

S.Behr and Mathew, Limited.

Starting in a modest way in 1911 as an exporter of eggs in shell, the firm further developed a business in frozen eggs. The firm had three cold storage facilities in Shanghai, Hankou and Qingdao. It had cold storage plants in London and Hamburg. (46). The firm's capital in China was 700 thous. taels and it handled in peak years 4,000 tons of eggs. (47).

Ewo Cold Storage Company.

This Jardine Matheson owned company was established in 1920 in Shanghai. The capital of the firm was 790 thous. taels and the quantity of the eggs handled in peak years was 6,000 tons. (48). In 1936 it was estimated by Jardine Matheson (49) that output in the twelve months ending March, 1937 would be split as follows :-

	<u>Tons</u>	<u>%</u>
Frozen eggs	2,100	64.4
Shell eggs	930	28.5
Dried eggs	<u>230</u>	<u>7.1</u>
Total	3,260	100.0

Profits of the Ewo Cold Storage Company were as follows in the immediate pre-war period

	<u>\$ thous.</u>	<u>£ thous.</u>
Year ending 31.3.39	683	23
Year ending 31.3.40	146	4

(Jardine Matheson Archives (J37). Letter Shanghai to London of 20.12.38.

(Jardine Matheson Archives (J37). Letter Shanghai to London of 6.9.40.

There were many Chinese competitors in the egg products business but, in general, they were fairly small – an important exception being The China Egg Produce Company. The most important foreign competitors were American (see PART IV (B)). In 1933 foreign owned factories accounted for 56.8 percent of total output of egg products (50). UK firms occupied the first position in the foreign owned sector accounting for around 40 percent of total output.

Based on the experience of the International Export Company, this industry was very profitable in the period 1912-1919 but, beginning after 1931 in particular, the industry experienced difficulties due to :-

- increasing tariffs in export markets.
- growth in poultry farming in these markets.
- strong prejudice created against Chinese eggs in the USA.
- increasing difficulties in transportation in China.
- health scares.
- no standardisation of egg sizes.

Exports of Eggs and Egg Products fell as follows (51) :-

<u>Thousand Haikwan Taels.</u>	
1930	51,161
1932	29,100
1933*	26,414
1934*	21,870
1935*	23,223
1936*	31,244

* Converted from dollars.

(C) PACKING, ETC. OF AGRICULTURAL PRODUCTS.

This primarily export oriented industry – although some of the sales were made to the interior or to other Chinese ports – was a field in which British firms played a preponderate part. British firms were leaders in establishing this industry which was early established (see PART I). By the 1920s there were eight British companies engaged in hydraulic press packing and allied activities such as cleaning. There was a particular concentration in Tianjin but also Shanghai and Hankou were important centres. Three British firms were the leaders in this business :-

- Ewo Press Packing Company. with facilities in Shanghai and Tianjin. This company under the name of Ewo Yuen Press Packing Company was established in 1907. It was then owned jointly by Jardine Matheson and a Chinese partner. This partner decided to retire and in 1919 Jardine Matheson became sole proprietors under the above name. At peak, the Company could process up to 100,000 bales per annum at its Shanghai plant (52). For Jardine Matheson this unit was “a very good investment”. (53).

- Liddell Brothers and Company, Limited. were a substantial import/export firm. Their packing interests were in Shanghai (Pudong), Tianjin (1888) and Hankou. These were supplemented by a plywood factory in Harbin.

- Mackenzie and Company, Limited. Another substantial import/export firm. Their packing interests were in Shanghai (Pudong), Tianjin (1888) and Hankou.

ASSESSMENT.

Although a piebald area it would seem that, on balance, British investment in the above fields was beneficial to the Chinese economy. In the drinks sector, both alcoholic and non-alcoholic, the early investments were principally to cater for Westerners and those with Western tastes and did not compete with local industries. A modest export trade developed to South East Asia. In contrast to the cigarette sector these industries did not develop consumers to any extent outside major centres of Western influence – mainly in the coastal strip. Although providing useful employment to the Chinese, the drinks sector did not impact to any large extent on the Chinese as consumers. In the case of the Qingdao brewery, in particular, new technology was introduced. The case of the Ewo Brewery at the end of the period was, perhaps, an exception to this benign picture in that the partners in the venture, including Jardine Matheson, could be

accused of taking advantage of the frantic desire of Chinese investors to seek security in shareholdings in a foreign company. This situation is analysed in PART IV (C).

Although British interests were pioneers in the introduction of modern technology for sugar refining and soya bean processing, subsequent British presence was zero or minimal respectively in these important industries. In other oils (cotton seed oil, etc.), British involvement in this sector (which, as with soya processing, grew at the expense of traditional pressing methods) was slight compared with Chinese mills. In this sector as with flour milling, British mills were plagued by violent fluctuations in the availability and price of their locally sourced materials (due to natural disasters, transport difficulties and disorders in the interior which were compounded by Chinese speculators).

Of much more significance than the above food and drink sectors in terms of building up Chinese exports was the British entry into packaging, drying and freezing of eggs and other products. Particularly in the case of frozen products this involved for foreign companies large amounts of capital not only in China but in specialised ships providing refrigeration and appropriate facilities in the customer locations. This business was, thus, in terms of exports capital intensive. Thus, although there were many Chinese competitors, accounting for nearly half of the business they were with one exception small. The three British companies principally involved, accounting for around two fifths of output, on the positive side were the largest contributors to an export trade in eggs. On the negative side, their overwhelming purchasing power was probably abused.

Another export sector in which British concerns played a prominent part was press packing and allied operations. By improving quality and by modern press packing machinery reducing shipping costs, these firms facilitated Chinese commodity exports.

PART III – CHAPTER EIGHT - MISCELLANEOUS INDUSTRIES.

Many of the sectors of British investment in this sector were short-lived and small :-

(a) Glass.

The Tsing Hwa Glass Company, Limited was established in 1932 with a capital of \$500 thous. (£30 thous.). Its Shanghai factory had 200 workers and specialised in bottles, especially bottles for beer and soft drinks for local firms (1). Its major customers became the Union Brewery Company (Norwegian) and the Ewo Brewery (see above).

In addition, there was a minority British interest (balance Chinese and Japanese) in the Yao Hua Mechanical Glass Company, Limited which produced window glass in Qinhuangdao. The British interest was via the joint venture Kailan Mining Administration (see above) who were the general managers of this company.

(b) Office furniture.

The Office Appliances Company, Limited was established in 1930 with a capital of \$510 thous. (£ 29 thous.). Its main activity was in selling imported office machinery and repairing office machinery but it did have a factory for steel office furniture which started in 1932. It was, however, an unsuccessful venture which was closed in 1935.

(c) Tanning.

A second attempt was made by British interests to enter this industry in 1904 (the first having failed in 1883 -see PART I). A group of British merchants established the Shanghai Tanning Factory. Although initially fairly successful the Company was hit by a serious fire in May, 1910 when the "tannery was showing profit and great future promise" (2). Gross profit on sales of leather was prior to the fire running at 26 percent of turnover (3). After this the Company ran into serious commercial as well as production difficulties. By 1913 with a turnover of only 400-500 hides per month the Company needed a 20 percent margin to cover fixed expenses. This was impossible to achieve given the serious competition from imported leather (4). The Company was as a consequence liquidated.

(d) Electrical Industry.

British presence in this industry was very small compared with the involvement of USA firms (see PART IV (B)). Two large UK based companies were engaged to a minor extent in this industry in China :-

- The General Electric Company of China was a subsidiary of the General Electric Company, Limited. It had a works in Shanghai but this was mainly engaged in installing, etc. of imported Group machinery. Actual local production of electrical articles was small.

- Marconi's Wireless Telegraph Company, Limited was a subsidiary of Cable and Wireless, Limited – a UK registered company. The former company was involved with the Chinese Government in The Chinese National Wireless Telegraph Company, Limited – dealing in and installing of wireless, telegraph and telephone apparatus. There was a small (50 employees) factory in Shanghai mainly engaged in assembling and testing imported radio and wireless materials but also making radios and wireless equipment (completely burned out in 1937).

More substantial and longer lasting British enterprises were engaged in :-

(a) Building materials.

Apart from brick production (for internal use as well as for sale) by the Chinese Engineering and Mining

Company, Limited and a cement and tile works operated by the same company until sold in 1907 to Chinese interests and brick production by the Pekin Syndicate (see above), British interest was confined to A. Butler Cement Tile Works, Limited in the early period and The China Aerocrete Company, Limited in the 1930s. The first company named was registered in July, 1904 (5) with an issued capital of 60 thous. taels (£8 thous.) and the Shanghai factory producing roof and floor tiles, ventilation bricks, etc. came on stream at the end of 1905. The company was never particularly profitable – the peak being in the years to March, 1916 and 1917 when dividends of 12 percent were paid. (See TABLE NNN in the STATISTICAL ANNEX). The business was then hit by increased costs of labour and materials and no dividends were paid in the next three financial years. In early 1920 the Company received an offer from Chinese interests for its land, buildings and machinery which was well above book value. In March, 1920 the shareholders unanimously accepted this offer (6) – since its inception the Company had, on average, paid only 3.5 percent per annum. The shareholders received 116 percent of the par value of their shares (7). China Aerocrete was established in Shanghai in 1929 to produce light artificial stone. The issued capital was very shortly increased to the authorised limit of 200 thous. taels (£24 thous.). A 10 percent dividend was declared for 1930 but no dividends were paid in the next six years. The company was dissolved in 1937.

(b) Wood processing.

At the turn of the Nineteenth Century sawmills and timber yards were virtually all in the hands of Chinese concerns. The role of foreign firms was essentially that of import merchants. The main exceptions were two foreign owned sawmills in Fuzhou – one British. These utilised indigenous timber which was becoming scarce, of smaller size and with transportation over increasing distances due to previous lack of afforestation (8). The British company failed in 1904 (9).

The situation changed in 1900. A leading Chinese timber firm (Tzeang Tah Lumber Co.) went bankrupt and was taken over by a German timber importer – Herr H. Sneathlage. In 1902 the acquired concern was incorporated under the Hong Kong ordinances as the Chinese Import and Export Lumber Company, Limited (10). Although there was strong German (and some American) influence in the new company there was considerable British presence from the start. By 1908 there was a British majority on the Board. The German influence quickly waned – Herr Sneathlage died in 1905 (11) – and in 1910 the Hong Kong and Shanghai Bank paid off the high liabilities (12) (at end February, 1908 in excess of issued capital (13)) due to the Deutsche - Asiatische Bank. The Company thus very quickly could be regarded (and was regarded) as a British company.

The Company always asserted that because they took over a Chinese company “no distinctions in advancement have ever been made between the Chinese and foreigners in the Company’s service. In the numerous offices and stations which the Company maintains, the Chinese are the principals, while the foreigners serve largely in a consulting or auditing capacity.” The Company maintained a school for a five year apprenticeship and by the 1930s the great majority of the “indoor Chinese employees” were graduates of this school. (14).

The Company took immediate steps to expand and modernise its business. New machinery for a sawmill arrived in Shanghai in 1903 (15). This was the first plant in Shanghai driven by electric transmission. By 1907 this mill had a daily capacity of around 70,000 feet of worked lumber (16).

The firm developed native sources of wood – in Fujian with a sawmill at Fuzhou. Initially, this “developing native woods trade” was successful and accounted for a large part of the firm’s income. In the early 1920s the Company had “about 300 thous. taels invested in forests, forest-godowns and rafting operations up country. This is advanced to Chinese agents and constitutes a lien on the forests, etc. though, of course, land cannot be owned by foreigners in the interior of China”. (17) In 1919 the Company reported that – “Our sawmills at Foochow are operating successfully and prospects at this branch of our business are bright” (18). However, mainly due to the disorder in the interior of Fujian, this business rapidly deteriorated. In 1925 the staffing of the forestry operations in Fujian was reduced to a skeleton basis. (19). In 1926 the sawmill in Fuzhou was dismantled and part of the machinery was installed in a new mill started up by the company in Qingdao (20).

At its fullest extent in the inter-War period the company operated a large sawmill, a box factory and extensive dry kilns in Shanghai with smaller sawmills in Nanjing, Hankou, Qingdao and Tianjin. In addition it had a plywood plant for the production of veneers and made a speciality of interior woodwork finishes, flooring and high grade hardwood panelling – the contracts for which were handled through its Shanghai subsidiary – the China Woodworking and Dry Kiln Company, Limited. (21). The company had timber yards in all important cities in Central and Northern China. It had its own tugboats and lighters and several river steamers. However, although the company’s sawmill interests were extensive they were not by any means in a monopoly situation. In the mid 1920s there were over 20 sizeable Chinese sawmills and about 15 Japanese or Sino-Japanese sawmills (mainly in Manchuria).

The Company made steady progress in the years up to the First World War (except for 1908 when a small loss was made) with dividends in the 5-10 percent range (SEE TABLE 000 in the STATISTICAL ANNEX). Also the balance sheet was substantially improved despite the company having made large deliveries of lumber to “various Government railways.” These were not able or willing to pay and at end February, 1912 owed the company 292 thous. taels (38 thous.) (22). In the early years of the First World War performance was fairly sluggish but the financial year to end February, 1917 saw a significant improvement with a dividend of 20 percent. The next three financial years saw the shareholders receive as dividends virtually the face value of their shares. The next financial year ending February, 1921 saw the Company make a serious loss – slightly over 80 percent of paid up capital and the Company’s large reserves (increased by a revaluation in 1918/19) were run down from 2,200 thous. taels to 1,900 thous. taels. The next financial year saw a good profit despite “the failure of Chinese Government Railways to meet obligations for materials supplied” (23). (These debts were still not paid off a decade later). Dividends were resumed in the next four financial years but during this period the Company experienced considerable difficulties. Their operations in the interior were affected by military interference, illegal taxation, banditry, attempts to seize staff for ransom and civil war. However, the end of the decade saw a marked improvement. Dividends in the years to end February, 1930 and 1931 were 24 percent. The Company survived the uncertain conditions of the 1930s well. With the absence of serious competition from Chinese firms in the years preceding the outbreak of the Pacific War the Company, in common with other UK companies, enjoyed good trading conditions – see PART IV (C).

In addition to primary wood processing in the form of sawmills there was some British presence in making wood furniture and interior architectural woodwork.. This was essentially linked to Western property development organisations in the Treaty Ports, especially Shanghai. There was no meaningful competition with Chinese furniture makers. Some of the British presence in furniture making was part of primarily retail organisations e.g. Hall and Holtz, A.H.Jaques and Company (in Tianjin), Sims and Company (also in Tianjin) and Weeks and Company, Limited. There were, however, more specialised producers – in particular, Arts and Crafts, Limited and Woodcraft Works, Limited. The former was by far the leading firm. Arts and Crafts Furnishing Company was founded as a furniture business in 1904. In 1908 it was transformed into a limited company with a capital of 98 thous tael (£13 thous.) and this enabled the company to build their own furniture factory in Shanghai (24). By the 1930s the factory occupied an area of 11 mou – nearly 2 acres (25). Apart from furniture and interior woodwork the factory engaged in electro-plating, glass bevelling and polishing, plasterwork, etc.

(c) Musical instruments.

S.Moutrie and Company, Limited. was founded in 1889 with its original business being dealers in music. The company were import agents for European pianos and American organs. (There was a firm customer base in Western missionaries). In 1895 a factory was established in Shanghai to produce upright pianos (grand pianos were not made by the enterprise until 1919 (26)). A new industry was thus introduced into China. This factory had produced 250 pianos by the First of July, 1899 (27). On that date the company became a public company. A new factory was on stream by October, 1904 – by that date the original factory had produced 570 pianos (28). (These pianos were especially adapted to Asian conditions). This second factory was in turn replaced in 1925 by another Shanghai factory which cost 160 thous. tael (£24 thous.) (29). In total, the preceding factory had produced 4,000 pianos over its working life (30).

The earlier years of the Company were moderately prosperous and apart from the year to end March, 1907 modest dividends were paid (SEE TABLE PPP in the STATISTICAL ANNEX). However, dividends were passed in the three financial years ending March, 1910, 1911 and 1912. In one year – to March, 1910 – a loss was made. Recovery took place in the year to March, 1913 and this revival was continued. The 1920s were a period of considerable prosperity for the concern. In the financial years from 1922 to 1931 shareholders received dividends averaging 19 percent per annum together with capital bonus distributions. Even in the turbulent year of 1925 when 125 Chinese employees were on strike for four months output was kept up to some extent by foreign employees and the Company was able to pay a dividend of 15 percent (31).

The Company experienced very poor trading conditions in the first half of the 1930s. Losses were made, dividends were passed and there was considerable talk of liquidation but this was rejected by the directors :-

- the Company's fixed assets would be realised at distressed values. Attempts to sell the factory at a reasonable price failed.
- the firm's investments in municipal and public utility debentures would have to be sold at a loss.
- there was considerable scope for rationalisation. Thus, sales offices were closed, commitments were reduced and a standardised model of piano was developed for the home

market. This retailed at \$395 (£24) – by far the lowest price on record (32).

- the Board saw the possibility of developing a greatly increased export trade given the low rate of exchange coupled with cheap labour. The Company could “produce a first class piano at a price which defies competition in any market” (33).

The export plans of the Company came to fruition. Exports were made to Singapore, Malaysia, the Dutch East Indies, India, the Philippines, Sri Lanka, South Africa, etc. In the last market it was claimed that “owing to favourable exchange conditions the Moutrie piano can be landed 50% cheaper than pianos from any other source” (34). The effect on China’s balance of trade was not as beneficial as might be expected “aspractically everything that goes to make up a piano has to be imported” (35).

The position improved in the year to March, 1937 when dividends were resumed. In the next financial year the factory only worked for seven months due to the hostilities but profits were only 15 percent down on the previous period. In these seven months output of pianos totalled 353 against 466 in the full twelve months of the preceding year. Dividends were, however, passed due to the need for liquid funds to finance “the increase in our turnover which has taken place in the past few years” (36). In the following year output of pianos were the highest since 1923 (37). Profits rose by a half and dividends were resumed. Profits were higher again in the year to March, 1940 even after taking consideration of the depreciation of the dollar.

PART IV – INTERFACE WITH OTHER FOREIGN INDUSTRIAL INTERESTS IN MAINLAND CHINA.

(A) OVERVIEW.

The Table below gives the writer's estimates of the value of industrial investment by the various non-Chinese nationalities in Mainland China. The information available from the main sources used (1) as a basis for these estimates for pinpointing non-UK investment is unfortunately only available for the three snapshot years shown.

	1914		1930		1936	
	£mn*	%	£mn*	%	£mn*	%
<u>UK</u>	<u>14.4</u>	<u>48</u>	<u>24.8</u>	<u>28</u>	<u>26.4</u>	<u>25</u>
<u>Other Western Countries</u>	<u>7.5</u>	<u>25</u>	<u>10.3</u>	<u>12</u>	<u>8.4</u>	<u>8</u>
- Russia	2.9	10	3.1	4	0.9	1
- Germany	2.0	6	0.8	1	0.7	1
- France	0.6	2	0.8	1	0.8	1
- Belgium	0.4	1	0.3	-	0.3	-
- USA	1.1	4	4.4	5	4.3	4
- Other	0.5	2	0.9	1	1.4	1
<u>Japan</u>	<u>8.0</u>	<u>27</u>	<u>53.6</u>	<u>60</u>	<u>72.0</u>	<u>67</u>
<u>Total</u>	<u>29.9</u>	<u>100</u>	<u>88.7</u>	<u>100</u>	<u>106.8</u>	<u>100</u>

* Converted at average exchange rates for the year concerned.

There seems to have been no deterioration in the share of the UK in total foreign industrial investment in Mainland China between 1895 and 1914 judging from relating the UK figure to the total figure given by a Chinese source for foreign industrial investment at the beginning of this period (2). By the 1930s the UK share had almost halved due to the upsurge in Japanese investment although the UK share advanced in terms of the ratio to that of other Western countries.

(B) INTERFACE WITH OTHER WESTERN INTERESTS.

Other Western countries obviously were desirous of exploiting the investment possibilities offered by the Treaty of Shimonoseki. Table Seven gives further estimates made by the author of the value of industrial investments by sectors made by Western competitors and the comparison with the UK position for the three years pinpointed above. Table Eight gives for many industrial sectors the number of these Western enterprises engaged at certain points of time.

In terms of the total value of investment (but not necessarily in terms of the greatest competitive interface with UK interests) the leading countries by 1914 were Russia and Germany (see the table above). The First World War had severe consequences for the level of German investment with the loss of the concession in Shandong being the major factor and by 1936 there was a similar decline in Russian investment. The USA became by far the Western leader apart from the UK in the level of investment by the 1930s. There were a variety of reasons that included :-

- the decline in the level of German and Russian investment.
- the large rise in the value of investment by B.A.T.
- that this rise in the level of investment by the USA did not lead to a fall in the ratio of UK investment to that of other Western countries. In fact the reverse was true :-

TABLE SEVEN.
ESTIMATED INDUSTRIAL INVESTMENT BY WESTERN ENTERPRISES (OTHER
THAN UK CONCERNS) IN MAINLAND CHINA - £ MILLION*.

	<u>Russia</u>	<u>Germany</u>	<u>France</u>	<u>Belgium</u>	<u>USA</u>	<u>Other</u>	<u>Total</u>	<u>(UK)</u>
<u>1914</u>								
<u>Total</u>	<u>2.9</u>	<u>2.0</u>	<u>0.6</u>	<u>0.4</u>	<u>1.1</u>	<u>0.5</u>	<u>7.5</u>	<u>(14.4)</u>
Mining	0.4	0.9	-	0.2	-	-	1.5	(3.3)
Engineering/ metals	0.1	0.1	0.1	-	0.1	0.1	0.5	(1.0)
Chemicals	0.1	0.1	0.1	-	0.2	-	0.5	(0.4)
Cotton textiles	-	0.2	-	-	0.2	-	0.4	(0.4)
Other textiles	-	0.1	0.1	-	-	-	0.2	(0.1)
Food/drink	2.0	0.4	0.2	0.1	0.5	0.1	3.3	(1.8)
Tobacco	0.1	-	-	-	-	0.2	0.3	(6.2)
Electrical ind.	-	-	-	-	-	-	-	(-)
Press packing, etc	-	0.1	-	-	-	-	0.1	(1.0)
Other	0.2	0.1	0.1	0.1	0.1	0.1	0.7	(0.2)
<u>1930</u>								
<u>Total</u>	<u>3.1</u>	<u>0.8</u>	<u>0.8</u>	<u>0.3</u>	<u>4.4</u>	<u>0.9</u>	<u>10.3</u>	<u>(24.8)</u>
Mining	0.5	0.1	-	-	-	-	0.6	(4.0)
Engineering/ metals	0.2	0.2	0.2	-	0.5	-	1.1	(0.8)
Chemicals	0.2	0.2	0.2	-	0.5	0.1	1.2	(0.8)
Cotton textiles	-	-	-	-	-	-	-	(1.2)
Other textiles	neg.	-	-	-	0.6	-	0.6	(0.1)
Food/drink	1.8	0.2	0.3	0.2	0.9	0.3	3.7	(1.6)
Tobacco	0.1	-	-	-	-	0.4	0.5	(15.0)
Electrical ind.	-	-	-	-	1.4	-	1.4	(-)
Press packing, etc	-	-	-	-	0.1	-	0.1	(0.8)
Other	0.3	0.1	0.1	0.1	0.4	0.1	1.1	(0.5)
<u>1936</u>								
<u>Total</u>	<u>0.9</u>	<u>0.7</u>	<u>0.8</u>	<u>0.3</u>	<u>4.3</u>	<u>1.4</u>	<u>8.4</u>	<u>(26.4)</u>
Mining	0.2	0.1	-	-	-	-	0.3	(4.1)
Engineering/ metals	-	0.2	0.2	-	0.4	0.6	1.4	(0.8)
Chemicals	-	0.1	0.2	-	0.5	0.1	0.9	(0.8)
Cotton textiles	-	-	-	-	-	-	-	(1.8)
Other textiles	-	-	-	-	0.5	-	0.5	(1.0)
Food/drink	0.5	0.2	0.3	0.2	1.0	0.4	2.6	(2.5)
Tobacco	neg.	-	-	-	-	0.2	0.2	(13.7)
Electrical ind.	-	-	-	-	1.4	-	1.4	(-)
Press packing, etc	-	-	-	-	0.1	-	0.1	(1.0)
Other	0.2	0.1	0.1	0.1	0.4	0.1	1.0	(0.7)

*Converted at average exchange rates for years concerned.

TABLE EIGHT.

NUMBER OF WESTERN ENTERPRISES (OTHER THAN UK CONCERNS) IN MAINLAND CHINA.

	1914	1926	1939
<u>Sawmills.</u>			
German	2	1	-
Russian	8	7	1
American	-	-	1
<u>Egg products.</u>			
French	1	1	-
Belgian	1	1	1
German	5	2	-
American	4	5	3
<u>Cement and Brick Works.</u>			
Russian	2	1	-
Belgian	1	1	1
French	-	2	1
German	2	3	-
Italian	1	-	-
<u>Distilleries.</u>			
Russian	15	10	2
Austrian	1	-	-
French	-	1	-
<u>Breweries.</u>			
Russian	7	3	1
Austrian	1	-	-
German	3	-	-
Norwegian	-	1	1
<u>Soft Drinks.</u>			
German	1	-	-
Greek	-	1	1
American	-	1	1
Russian	3	2	-
<u>Marine Engineering/Other Engineering.</u>			
French	3	2	2
Russian	-	1	-
German	1	-	-
American	-	1	1
Swiss	-	-	1
Italian	-	-	1
<u>Flour mills.</u>			
Russian	11	7	-
French	-	1	-
<u>Glass.</u>			
Russian	1	-	-
American	-	-	1
<u>Tanning.</u>			
French	1	-	-
Russian	1	-	-
<u>Oil mills / bean cake.</u>			
Russian	13	1	-
Italian	-	1	-
<u>Marble works.</u>			
Italian	-	1	-
<u>Soap and Candles.</u>			
Russian	8	1	-
American	2	2	-
German	1	-	-
<u>Smelting works.</u>			
Russian	1	-	-
German	2	-	-

	<u>1914</u>	<u>1926</u>	<u>1939</u>
<u>Tobacco industry</u>			
Greek	4	3	1
Russian	3	4	1
<u>Brick tea</u>			
Russian	6	4	2
<u>Carpets/rugs</u>			
American	-	9	6
German	-	-	1
<u>Cork making</u>			
Belgian	1	1	-
Italian	1	1	1

Sources :- The China Year Book, trade directories, etc.

Value of industrial investment by the UK as percentage of that of other Western countries.

	%
1914	192
1930	241
1936	314

The varying positions of the leading Western investing countries in relation to their competitive interface with the industrial interests of the UK in China is assessed below. The geographic pattern of investment by the various countries was strongly, albeit varyingly, influenced by their acquisition of various spheres of influence. A brief description of these has been given in PART I and the section on each country given below refers further to these and changes as the situation developed.

(1) RUSSIAN INVESTMENT.

As early as the 1860s Russian tea merchants established brick tea factories (using tea dust and low quality tea leaves) in the interior with the purpose of exporting to Russia. By 1868 there were 3 Russian brick tea factories in Hankou – by 1878 6 (3 with steam-powered machines) (3). In 1872 the first Russian brick tea factory was erected in Fujian – by the 1880s there were 7 such factories in Fujian (4). Another centre that developed was Jiujiang. In 1891 the Russians closed some factories in Fujian in favour of the other locations (4). By 1894 there were 7 Russian firms that were engaged in this business in China with 7,000 employees (c. 5,000 in Hankou, c. 1,000 each in Fujian and Jiujiang) and with total assets of \$5,600 thous. (£560 thous.)(5).

Investment in brick tea factories was the total of Russian investment up to the end of the 1890s – tea processing was not a field which British companies entered on any scale. The Chinese started using superior technology for the firing and processing of tea (other than brick tea) and, in any case, foreigners could not develop plantations on the pattern of India and Ceylon whose teas provided increasing competition to Chinese tea in the UK market (6).

The situation as regards Russian investment then changed markedly with the Russian incursion into Manchuria in the late 1890s. Although access to the raw material bounty of Manchuria was attractive the main incentive was imperialistic ambition. The ice free harbours of Port Arthur (Lushun) and Dalian on the Liaodong Peninsula and the building of strategic railways was the prime motive. In 1896 the Russians gained a concession for building the Chinese Eastern Railway running across North Manchuria to Vladivostok. In March, 1898 Russia gained a lease for 25 years on the Liaodong Peninsula and the right to construct a railway linking Harbin on the Chinese Eastern Railway with the two ports.

Although not the primary motive the establishment of this Russian presence in Manchuria stimulated Russian industrial investment in that territory. The development of the railway zones stimulated the development of ancillary activities and supplies, particularly coal for the railways. Apart from the stationing of Russian troops and seamen there was an influx of Russian civilians. During the Russo-Japanese War the amount of Russian civilians in Manchuria reached the 100,000 mark (7). After the War the number decreased but by 1911 there were still around 58,000 (7). This substantial community provided a useful outlet for any local Russian enterprises.

Before the outbreak of the Russo – Japanese War the Chinese Eastern Railway and others had started, for instance, developing coal mining operations in all three provinces of Manchuria. Thus, in 1902 the

Zhalainuoer lignite mine in Heilongjiang was opened. In 1903 output was 17 thous. tons and by 1905 it had reached 469 thous. tons (8). After 1906 (448 thous. tons) it fell off sharply and in 1914 it amounted to 172 thous. tons (8). The next largest output was achieved in 1921 – 306 thous. tons (9). The principal outlet for the mine's output was for use on the Chinese Eastern Railway – in some years virtually the only outlet (for example, in 1921 railway use accounted for 96.7 percent of sales as against 87.2 percent in 1913 (10)). By 1914 investment in the mine amounted to £0.4 million (11). The low calorific value of the output of the mine meant that it was no competitive threat to either British or Japanese mines in North China. In Jilin two mines were started near Changchun while in Liaoning the Russians started developing mines at Fushun (1903) and Yentai (1899) – the former in a minority venture (37.5%) with a Chinese interest. Their total investment amounted to £130 thous. The most progress was made with the development of the Fushun mine with initial output in the region of 130 thous. tons per annum (12).

(There was also some Russian investment in mining in Outer Mongolia – the 1898 gold mining concern of The Mongolor Company (an abbreviated name) with an issued capital of £190 thous. The maximum output (1911) was 59,600 ounces of gold (13). However, 1912 saw this area become independent of China.)

After the Russo – Japanese War the concessions in Jilin and Liaoning fell into Japanese control. The Jilin field was allowed to lapse because of its inferior coal (14) by the Japanese but Fushun became the largest mining complex in China. Also, the Yentai mine began to be operated on a commercial basis in 1910.

In 1924 the Muleng Coal Mining Company was formed as a 50%/50% venture of the Jilin provincial government and local Russian merchants in Harbin. The merchants put in \$3 million as capital - the provincial government contributed the mining rights (15). Output reached 106 thous. tons in 1926 and the peak production of 338 thous. tons was in 1931 (16) - even at this level it was modest. The output was of fairly inferior bituminous coal.

In March, 1935 the Chinese Eastern Railway was sold by the Russian Government to Japan and thus the Zhalainuoer mine was transferred to the joint Japanese / Manchukuo company of the Manchuria Coal Mining Company. In that year output was only 53 thous. tons (17)

In addition to investment in mining, the construction of the Chinese Eastern Railway, the influx of Russian civilians into Manchuria and the stationing of Russian troops in that area meant an upsurge of Russian investment in industry – predominantly light industry.

The first Russian flour mill was established in Harbin in 1900 – by 1902 there were 3 Russian owned mills (18) and by 1904 13 mills were in operation, virtually all in Harbin (19). Flour milling was the most important Russian investment in the food sector but there was also significant investment in :-

- Beet sugar. In 1908 a sugar mill was established by two Russian Poles in the vicinity of Harbin. It was capitalised at £105 thous (20). By 1915 deliveries had reached 2,065 tons (21). In 1925 the plant was closed on bankruptcy but it was reopened in 1934 as a Polish / Japanese enterprise – the North Manchuria Sugar Manufacturing Company – which accounted for 35 percent of Manchurian sugar output in 1938 (22).

- Soya bean processing.

In 1900 the first Russian owned distillery in Manchuria was founded. By 1914 there were about 14 – half for vodka. Similar progress was made in the development of a brewing industry (see Table Eight). There was also minor progress in soft drinks – including an installation of the Chinese Eastern Railway (1924).

Cigarette production (Russian type with a mouthpiece) began in 1898 when A. Lopato and Sons set up a factory in Harbin (23). Another important enterprise was the factory of the Tschurin Tobacco Company which came on stream in 1914 and was extended in 1923 (24). I.I. Tschurin and Company, Limited was a large firm primarily engaged in wholesale and retail business and as an importer. Apart from its cigarette manufacturing it also had factories making paints, sausages and vodka.

The tobacco industry was the only industrial sector where at first sight there could have been a competitive interface with British interests i.e. B.A.T who had had a manufacturing presence in Manchuria since 1908. However, in 1913 B.A.T. gained a financial interest in the Lopato company's factory and their relationship was reinforced in 1918 by the creation of a joint venture (Alliance Tobacco Company) with the majority owned by B.A.T. (25). Competition for B.A.T. from Tschurin was slight – in 1936 compared with B.A.T.'s 55 cigarette machines in Manchuria the Tschurin Tobacco Company had only a (reduced) 3 (26). The Tschurin cigarette factory temporarily stopped production in December, 1937.

Other industries that were developed by the Russians before the First World War included consumer chemicals (soap, candles, etc) and wood processing. By 1916 the distribution of Russian investment in their stronghold in Northern Manchuria was as follows (27) :-

	<u>Number of factories.</u>	<u>Number of labourers.</u>
Flour mills	12	591
Oil mills	13	720
Distilleries	15	432
Cigarettes	3	190
Metal processing	1	100
Sugar	1	400
Glass	1	25
Mineral water	2	31
Soap	2	11
Wool washing	5	?
<u>Tanning</u>	<u>2</u>	<u>?</u>
Total	57	?

The situation in Northern Manchuria changed markedly after the War and the Russian Revolution and the civil war that ensued. The local Russian population increased to over 140,000 in 1920 from 60,000 in 1918 (28) with an influx of White Russians, particularly in 1920, and these brought with them some former entrepreneurs. This stimulated the development of some new industrial sectors such as canning, garments, footwear, etc. There was also some expansion of established industrial sectors. However, things became difficult for the Russian population – with a particular concentration in Harbin – as they became increasingly isolated. There were confrontations in factories between White Russians and Soviet trade unions. Relations with the Chinese authorities at Harbin also deteriorated. Many Russian manufacturing enterprises were sold or became joint ventures with Japanese and other interests.

Outside Manchuria, the brick tea trade fell sharply after the War (the quantity of exports of tea to Russia in 1923 was only 1.1 percent of the 1909 level (29)) and coupled with the sale of the Chinese Eastern Railway with its several investments locally in industrial activities and the decline in Manchuria of industries owned by people of Russian origin this meant that by 1939 Russian investment was very much reduced. There was by 1939 only a few surviving Russian enterprises (Table Eight).

(2) GERMAN INVESTMENT.

Apart from the special case of brick tea firms, the pattern of Russian investment in Mainland China could almost be regarded as resultant from their imperialist moves into Manchuria. The situation was different in the case of Germany. The Germans were very keen to expand their trade with China as evinced by the creation in 1889 of the Deutsche-Asiatische Bank – a joint venture of major German banks. German merchant firms were very active in the Treaty Ports. Thus, German companies went from merchant activities to become involved in industrial enterprises, particularly in Shanghai. Parallel to this was the desire of the German Navy to acquire a coaling station in East Asia as already obtained by the other major powers. Admiral Tirpitz had already selected for acquisition Jiaozhou Wan harbour as an excellent naval base when the murder of two German missionaries in Shandong gave a pretext for occupying Jiaozhou. By the subsequent convention of March, 1898 Germany secured a 99 year lease on a 30 mile enclave covering the city of Jiao Xian and the port of Qingdao. Qingdao was built up by the Germans to become the “Riviera of the Far East”. In addition, Germany acquired rights to invest in railways in Shandong and to develop mining property within ten miles on either side of the track. This plus the energetic development of Qingdao led to an upsurge in German industrial development in Shandong.

One of the first few cotton spinning companies of foreign ownership to be established in China was the Soy Chee (Rui Ji) Cotton Spinning Company which was incorporated in November, 1895. It was incorporated under German law with an authorised (and fully paid up) capital of one million taels (£140 thous.). The instigators and general managers were the local German merchant firm of Arnhold Karberg. On stream in April, 1897 (30), the initial intended complement of 40,000 spindles was quickly reached (31). By 1915 there were 50,768 spindles installed but no weaving capacity was installed. By that date the Jardine Matheson mills in Shanghai had, in contrast, three times this spindleage and also had weaving capacity. This relatively minor competitor to British mills (in which anyway there was British financial involvement and Board representation) became as already noted, after reconstruction, in May, 1917 a British company under the name of The Oriental Cotton Spinning and Weaving Company, Limited.

In 1894 the Jui-lan Silk Filature was established with 1,100 workers, 480 basins and a capital of 480 thous. taels (67 thous.) (32). In 1902 another German filature was established in Qingdao – the Deutsche Chinesische Seiden - Industrie Gesellschaft with a capital of 1,800,000 Marks (£90 thous.) (33). Starting production in 1904 with 1,500 employees, it suspended operations in 1909. In 1910 it was sold to a Chinese firm (33).

Other light industry sectors founded by German investors before the First World War, many of which were related to German development of Qingdao, included (see Table Eight) :-

- albumen. In the early part of the last century German factories were set up in Hankou, Wuhu, etc but the trade soon declined for a variety of reasons – competition in Western markets from synthetic substitutes, quality problems, difficulty in acquiring good salt, etc.

- food.

- soap and candles.

- pharmaceuticals. at Voelkel and Schroeder A.G. Founded in 1905 with a paid-up capital of \$150,000 (£ 13 thous.) it was taken over in March, 1919 by the American Drug Company. (34).

- feather cleaning. The Shanghai Feather Cleaning Company was established in 1897 with a capital of 60,000 taels (£5 thous.). (35). By 1898 with the works on stream the capital amounted to 150,000 taels (£14 thous.). (36).

- drinks (both alcoholic and non-alcoholic). On the margin of German investment was The Anglo-German Brewery Company, Limited founded in 1904 by a syndicate of various nationalities but with British and German interests dominating. Although this company had throughout a British Chairman, had at least an equality of British directors (sometimes more) and was registered as a British company in Hong Kong and is here (see PART III – Chapter Seven) regarded as a British company, it had German managers and brewers at the brewery in Qingdao, German sales agents and the Deutsche – Asiatische Bank as their bankers. (37). During the First World War the tensions were unbearable. In August, 1916 it was announced that it was “impossible to carry on the company and procure the services of a British Board of Directors who would devote the time and energy to a concern, the success of which would prove of indirect benefit to German shareholders”. (38). The brewery was thus sold to Dai Nippon Brewery – brewers of Asahi beer - for \$500 thous. (£52 thous.) in December, 1916. (39). There were, however, some other brewery companies that were undisputably German – in particular the Union Brewery (with a capital in 1913 of \$400,000 - £35 thous.) in Shanghai .

- press packing.

Apart from modest investment before the First World War in sawmills, building materials and antimony smelting works (in 1905 Carlowitz and Company began operating a large antimony smelter in Wuchang (40)), the main investment in heavy industry was in mining although there was some commercial activity at the Tsingtau Werft which was opened in 1905. This shipyard could both build and repair vessels (by 1914 it had built 22 vessels and it also possessed a large floating dock (410 feet by 128 feet) with a capacity of handling 16,000 tons. It was removed by the Japanese after the First World War). (41). This yard was engaged in commercial work as well as catering for the needs of the German navy which accounted for 60 percent of its business. (41). As the British shipyards were concentrated in Shanghai this posed no significant threat to them.

In October, 1899 the Schantung Bergbau Gesellschaft was established with a capital of 12 million Marks (£600 thous.). (42). (It was subsequently (1912) taken over by the Shantung Railway Company). Two coal mines were started :-

- Fangzi, 102 miles from Qingdao. On stream in 1902.

- Zichuan, 168 miles from Qingdao. On stream in 1906.

By 1912 the firm employed 60 Germans and 7,000 Chinese. It was obliged to sell the requirements of the Imperial Navy* at 5 percent below the market price in Qingdao. Also, because of transport costs from the interior to Qingdao and elsewhere the mines could not compete with the products of the Chinese Engineering and Mining Company. In the year to end March, 1913 with sales of 613 thous. tons, 170 thous tons were shipped outside Shandong but this included sales to ship's bunkers i.e. exports were small.(43).

*The German East Asiatic Squadron under Vice Admiral Graf von Spee was based here on the outbreak of war in 1914.

Output from Fangzi peaked in 1911/12 and the bulk of the firm's output was then from Zichuan with its superior quality of coal (44) :-

- Thousand tons -

<u>Years to end March</u>	<u>Fangzi</u>	<u>Zichuan</u>	<u>Total</u>
1903	9	-	9
1904	51	-	51
1905	101	-	101
1906	137	-	137
1907	164	15	179
1908	149	41	190
1909	250	72	322
1910	273	183	456
1911	195	237	432
1912	289	170	459
1913	199	414	613
1914 (calendar)	132	372	504

The Japanese took control of these mines plus an iron ore mine with an annual output of 350 thous. tons early in the First World War. (The iron ore mine which was operated by the Shantung Railway Company was situated at Jinlingzhen about 180 miles from Qingdao). In 1923 the mines began to be worked by a 50/50 Sino-Japanese concern – the Luda Mining Company (see below) following the Washington Conference where the Japanese agreed in February 1922, to return the former German leased territory to China and transfer the former German mining rights to this Sino-Japanese company.

More long-lived was the German participation in the Jingxing Mining Administration which operated a bituminous coal mine in Hebei. Contact between this mine, founded by the Chinese in 1880, and German interests, headed by General von Hanneken, began in 1898 with the aim of using German investment to modernise the operations. It was not until 1903, however, that an accommodation was arrived at with the authorities and a joint venture with a capital, equally divided, of 500 thous. taels (£60 thous.) commenced operations. (45).

At the beginning of hostilities between China and Germany in 1917 the mine was taken over by the authorities. In 1922 cooperation was resumed but the German share of the capital of \$4,500 thous. was limited to 25 percent. (45). Production rose sharply reaching a peak of 882 thous. tons in 1936 compared with 257 thous. tons in 1914.

After the First World War, with the loss of the German position in Shandong being an important influence, the level of German investment was reduced from its pre-War level not just in mining but in other industrial sectors (see Table Eight). By the 1930s the main German presence in the Chinese market was via imports from Germany - a very important category being chemicals especially dyestuffs and fertilisers. In the latter case there was a possibility of local production by I.G.Farben Industrie and ICI of the UK. This did not materialise - --see PART III, Chapter Five above.

(3) FRENCH INVESTMENT.

As mentioned in PART I, France enjoyed a sphere of influence in the far Southern provinces plus rights to the construction of a 289 mile railway from Indochina to Yunnan. Investment in Yunnan, etc was, however, limited due partly to local resistance (see below). Also, in terms of French investment in the Far East, Indochina exerted a much greater pull and in the period before the First World War French

investment overseas was earmarked to a significant extent by the enormous loans that were made by the French to Tsarist Russia.

In the rest of China investment was fairly small – mainly in engineering in Shanghai (with a long lasting French concession), chemicals (industrial gases at the Far East Oxygen and Acetylene Company, Limited belonging To Air Liquide), etc, building products and food. Only in marine engineering – in the form of Société Franco-Chinoise de Constructions Métalliques et Mécanique (belonging to to Messageries Maritimes, Schneider and Chinese interests) – was there any interface of significance with British firms. However, their Kioussin works in Shanghai was fairly small in both shipbuilding and ship repairing against British interests in Shanghai. Thus, for example, their dry docking capacity in the 1930s was only slightly more than a tenth of the British capacity in Shanghai.

(4) BELGIAN INVESTMENT.

The threshold of the Twentieth Century was the high noon of Belgian economic imperialism with the patronage and support of an avaricious monarch (Léopold II). Flushed with the success of the economic (and human) exploitation of the Congo, eyes were turned to China. In 1899 and the first quarter of 1900 alone about seven “colonial companies” were formed in Belgium specifically aimed at the Far East, especially China. (46). On March 28th, 1900 the Compagnie Internationale d’Orient was formed to be a coordinating and facilitating agency for Belgian initiatives in China – thus meeting the desire of Léopold II for such an organisation. (47). Many of the individuals involved in the exploitation of the Congo were also involved in Belgian initiatives connected with China - in particular Colonel Albert Thys, an army engineer who supervised the construction of the Congo Railway. It is thus no coincidence that Belgian projects in China (either direct or via UK interests – see below) had a leaning towards mining and railways.

Orchestrating Belgian initiatives in China was the King:-

“It is in the national interest that Belgians should take full advantage of the business opportunities available in China and it is my job to further the national interest.” (48)

However, beyond this role as prime mover, the King backed this up by personal financial involvement. It is calculated that the King invested about 12 million Belgian francs (£470,000) into various commercial and financial enterprises in China. Of this 3 million francs (£120 thous.) was spent on the Chinese Engineering and Mining Company, Limited. (49).

The initial impact was principally in coal mining. In 1897 the Lincheng mine in Hebei accepted a loan from Belgian interests. In 1905 the arrangement was formalised with the formation of the Lincheng Mining Administration – a joint venture of the Lincheng Colliery and the Belgian company of Société des Mines de Luhan (a subsidiary of the Société d’étude des chemins de fer en Chine). The capital of the Société des Mines du Luhan was 2.5 million Belgian francs (£100 thous.) – 74 percent Belgian and 25 percent French. (50). King Léopold with 50 thous. shares held 2 percent. (51). By 1914 the output of the jointly worked mine had reached 290 thous. tons. However, in 1920 the mine reverted to 100 percent Chinese control with repayment of the Belgian financial interest. The Société des Mines de Luhan also had, starting in 1914, a financial interest in the Liuhegou mining company in Henan (mine started in 1903). However, on repayment of the loans in 1919 the mine became once more 100 percent Chinese owned.

Belgian investment in other sectors was small – in food (the Société Anonyme Pour l'Industrie des Oeufs – SAPIO – with factories in Tianjin and Hankou), building materials, ceramics and cork manufacture.

However, the figures given in Table Seven for French and Belgian participation in the mining sector underestimate their real involvement as they exclude the involvement of investors from these countries in companies registered in the UK with the aim of engaging in mining in China (in some cases these companies did not get beyond the company formation or concession stages). Participation in this manner by other European countries was small – the leading country being Germany.

At the turn of the Nineteenth Century, London was the World centre for the formation and financing of mining ventures and also a centre of mining expertise in the form of firms specialising as mining engineers, mine managers and financiers. The involvement of Belgian and French interests took two forms :-

- (a) Formal joint ventures registered as such on the London Stock Exchange. This only occurred in the case of UK/French ventures. The London Stock Exchange was efficient in raising capital and a joint venture saved the large capital needed for a mining venture and reduced risk.
- (b) Belgian and French investors taking (substantial) shareholdings in UK registered companies dedicated to mining in Mainland China.

In the case of companies registered elsewhere, both these forms of participation were not confined to the mining sector :-

- in the case of the former, the example of the Chinese Aluminium Rolling Mills, Limited which was a joint Swiss, British and Canadian venture albeit in practical terms Swiss managed (see below).
- in the case of the latter, the example, again mentioned below, of the Yah-Loong Cotton Spinning Company, Limited – American managed (Fearon, Daniel and Company) but with a substantial presence of British capital.

However, in terms of the scale of capital involved it was most significant in the mining sector.

(a) Joint Mining Ventures Registered in the UK.

Syndicat du Yunnan, Limited.

In May, 1899 a group of influential French financiers instituted in Paris the Syndicat Minier du Yunnan (52). It was decided to seek British involvement :-

- the proximity of the potential mining areas to British areas of influence in Burma and the Yangzi.
- the Salisbury – Courcel Agreement of 1896 (Clause 4) whereby any privileges secured by either country in Yunnan or Sichuan would be shared by both countries.

In October, 1899 the Anglo - French Syndicate was registered in London. With the introduction of a further Franco – British consortium, the company was reconstructed and renamed in April, 1900. The authorised capital of £35 thous. of the Syndicat du Yunnan, Limited (all issued by 1906) was to be split equally between French and British interests as was the eight strong Board. The new company's Agent-General in China was the French Consul-Général Émile Rocher (connected with Yunnan since 1872) - placed at the Syndicat's disposal by the French foreign minister. In 1902 Rocher's efforts secured for the

Syndicat a concession conferring mining and other rights over seven departments in the province of Yunnan. "This happy result would not have been reached had we not been supported by the two Governments of France and England...." (53).

From 1903 to 1906 operations were limited pending railway completion (the New Hanoi Yunnan -fu Railway) and local unrest but a business in the purchase and export of tin produced by mines worked by the Chinese was developed. The Syndicat then decided to make a beginning of independent working of tin. It transferred its rights in one of the departments to a French company – the Société d' Exploitation de Ling- Ngan – in which it took a 42.6 percent share (22.5 percent was held by the Yangtse Valley Company – see below).

A hornet's nest was stirred up. Local opposition became furious both from the gentry and those involved with the local mines (54). The golden years for obtaining mining concessions were over and both centrally and in the provinces a policy was adopted of refusing concessions and recovering those already granted ("The Rights Recovery Movement"). The directors stated that "...efforts have been made to energetically develop the concession held by the Syndicat du Yunnan but unfortunately these efforts have, to a large extent, been frustrated by the opposition of the local Chinese authorities" (55) Anti-foreign societies such as the Society for Determined Struggle of the Yunnanese were formed. (56). A local official involved in stymieing the company's plans was rewarded with a substantial promotion after the French Legation's formal protest at his actions. (57).

Given the situation, negotiations were entered into in 1911 with the Chinese Government. The Government offered 1,500,000 taels for the rights and property of the Syndicat including those of the Société d'Exploitation de Ling-Ngan. This offer was reckoned by the Syndicat to be worth £190,650 of which the Syndicat's share was about £93,000 (the Yangtse Valley Company being the main other recipient). The offer – to be paid in instalments – was accepted. After the final instalment the Syndicat was wound up voluntarily in 1922.

Anglo-French Quicksilver and Mining Concession (Kwei-Chau Province) of China, Limited.

This company was registered in the UK in March, 1899. Three of the eight strong Board were French residents. The authorised capital – all issued by 1903 – was £310 thous. Entry into iron mining and smelting proved to be a failure and the company concentrated on mercury. (58). A quicksilver furnace was in operation by 1902 despite the severe logistic difficulties of operating in China in the absence of railways and developed river transportation – 30 men had to be employed for six weeks to convey a boiler over 17 miles. (59). By 1903 two furnaces were in operation - three by 1908. Output from the mines reached 55 thous. tons per annum of cinnabar (sulphite of mercury). (60).

Progress was, however, disappointing and in March, 1906 the company was reconstructed into a new UK company of the same name. Indicating the change in ownership the three man Board was all British. The business was still, however, absorbing cash. From January, 1906 to November, 1911 sales of mercury, cinnabar, etc amounted to £34.2 thous. whereas expenditure on fixed assets totalled £54.5 thous. and administrative expenses £6.8 thous. (61). By 1912 the mines were closed permanently. The Company blamed local unrest during the 1911 Revolution (62) but this seems to be only a partial explanation – poor mining performance being another. (63). The company was wound up in 1917.

(b) Belgian and French Investment Participation in UK Registered Mining Companies.

Belgian financial interests were closely involved in the takeover from Chinese control of the Kaiping mines in 1901 by a process that could, even very charitably, be regarded as financial sleight of hand (as described in PART III, Chapter Two). Belgian shareholders took 37.7 percent of the first issue of shares by the vehicle used in the takeover of the Chinese concern – the Oriental Syndicate, Limited (German interests took 12.2 percent). (STATISTICAL ANNEX – TABLE X). Members of the Belgian financial establishment also had a share of the finance granted to the Chinese concern. On the formation of the Chinese Engineering and Mining Company, Limited which took over the assets of the Chinese concern, investors in Belgium were the largest group of shareholders (STATISTICAL ANNEX – TABLE Z) :-

<u>Percentage of initial allotment of shares by location.</u>	
Original shareholders of the Chinese company	37.5* (Chinese/Foreign)
New shareholders in China	5.0
Oriental Syndicate	15.0
UK	13.3
France	2.5
Germany	0.8
China (American/Europeans)	2.0
Belgium	23.6
Other (European)	<u>0.3</u>
	100.0

*Some of these were believed to have been snapped up by the Belgian company of Compagnie Internationale d' Orient using "insider" information of the impending takeover.

In addition, Belgian investors accounted for 62.0 percent of the debenture issue to finance the new company (STATISTICAL ANNEX – TABLE Z). With the winding up of the Oriental Syndicate in 1902, shareholders in Belgium held 27 percent of the capital of the Chinese Engineering and Mining Company, Limited plus an unknown amount acquired in China. Many UK shareholders subsequently parted with their shares to Belgians. By 1915 Belgian shareholders held about 40 percent of the total capital. (64). The first Chairman of the Company was Belgian plus strong Belgian participation on the Board and in management of the mines. Until the Second World War the Company had a separate main office in Brussels as well as in London.

One of the purchasers of additional shares in the Company was King Léopold II. He acquired 9,100 of the original issue of shares (65) and further purchases brought his holding up to 120,230 (12 percent of the total) by the end of 1903 (66) – at his death (1909) his holding had been halved – 62,803 shares. (67). He also had a holding in the Eastern Pioneer Company (68) – see below- and in 1898/9 had attempted (without success) to ease the way for Belgian investment in the Peking Syndicate. (69).

Belgian finance was also involved to a significant extent in the following UK mining companies :-

- Eastern Pioneer Company, Limited. Although registered as a UK company in October, 1899 half of the capital (£300 thous. was eventually issued) was Belgian. The King had £18 thous. worth of the shares. (70). Attempts to exploit a mining concession in Sichuan secured in April, 1899 by the founder of the concern – a Mr William Pritchard-Morgan – were unsuccessful for a variety of reasons and the company was wound up in 1921. The concession was transferred to a successor company - the Yang-tse Corporation, Limited (founded in 1898). There was a similar lack of success.

- Yangtse Valley Company, Limited. Founded in 1900, this company with a peak issued capital of £96 thous., had, judging by the composition of the initial Board of Directors, a one third Belgian interest. Apart

from its minority venture with the Syndicat du Yunnan (see above) no progress was made as regards mining in China and the Company's only activity was shareholdings in railways, public utilities, etc in China, etc. The company went into voluntary liquidation in 1940.

- China Exploration Company, Limited. Although registered in the UK in February, 1899 the shareholders were mainly Belgian. Out of the capital (authorised £80 thous. – issued £18 thous.) 91 percent was Belgian and the balance British. (71). A mining engineer was engaged to prospect in China but nothing ensued. Again, in May 1899 discussions with Mr Pritchard-Morgan (see above) to finance the Sichuan venture proved abortive. The company went into voluntary liquidation in 1904.

French participation via shareholdings in British registered mining companies was most significant in the cases of the Pekin Syndicate, Limited of March, 1897. By 1905 the issued capital of this company amounted to £1243 thous. and it was the next largest UK mining enterprise in China after the Chinese Engineering and Mining Company, Limited. Continental shareholders gradually increased in importance and a sharp rise in the Syndicate's share price in 1909/10 induced many British shareholders to sell out. In February, 1910 the British Chairman and his associates were ousted from the Board. French (and Belgian) shareholdings further increased – by 1911 the French alone had a controlling interest. (72). The two joint managing directors were French.

The period of French control lasted until 1923. French interests closely connected with the Syndicate promoted the Banque Industrielle de Chine (1913) in which the Chinese Government (30%) and the Syndicate (9%) also took shares. (73). After a promising start the Bank ran into great difficulties. The situation facing the Syndicate was very serious. Apart from its shareholdings in the Bank it had a large proportion of its very substantial cash resources on deposit at the Bank. The Syndicate weathered the storm but an affect of the affair was to restore effective control of the Syndicate to British interests. At the ordinary general meeting of the Syndicate in February, 1923 it was decided that while there was to be an equal number of French and British directors, the Chairman was to be British with a casting vote (74).

(5) AMERICAN INVESTMENT.

Unlike the major European powers the USA did not participate in the "scramble for concessions" but adopted and formally advocated to other powers the "Open Door" policy in 1899/1900. (This policy reflected the American preoccupation with competing interests to China at the turn of the century – the war with Spain and the subsequent acquisition of the Phillippines, Ruerto Rico and Guam. The period also saw the annexation of Hawaii, Wake Island and American Samoa.) Thus, apart from its long standing sharing of the International Settlement in Shanghai with the UK, there was no geo-strategic imperative attached to USA industrial investment in Mainland China. The economic aspirations of the USA in China were different from the more "predatory" ambitions of the major European countries.

The USA was by the 1930s, next to the UK, the largest Western investor in industry in China. However, its influence in several sectors in which UK investment was predominant either failed to develop or after a good start relapsed. An example of the latter is cotton textiles. The International Cotton Manufacturing Company, Limited was formed in 1895 (75) as one of the four Western pioneers in this sector – one American, in this case, one German (see above), and two British. Its original capital was one million taels (£140 thous.) but given the recession in this sector this was reduced by 25 percent in 1901. (76). By 1914

the total of issued capital and reserves totalled 1,254 thous. taels (£163 thous.). (77). As noted in PART III, Chapter Three above, in 1918 this mill was sold to Japanese interests. The other American venture in cotton textiles was short lived. The Yah-Loong Cotton Spinning Company was formed in 1897 with majority American ownership but with British and Chinese participation. It had 20,392 spindles by 1901 and also 416 basins in a silk filature. (78). However, at the end of 1901 this business was bankrupted. The Russo-Chinese Bank, Limited had declared that unless the Company repaid its overdraft by November 24th, 1901 it would foreclose. At a meeting on November 19th, 1901 the Company had no alternative but to accept. (78). A similar fate was shared by early American ventures in silk filatures.

There was no American involvement of any significance in mining in China (The Sino-American Yunnan Ming Hsing Mining Company was a joint venture of the Orient Mining Company of New York and the provincial government to work silver and lead mines but nothing developed). Also the 1920s saw the repulse by B.A.T. of moves by American based tobacco firms to challenge their supremacy in the Chinese market by B.A.T. eventually purchasing their Chinese interests (79) – as described in PART III, Chapter One.

A sphere of investment in textiles in which the USA had a virtual monopoly of Western investment in China was carpets and rugs. The First World War gave a great impetus to this business. Exports of rugs and carpets from Turkey were virtually at a standstill while shipments of Persian and Turkistan rugs and carpets were restricted. (After the War European customers returned to these sources which were in terms of transport much more convenient for them than China). The American manufacturing facilities that were erected were principally in Tianjin but also in Beijing. Some of these enterprises also had associated spinning and dyeing facilities.

The major constituent of American investment in the food and drink sector was the egg processing business – in particular, the two firms of Amos Bird Company (taken over in 1929 by the Borden Company), the largest, and Henningsen Produce Company whose factory was badly damaged in 1937. (80). These were substantial firms and provided a significant competitive element to the industry leaders – the three UK firms. However, in terms of scale, the UK producers held the advantage – see PART III, Chapter Seven. Another source of competition for UK enterprises was in sound reproduction. The RCA Victor factory, employing 200 (81), provided competition for EMI (see PART III, Chapter Six above).

In chemicals the main investments were in matches, dyestuffs, soap and candles. The American Far Eastern Match Company employed about 600 workers in the late 1930s. (82). There was also some American investment in sectors such as wood products, paper making, leather belting, products for packaging, glass, etc. There was also the Bolton Bristle Company. Starting in 1918, it initially dressed bristles only. It then entered the field of bleaching white bristle. According to market conditions and season it employed 600-1,000. Its main market was in supplying toothbrush and hairbrush makers in the USA. (83).

However, the largest single item of American investment in the 1930s was in the sphere of engineering, machinery and electrical equipment – especially the latter. Before the First World War American investment in these areas was minor but the situation was considerably altered by the 1920s and 1930s. In 1917 the (American) General Electric started to make electric lamps on a limited scale in Shanghai at its subsidiary of China General Edison Company. (84). In 1918 the China Electric Company was formed as a

50/50 venture of the Ministry of Communications and Western Electric. In 1925 Western Electric sold its interest in this joint venture, which included a telephone, telegraph and electric equipment plant in Shanghai, to International Telephone and Telegraph Corporation.

In the 1920s General Electric expanded its Shanghai plant. By 1934 it had a labour force of 500-1,000 with an output of 500,000 large lamps and 600,000 flash lights per month. (85). It also took a financial interest in Anderson Meyer and Company (originally Danish). (86). By the 1930s General Electric had acquired a controlling interest in Anderson Meyer. (87). From its Shanghai plant, which included a foundry, Anderson Meyer made window sashes, lathes, planers and other machine tools, etc plus standard electric apparatus. By the 1930s, in its original operation plus Anderson Meyer, General Electric employed 2,400 – 2,500 employees in China. (87). In addition, General Electric via Anderson Meyer held a one third stake (balance one third Chinese and one third Sir Victor Sassoon) in the China Car and Foundry Company. At its peak this company employed 1,000 workers making railway passenger coaches and freight cars. Another American company in the electrical sector was National Carbon Company with a factory in Shanghai producing batteries and carbon products. In the electrical sector American interests dwarfed the small British involvement in this area.

(6) INVESTMENT BY OTHER COUNTRIES.

Investment in 1914 was modest – the largest single item being investment in the tobacco industry by Greek concerns. Other sectors included drinks and building materials. The drinks sector became more important after the First World War with the transfer of the ownership of the previously German owned Union Brewery Company to Norwegian interests. In 1935 it constructed a new brewery which together with the old brewery had an annual capacity of 50 million bottles. (88). 1928 saw a greater involvement in the chemical industry when the Swedish Match Company gained control of two Japanese factories which had operated under the name of the Sui Sung Match Company. (89). Also 1933 saw the coming on stream of the Shanghai aluminium foil plant (for cigarette packaging, etc) of the Chinese Aluminium Rolling Mills, Limited. Based on imported material its capacity by 1940 was 5,000 tons per annum, it employed 400 and represented an investment of £250 thous. (90). It was in practical terms a Swiss company (see above). The main Italian interests were in engineering – in particular the Italian-Chinese Engineering Works, the marine engineering subsidiary of the shipping firm of China-Italian Navigation Company. (91).

As analysed above, the anatomy of the business sectors established by Western competitors would seem to suggest that the competition experienced by British firms from this source was less than inspection of Table Seven would first suggest. The segmentation noted above of the broad categories presented in Table Seven, both geographically and by product type, is revealing.

(i) Geographic segmentation.

The long distances involved and the inadequate transport system to a significant extent inhibited competition - particularly in the case of heavy industry. Thus the pre-First World War German mines in

Shandong, due to their distance from the coast afforded little competition to the leading British controlled mine. The same applied to the Russian mines in North Manchuria. (There were also structural factors in both cases further inhibiting competition – the commitment of the Shandong mines to supply the naval squadron at Qingdao and the prime need of the Russian Zhalainguoer mine to meet the requirements of the Chinese Eastern Railway). Thus the apparent competitive threat of the Russian and German mines to UK interests as might be inferred from the figures in Table Seven is not justified. The same situation applied as regards the German marine engineering interests.

Again, much of the Russian investment in light industry in Manchuria had little impact on British firms operating in Shanghai, Tianjin, Hankou, etc. The desire of countries such as Russia and Germany to develop the industrial base of their recently acquired zones of influence was to a large extent of little significance to British firms. Outside these zones there was no significant competition from Russian enterprises but, particularly before the First World War, there was some competition to British firms from German interests.

(ii) Product segmentation.

Again, in the coal sector, much of the Russian coal output in North Manchuria was of lignite and not in the same market segment as the output of the British mines. In food the large Russian investment in the early years was mainly in brick tea, flour mills, soya bean products and sugar refining and was not matched by British presence – none in sugar refining and brick tea and only minor presence in flour milling (none by 1916) and soya bean products. The key area for British investment was egg products where the main competition came from American concerns. In drink there were no British distilleries but in soft drinks the British firms were by far the market leaders. In non-cotton textiles the British interests by the mid 1930s were concentrated in the worsted industry whereas the American investment was entirely in a non-competitive sector i.e carpets and rugs.

In the more homogeneous categories in Table Seven i.e cotton textiles, the tobacco industry and the electrical industry the position was as follows. By 1918 there was no local competition in cotton textiles from other Western countries to British firms. In the tobacco industry B.A.T. had virtual dominance over Western competitors. In contrast there was no effective competition to the American position in the electrical sector from the UK or other Western concerns. Also, in a specialised sector – the press packing, etc of agricultural products – the UK firms occupied a prominent position.

The effect of competition from other local Western concerns on British industrial enterprises was therefore relatively small. Beyond this, in the mining sector in particular, the nationals of Continental European countries – especially Belgium and France – were willing to enter into joint ventures with UK interests or, alternatively, take shareholdings in British enterprises. Again, the freemasonry often existing between British merchant firms and other Western firms in China encouraged them to take financial interests in ventures headed by other Western countries.

The competitive situation experienced by British firms in regard to competition from Japan proved to be a much more serious threat as time went by than that described above.

(C) INTERFACE WITH JAPANESE INTERESTS.

As outlined above, the interface between UK enterprises and their European and USA counterparts was relatively minor. Indeed, especially in the mining sector, what was interesting was the way UK and Continental financial interests (especially Belgian and French) were prepared to work together without seemingly advancing their individual countries' interests in China against other European powers.

The situation was markedly different in the case of the interface of local UK industrial enterprises with their Japanese counterparts. Here, the effect of normal commercial competition was much more pronounced albeit mainly concentrated in certain sectors. Moreover, beyond this there was an additional factor – the effect of diplomatic and territorial moves by Japan in relation to China, Japanese provocations against Western interests in China and Japanese military action leading to all out war with China in 1937.

The Treaty of Shimonoseki of 1895 marked the first stage of Japan's expansion moves with the acquisition of Formosa (Taiwan) and the Pescadores (although the Japanese takeover of the Liaodong Peninsula was quickly frustrated by the combined opposition of Russia, Germany and France). The Treaty of Portsmouth ending the Russo-Japanese War gave Japan the Russian lease on the Liaodong Peninsula and Japanese control of the former Russian railway linking the Peninsula to Changchun. The Japanese valued China as a source of raw materials and a market for finished products but Manchuria with its agricultural, forestry and mining resources was particularly valued. In 1906 the South Manchuria Railway Company – half owned by the Japanese Government – was formed to be an instrument of economic penetration in this Japanese sphere of influence in South Manchuria. Economic ambitions were thus mixed in with territorial and military ambitions.

The First World War provided an excellent opportunity for Japan to fulfil further expansionist ambitions. Very quickly the Japanese occupied the German concession in Shandong and also seized the entire length of the German run railway from Qingdao to Jinan and the German controlled mines. In January, 1915 the Japanese presented to the Chinese Government the infamous Twenty One Demands. Here the nature of the demands were mainly economic in nature as Japan moved to protect their existing privileges and expand them. Of the Five Groups of demands only Group Five was not accepted by China and the rest were incorporated in the agreement signed on May 25th, 1915 :-

- I. Japan should be permitted to dispose of the German leases in Shandong as it saw fit.
- II. The duration of the previously Russian lease of the Liaodong Peninsula and the South Manchuria Railway should be extended to 99 years and the Chinese right to repurchase the railway after 36 years cancelled. The Japanese to be given the right to hold land in Manchuria and to carry out mining operations.
- III. One of the clauses gave Japan joint control of the Hanyeping Iron and Coal Company. A supplier of iron ore and pig iron to Japan and with Japanese loan finance this concern was threatened with nationalisation by the Chinese. In 1914 its output had been 135 thous tons of pig iron and 99 thous. tons of steel. (92).
- IV. China should not cede any territory along her entire coatline to any other power.
- V. China should engage Japanese political, financial and military advisors. There should be in certain areas Japanese participation in policing and that there should be Japanese participation in supplying

armaments. Rights should be given to Japan for building certain railways in South China and that Japan should be given first option on capital projects for railways, mines and dockyards in Fujian province.

In April, 1919 at Versailles the German rights in Shandong were transferred to Japan. However, in 1922 at the Washington Conference Japan gave up these rights in Shandong but kept most of its economic gains there.

Political and military factors were predominant in the Japanese attack in Manchuria in 1931 and the creation of Manchukuo as a puppet state in March, 1932. 1932 also saw the Japanese diversionary attack on Shanghai. 1933 saw the addition of Jehol to the area of Japanese occupation. July, 1937 saw the outbreak of full scale war between Japan and China.

Apart from the direct effect of warfare on British industrial interests – particularly those outside the Treaty ports – with the risk of damage and disruptions to operations in terms of cutting off of supplies and the labour force, transport difficulties, etc. there was also deliberate Japanese provocations (as well as a general uncooperative attitude). Typical of these was the crisis over the British concession at Tianjin. From within the concession Nationalist Chinese patriots carried out raids on the Japanese and their collaborators. Also the concession contained deposited Nationalist silver reserves. Again, in the concession the Nationalist bank notes circulated and seeped out into Japanese occupied Tianjin and depressed the value of the occupation currency. In the middle of June, 1939 a blockade was imposed by the Japanese in an aggressive and insulting manner on the concession and was not removed until August after diplomatic efforts were successful in resolving a crisis that possibly could have led to war between the UK and Japan.

(1) Development of Japanese Industrial Investment in China.

Investment before 1895 was negligible – the Mitsui Bussan Kaisha managed Shanghai Cotton Cleaning and Working Company. Established in 1888, this employed 150 workers. (93). However, ownership was shared with British, American and German interests. Exploitation of the possibilities afforded by the Treaty of Shimonoseki was in turn slow to develop. Of the 38 Japanese industrial enterprises established in China 1895 – 1913, albeit an impressive record, only 4 were initiated before 1905. (94). Japan suffered from a shortage of capital and the fact that in the early years after 1895 industrial firms in Japan could not yet compete freely with those in Western countries :-

Distribution by Industry of Initial Capital of Japanese Industrial Firms That Were Established 1895 to 1913 in China.

	Number of firms.	Capital.	
		\$ thous.	£mn.*
Mining/Smelting	5	3,048**	0.3
Engineering/Shipyards	4	1,539**	0.1
Spinning/Weaving	6	4,433	0.4
Foodstuffs	14	8,072	0.7
Other	9	3,617	0.3
Total	38	20,709	1.8
(Compare UK)	(34)	(49,681)	(4.4)

*Converted at average rate for 1913.

** Excluding the mines and workshops of the South Manchuria Railway Company.

Source: Wang Jingyu: *Zhongguo jindai gongye shi ziliao 1895-1924 nian*. Beijing: Kexue chubanshe, 1957. Volume 2, Part 1. Pages 7-11.

The exclusion of investment by the South Manchuria Railway Company (SMR) in the above table, particularly as regards its prime position in heavy industry, could be regarded as Hamlet without the Prince of Denmark but :-

- Initially, the acquisition of the SMR could be regarded as booty of War rather than the fulfilment of a considered investment opportunity.
- Despite the exclusion the table is informative as its primarily relates to non-Government investment and also the rise in Japanese economic confidence following their victory in the war with Russia.

The SMR, as noted, was the instrument of the Japanese Government to foster Japanese economic penetration of Manchuria and all subsequent tables in this study incorporate it.

It is interesting to note, in view of the future dominance of Japanese companies in the foreign-owned cotton industry in China, that out of the six foreign joint stock spinning and weaving companies (one American, one German, two British and two Japanese) floated in 1895, the only two not to come to fruition were Japanese. These were the Towka Cotton Spinning and Weaving Company (liquidated in 1897) and the Shanghai Cotton Spinning Company. In the case of the last, a site was purchased, foundations begun and boilers brought to the premises. Textile machinery was ordered from England. The Company then decided it was more economical to manufacture in Japan. The machinery was then diverted in transit from Shanghai to Kobe where a mill was erected by 1898. (95). To illustrate the original lukewarm attitude of the Japanese, Mr Masada Tokashi of Mitsui Bussan Kaisha stated in the Japan Mail of 24th, October, 1896 that "it would be extremely doubtful business for the comparatively poor capitalists of Japan to enter into competition with the far wealthier capitalists of Europe and America ...". It was not until 1902 that the first Japanese cotton mill was established in China when Mitsui Bussan Kaisha took over the facilities of the bankrupt Yah Loong Cotton Spinning Company (see above). (96).

The situation changed markedly after the Russo-Japanese War with a large upsurge in Japanese industrial investment particularly marked in Manchuria with the SMR playing the leading role. By 1914 84 per cent of Japanese industrial investment was in Manchuria :-

Estimated Industrial Investment by Japan in Mainland China in 1914 - £ million.

	<u>Manchuria</u>	<u>Other</u>	<u>Total</u>	(Compare UK investment)
Mining	6.00	0.30	6.30	(3.34)
Oil pressing mills	0.08	0.20	0.28	(0.03)
Flour mills	0.24	0.30	0.54	(0.01)
Matches	0.05	0.02	0.07	(-)
Tobacco industry	0.33	-	0.33	(6.20)
Cotton textiles	-	0.35	0.35	(0.43)
Other	<u>0.07</u>	<u>0.08</u>	<u>0.15</u>	<u>(4.41)</u>
Total	6.77	1.25	8.02	(14.42)

Source for Japanese figures - C.F.Remer: *Foreign Investments in China*. Pages 429-431.

The leading sector was mining with the facilities acquired from Russia being an important factor. The output of the principal coal mine of the SMR at Fushun had increased to 2,204 thous. tons by 1914. (97). Apart from the mining sector, progress was made in other sectors such as pressing of soya beans, etc, flour milling, matches, cotton textiles and tobacco (see table above). By 1913 there were three Japanese cotton mills (two owned by trading companies, only one by a Japanese spinning company) with a total of 112 thous. spindles and 886 power looms. (98). In 1906 the Toa Tobako Kabushiki Kaisha (also known as the

East Asia Tobacco Company) commenced cigarette manufacture in Niuzhuang on a site within the jurisdiction of the SMR. (99).

Despite this progress total Japanese investment by 1914 was at a lower level than that of the UK - by 44 per cent in total. By 1930, however, the position had been reversed - see Table Nine. Total Japanese industrial investment was over twice the UK level and in non-mining activities one and three quarters the UK level. Development of mining and metals continued. By 1930 output of the Fushun operation had increased to 7,500 thous. tons (100) (having surpassed the Kailan Mining Administration in terms of output in 1922 thus becoming Number One in China) and this growth was supplemented by development of other sites in Manchuria and acquisition of former German operations in Shandong (see above). As regards the latter, the Japanese worked the former German mines from the early days of World War One until 1922. After the Shandong Settlement reached at the Washington Conference the three German mines in Shandong were transferred in 1923 to a 50 percent Japanese / 50 percent Chinese venture called the Luda Company. (101). Production of coal in the last year of full Japanese control was as follows :-

	- Thous. tons -
Zichuan	675 (102)
Fangzi	180 (102)

The new company leased out the rights to the Fangzi field and concentrated on the major field of Zichuan. Output of iron ore at Jinlingzhen had fallen from 124 thous. tons in 1920 to 67 thous tons in 1922 due to flooding. (103). This mine was abandoned in 1924.

In terms of ownership the Hanyeping Iron and Coal Company (1900) was Chinese but it was effectively under Japanese control in terms of loan finance and its commitment to supply iron ore to the Japanese. (see above). After the abandonment of steel output in 1922 and the closure of the ironworks in 1926, the sole activity was the supply of iron ore to the Japanese.

The dire plight of the Hanyeping Iron and Coal Company, surviving only by the Japanese desire to redeem some of the money advanced by them in loans, was not quite matched by two Japanese ventures in ferrous metallurgy in Manchuria. In 1915 the Zhenxing Company was formed as a 50/50 Chinese/Japanese venture to mine iron ore. The output was to be completely dedicated to the SMR subsidiary of Anshan Iron Works (later Showa Steel Works, Inc.). Development of an iron and steel complex started in 1917. By 1919 output of pig iron started. Output in this year was 50 thous. tons. (104). By 1926 output of pig iron reached 163 thous. tons while the production of the iron ore mine reached 473 thous tons. (105). The concern only survived because of financial help from the SMR - in the period 1919-1933 losses were made in 12 out of 15 years. (106). Despite this the SMR persevered and the 1930s saw a great expansion of the complex in accordance with the Japanese development of industry in Manchuria (see below). At its peak the complex had facilities for pig iron, steel and steel products such as rolled steel. Capacity for pig iron increased from the original 150 thous. tons per annum to 700 thous. tons in 1937 and 1,700 thous. tons in 1938 (107). In the year to end March, 1938 output was as follows (108) :-

	-Thous. tons -
Pig iron	677
Steel billets	515
Steel sheets	456
Steel materials	215

TABLE NINE.
Estimated Industrial Investment in Mainland China in 1930 - £ million.

	UK		Japan		Notes on Japanese Investment
	£ mn.	%	£mn.*	%	
<u>Mining/metals</u>	<u>4.06</u>	<u>16.4</u>	<u>17.50</u>	<u>32.7</u>	Including iron ore, pig iron and steel, gold mining, etc as well as coal mining.
-Manchuria	-	-	16.53	30.9	
-Other	4.06	16.4	0.97	1.8	
<u>Cotton textiles</u>	<u>1.23</u>	<u>5.0</u>	<u>19.56</u>	<u>36.5</u>	Apart from silk textiles including linen and wool textiles.
-Manchuria	-	-	1.23	2.3	
-Shanghai	1.23	5.0	14.40	26.9	
-Other	-	-	3.93	7.3	
<u>Other textiles (silk)</u>	<u>0.06</u>	<u>0.2</u>	<u>2.23</u>	<u>4.2</u>	
<u>Musical instruments</u>	<u>0.05</u>	<u>0.2</u>	-	-	
<u>Sound reproduction</u>	<u>0.11</u>	<u>0.4</u>	-	-	
<u>Engineering</u>	<u>0.79</u>	<u>3.2</u>	<u>2.00</u>	<u>3.7</u>	Excluding the engineering facilities of the South Manchuria Railway Company.
<u>Wood processing</u>	<u>0.30</u>	<u>1.2</u>	<u>2.00</u>	<u>3.7</u>	Mainly in Manchuria.
<u>Ceramics, glass, tiles, bricks, etc</u>	<u>0.02</u>	<u>0.1</u>	<u>0.80</u>	<u>1.5</u>	Mainly in Manchuria, especially Dalian. Also in Shanghai.
<u>Paper manufacture</u>	-	-	<u>0.60</u>	<u>1.1</u>	In Manchuria.
<u>Alcoholic drinks</u>	-	-	<u>0.20</u>	<u>0.4</u>	Mainly Dai Nippon Brewery in Qingdao.
<u>Other food, drinks</u>	<u>1.63</u>	<u>6.6</u>	<u>2.80</u>	<u>5.2</u>	
-Sugar refining	-	-	0.60	1.1	In Shanghai and Manchuria.
-Oils and fats	-	-	2.00	3.7	From soya beans, cotton seed, etc.
-Frozen products	1.55	6.3	0.20	0.4	
-Other	0.08	0.3	-	-	
<u>Industrial oils, fats</u>	-	-	<u>0.40</u>	<u>0.7</u>	In Manchuria.
<u>Matches</u>	-	-	<u>0.40</u>	<u>0.7</u>	
<u>Tobacco industry</u>	<u>15.00</u>	<u>60.4</u>	<u>1.00</u>	<u>1.9</u>	
<u>Dyes, paints</u>	-	-	<u>2.00</u>	<u>3.7</u>	
<u>Packing, etc of agricultural products</u>	<u>0.75</u>	<u>3.1</u>	-	-	
<u>Other</u>	<u>0.79</u>	<u>3.2</u>	<u>2.09</u>	<u>4.0</u>	
TOTAL	24.79	100.0	53.58	100.0	
- Manchuria	1.90	7.7	26.33	49.1	
- Other	22.89	92.3	27.25	50.9	

*Converted from Yen at average rate for 1930.

The source for the Japanese data is as follows. At a conference in Kyoto of the Institute of Pacific Relations five papers were presented by various national speakers on foreign investment in China. By far the most complete and authoritative was that prepared by a committee of Japanese economists headed by a Mr Masunosuke Odagiri of the Yokohama Specie Bank. He was the director of the bank in charge of its China branches and business. The paper was reproduced in the *Far Eastern Review* of January, 1930 (Pages 15-18).

By 1943 capacity was as follows (109) :-

	- Thous. tons per annum-
Pig iron	1,950
Steel ingots	1,330
Steel material	940

The other venture was the Benxihu Coal and Iron Mining Company. This was formed as a 50/50 Sino-Japanese venture in 1910. In 1911 an iron ore mine was added and the company began to produce pig iron in 1915. In contrast to the coal operation where output of coal reached 410 thous. tons in 1920 (110), the iron ore and pig iron operations lagged – output of the former being suspended in 1921 and the latter in 1922. Although output was resumed the level was modest – that of iron ore being 93 thous. tons and of pig iron 51 thous. tons in 1926. (111). By 1936 coal output had reached 739 thous. tons (112) with that of pig iron 160 thous tons (113).

Substantial although this growth was in heavy industry it was surpassed in the period up to 1930 by the explosive growth in the cotton textile sector – by 1930 Japanese mills in China possessed a total of 1,587 thous. spindles. (114). Cotton textiles (discussed below) became by 1930 the largest single sector of Japanese investment. Apart from these two main sectors useful progress was made in the sectors of paint, etc (started 1918), paper, wood processing, non-cotton textiles, etc.

Partly because of the effects of nationalist boycotts, progress of locally made Japanese cigarettes was relatively slow although Toa had extended its operations from Manchuria to Shanghai and Tianjin in 1917/18. (115).

A minor part of this growth in Japanese investment to 1930 was due to acquisition of former British companies (noted in PART III above) :-

- In 1916 the former Anglo-German Brewery Company, Limited in Qingdao was sold to Dai Nippon Brewery.
- Again, in 1916, the Shanghai based China Flour Mill Company, Limited was acquired by Mitsui Bussan Kaisha.
- In 1925 the mill of the Laou Kung Mow (Lao Gong Mou) Cotton Spinning and Weaving Company, Limited with 45,516 spindles and 515 looms was acquired by a local subsidiary of the Kanegfuchi Spinning Company.

In the next decade leading up to the outbreak of the Pacific War Japanese investment grew apace. The emphasis was on expansion of heavy industry although there was also significant expansion of light industry – in particular of investment in the cotton and tobacco industries :-

(a) Cotton industry.

The number of Japanese owned spindles grew as follows (thousands) :-

	1930 (116)	1937 (117)	1941 (118)
<u>Total</u>	<u>1,587</u>	<u>2,261</u>	<u>n.a.</u>
-Manchuria	102	246	481
-Other	1,485	2,015	n.a.

This expansion was not only by means of newly founded mills. The financial strength of Japanese cotton firms enabled them to take over financially weakened Chinese mills. Again, many Chinese mills were induced to borrow from Japanese financial institutions with their property as security. On default their property was seized and handed over to Japanese cotton textile firms for operation. In 1936, for example, Japanese interests took over six Chinese mills with a total of 181 thous. spindles. (119).

(b) Tobacco industry.

Japanese cigarette manufacture in Manchuria was supplemented by the entry of another producer – the Manchu Tobacco Company – in 1934. Apart from expansion in Manchuria a number of Japanese firms acquired or expropriated Chinese producers as their armies advanced. The most significant of these firms was the Toyo Tobacco Company. By 1941 B.A.T.'s management calculated that Japanese firms held 40 per cent of the total cigarette production capacity in China including Manchukuo (120).

The expansion in heavy industry was a consequence of Japan's 1931 occupation of Manchuria. There was a philosophy (increasingly adopted with the increase in influence of the Japanese military) that the Manchurian economy should be developed via central control and in the interests of Japan. The emphasis was on investment in mining, iron, steel, industrial chemicals, etc. The Manchukuo economy should dovetail with that of Japan – indeed part of Manchuria's industrialisation was to be facilitated by transference of idle factories from Japan. Joint ventures by Japanese organisations in conjunction with Manchukuo residents or Japanese encouragement of wholly owned ventures by Manchukuo interests were also part of the process. As W.G. Beasley points out (121) this build-up of an industrial complex in Manchuria departed significantly “from the imperialist doctrine that the role of dependencies is to provide the homeland with food for its work-force and raw materials for its manufacturing industries.”

Apart from the organic expansion of Japanese coal mines, Chinese interests in mines in Manchuria were taken over – the process was complete by 1939. (122). In 1934 the Manchuria Coal Mining Company was formed and was the vehicle consolidating these acquisitions. With its exploitation of other mines, output of this enterprise rose from 1.5 million tons in 1934 to around 8 million tons in 1939. (123). Coal output in Manchuria rose to 12,166 thous. tons in 1935 and to 21,200 thous. tons in 1940. As regards ferrous metals, the expansion of the Showa Steel Works has already been noted.

Output of oil from oil shale began at Fushun in 1930. Output rose from 29 thous. tons in that year to 66 thous tons in 1935 (124) and 120 thous tons in 1936. (125). By 1939 capacity had risen to 350 thous tons per annum. (125). In February, 1939 a plant for oil from lignite liquidation was completed at Fushun. (126). This hydrogenation facility had been delayed in construction. (127). Two other enterprises entered this field in Manchuria and capacity in 1940 was estimated at 60 thous. tons per annum. (128).

Japanese firms installed plants for the production of industrial chemicals – in particular chlor-alkali, soda ash and fertilisers. Four Japanese firms entered the field of dissolving wood pulp to supply the burgeoning Japanese rayon industry. Cement production increased three fold between 1935 and 1941.

In addition to the products mentioned above there were many products which the Japanese developed in Manchuria or were in the process of developing before 1942 including (129) :-

- synthetic rubber.
- at least 6 munitions complexes.
- vehicle assembly (which started in 1937 (130)) / air frame assembly. The companies that were involved in the former were the Dawa Automobile Company and the Manchuria Automobile Company and in the latter the Manchuria Aircraft Manufacturing Company.
- aluminium smelting. At the Manchuria Light Metals Company whose plant was complete in June, 1937.
- magnesium. The Manchuria Magnesium Company started output in June, 1939.

- railway rolling stock and rails, etc.
- machine tools.

(2) Commercial Competition between UK and Japanese concerns.

The large Japanese industrial investment in Manchuria had with only one exception relatively little effect on the fortunes of British industrial enterprises in China. A high proportion of this investment was in industries in which there was no British participation in China. Only in the case of the tobacco industry was there any significant British operation in Manchuria. Sales by British companies to Manchuria from other Chinese sites were relatively insignificant and consequently the Japanese inhibition after the creation of Manchukuo of imports from non-Japanese sources had little effect.

Over much of the business sectors in which British enterprises were engaged there was nil or only slight competition from Japanese enterprises located in China. There was no local competition in the sound reproduction, musical instruments, worsted spinning and weaving and press packing sectors. In the egg products business the most important competitors to the British enterprises were American firms. In engineering all the British effort in the main sector of marine engineering was in essence confined to Shanghai where there was no Japanese presence. In wood processing the Japanese effort was essentially confined to Manchuria. In coal mining there was some limited competition with Japanese mines in China but for some considerable time there was collusion between the leading British interest of The Kailan Mining Administration and their Japanese rivals. In 1933 the Chairman of the Chinese Engineering and Mining Company, Limited referred to the abandonment of "arrangements which have existed for a number of years between ourselves and our Japanese competitors..." (131). These arrangements regulating sales to Chinese coastal markets dated back to 1915 and originally applied to coal exported from Japan but in 1918 the SMR joined the scheme. (Also the Kailan Mining Administration had in the 1930s similar agreements with various local coal mining companies including the Jingxing Mining Administration which was minority German owned (132)). It was only in the sectors of the tobacco industry and the cotton textile industry that there was a marked competitive dimension.

(a) Tobacco industry.

Manchuria was initially the main battleground and this situation lasted until the Japanese incursion into China in 1937. Before then Japanese involvement outside Manchuria was minor. In 1935 output of cigarettes by all non-British foreigners in Mainland China excluding Manchuria was only 0.8 per cent of the total as against 50.5 per cent for B.A.T. and 48.7 per cent for Chinese producers.

The competitive situation in Manchuria was long lasting with B.A.T. competing, as stated above, with one offshoot of the Japanese tobacco monopoly (Toa Tabako K.K.) in the early years of the last century. In 1906 it was reported that "a war of rival cigarette manufacturers is now being carried on in Manchuria" with both contenders "adopting extraordinary methods to push their various brands" (133). To contain this Japanese incursion B.A.T., as described in PART III, Chapter One, opened a cigarette factory in Shenyang. This presence was supplemented by acquisition. In 1898 the Russian firm of A. Lopato & Sons started making cigarettes in Harbin. In 1913 B.A.T. acquired a financial interest in this concern. In 1919 the two companies formed a majority B.A.T. owned joint venture - the Alliance Tobacco Company - to distribute their products.

Competition with Japanese interests in Manchuria was, however, fairly subdued until the establishment of Manchukuo in 1932. By 1936 the capacity of Japanese cigarette factories in Manchukuo was with 59 machines (134) 69 per cent of the local B.A.T. machine park of 86 machines. (135). (The B.A.T. capacity did, however, increase to 101 machines by 1939 with a new factory at Yingkou of 20 machines replacing a small factory of 6 machines established in 1933 in Liaoyang (136)).

Manchuria was an important market for B.A.T. in China. In 1931 it accounted for 15 per cent of the quantity of B.A.T. cigarette sales in China – by 1937 this proportion had increased to 20 per cent (figures derived from Tables Four and Five above). This importance was recognised by the formation of the Chi Tung (Qidong) Tobacco Company, Limited in 1930 which took over the B.A.T. business in Manchuria in January, 1931 (see APPENDIX ONE).

Apart from increased Japanese competition in Manchuria, after 1931 B.A.T. also faced a serious threat in that a tobacco monopoly – similar to the Manchukuo Oil Monopoly - promulgated as Imperial Ordinance No. 149 in December, 1934 and effective from April, 1935 (137) – could be imposed. (There was a precedent for this in that in 1904 the tobacco industry in Japan, including a B.A.T. subsidiary, was nationalised). It would seem, given the size of their interests, that B.A.T. had no option to avoid this threat but that of registering the Chi Tung Tobacco Company and A. Lopato & Sons under the commercial law of Manchukuo – which was done in July, 1936 (see APPENDIX ONE). (Except for Japan only El Salvador recognised the puppet state !).

After a setback in 1932, B.A.T.'s sales in Manchuria increased up to 1937 and there was only a modest decline in market share (see Table Five). The total market for cigarettes increased sharply with the greater internal stability in the region :-

Comparison of B.A.T. Cigarette Sales in Manchuria with those of Other Companies - Million Cigarettes.

	<u>Years ending 30th, September.</u>				
	<u>B.A.T.</u>	<u>- Percent</u>	<u>Other</u>	<u>- Percent</u>	<u>Total</u>
1931	5,985	77.8	1,710	22.2	7,695
1932	4,386	72.3	1,683	27.7	6,069
1933	6,518	74.0	2,295	26.0	8,813
1934	7,618	71.0	3,110	29.0	10,728
1935	8,738	71.9	3,418	28.1	12,156
1936	8,912	69.1	3,990	30.9	12,902
1937	10,998	74.1	3,849	25.9	14,847
1938	10,878	67.2	5,305	32.8	16,183
1939	9,034	53.2	7,933	46.8	16,967
1940	9,033	49.9	9,077	51.1	18,110
1941	8,296	45.6	9,910	54.4	18,206

Source :- *Ying Mei Yan Gongsai zai Hua qiye ziliao huibian* – page 734.

A flaw, however, was that the profitability of the Chi Tung Tobacco Company was consistently below the rest of B.A.T. in China albeit improving in the late 1930s. (Also, the Chi Tung Tobacco Company increasingly had to resort to loan finance (138)) :-

Chi Tung (Qidong) Tobacco Co. – Profits as Percent of Capital – Years ending 30th, September.

1931	0.3	1937	3.4
1932	0.4	1938	8.3
1933	0.7	1939	15.0
1934	6.3	1940	13.5
1935	2.7	1941	7.5
1936	9.3		

Source :- *Ying Mei Yan Gongsai zai Hua qiye ziliao huibian* – pages 1,474, 1,477, 1529 and 1,583.

After 1937, however, B.A.T.'s share of the Manchurian cigarette market fell sharply (see the first table on the preceding page) and their sales decreased in absolute terms. The Manchukuo authorities began to exert control over leaf supplies and a Government sponsored company was given control in 1938 over the purchase and distribution of both domestic and imported tobacco leaf to the detriment of the position of B.A.T. (139).

In spite of the Japanese incursion into China from 1937 B.A.T. managed to hold its own fairly well. Its market share of the cigarette market excluding Manchuria developed as follows :-

<u>Years to September 30th</u>	
1937	65.7%
1938	75.0%
1939	67.7%
1940	61.2%
1941	64.3%

(These percentage figures are derived from taking the figures of sales to Manchuria by B.A.T. and others as shown above from the equivalent figures for all China given in Table Six)

The main decreases in market share were in Hubei, Jiangxi and the "Border Region" (See Table Five).

(b) Cotton textile industry.

Experience here was sharply in contrast to that of the tobacco industry where B.A.T. was fairly successful in fending off Japanese competition. In cotton textiles (See PART III, Chapter Three), after a promising start, the British mills became minor players in this industry. In contrast, by 1937 Japanese mills possessed only slightly less spindles than those of Chinese owned mills and in the case of looms at the integrated mills their share surpassed that of the Chinese mills. (In terms of the impact on the traditional Chinese handicraft sectors of hand spinning and handloom weaving, the Japanese mills in China were therefore very much more responsible than Western mills for any decline).

The British share of the national spindleage surpassed that of other Western mills (American and German) by 1907. By 1918 the UK share reached its peak at over a fifth (22 per cent). The UK share was still slightly higher than that of Japan. However the UK did not share in the frenzied post-War expansion of capacity and, coupled with the demise of two UK companies, the UK share fell to only 4 per cent by 1930. With two new British entrants, the share improved marginally to 4.5 per cent by 1937 but by then the Japanese share was 44.5 per cent (see STATISTICAL ANNEX, TABLE RRR).

There are two facets to this reduction of the UK to a relatively small force in the Chinese cotton textile industry :-

- (i) The incentive and capability of Japanese firms to expand by new facilities or acquisition in this industry in China.
 - (ii) The lack of incentive or inability of British firms to invest on a large scale in this industry in China.
- (i) Incentives for Japanese investment increased markedly during and after the First World War :-
- The wage gap between the two countries widened. Thus earnings for female spinning operatives in Japan in 1920 were 3.75 times those of 1914 compared with a doubling in the case of Chinese operatives.

- The March, 1923 law prohibiting the midnight shift in Japan (although not actually enforced until July, 1929) increased the attractiveness of mills in China where no such law existed.

- The Shanghai Tariff Conference of 1918 led to higher duties on imports of those varieties of yarns and piecegoods that the Japanese mills had been exporting in large quantities to China. Thus, for example, the rate per bale (400 lbs) of 20's yarn increased from 2.85 taels to 4.14 taels.

- The post-War boom in Japan in cotton textiles terminated before that in China. Some Japanese firms which had ordered machinery diverted it to China.

- The emergent Japanese textile machinery industry found an important market in China for its successful products (the Toyoda automatic loom was a World beater).

The prosperity of the Japanese textile industry in the War and the immediate post-War years provided the capability for investing in mills in China. Dividends paid by the members of the Japan Cotton Spinners' Association were as follows (see STATISTICAL ANNEX, TABLE RRR) :-

- % -	
1914	13.5
1915	15.5
1916	23.5
1917	41.1
1918	49.7
1919	51.0

The capital composition of these firms improved during the First World War and "gearing" was still low even during the early years of the 1930s (140) :-

	<u>Paid-up capital.</u>	<u>Reserves.</u>	<u>Loans.</u>
	- % -		
1914	57.0	24.8	18.2
1919	52.7	39.0	8.3
1920	58.8	33.8	7.4
1932	51.4	32.0	16.6

(ii) A particularly stubborn set of facts confronted the UK cotton industry after the First World War :-

- the growth of mills in customer countries aided by the erection of tariff walls (after tariff revisions Chinese imports of cotton piece goods, for example, fell by 94% in value terms from 1929 to 1937). Some of these former importing countries in turn began to export yarns and fabrics e.g. China.

- severe competition in third markets – in particular from Japan. Spindleage in Japan increased from 2,577 thous. in 1914 to 11,428 thous. in 1939. (141).

Given this situation it thus seems strange that only one UK based firm – the Calico Printers' Association (CPA) - decided to install a spinning and weaving plant in what had been a very important market. China had been the third largest importer of UK piecegoods and exports to this market fell from an average of 587 million square yards in the five pre-War years to 173 million square yards in 1925 and 20 million square yards in 1934.

The CPA was primarily a textile finishing company but with significant upstream interests in spinning (its UK spindleage amounted to 174 thous. in 1936) and weaving, supplying base cloth for finishing. Under the influence of its visionary Chairman – Mr Lennox B. Lee – the CPA began to establish mills inside the tariff walls of countries such as China and Egypt. This policy was pursued despite the poor financial results of the company. In the financial year to June 30th, 1929 the company paid a dividend of 5 per cent. No

further dividends were paid for over eight years – in one year (1935-6) during this period the company, in fact, made a loss. (142). (The company was, in common with others, hit by the Great Depression but more important was the fact that the Lancashire cotton industry was well into its terminal decline).

The policy followed was a logical one and would doubtless be that recommended as a result of a modern business school study. The main reasons for its failure were bad luck and understandable inability to forecast political risks more than bad judgment of business opportunities. An illustration of this was their venture with two other partners in Java – of which their share was £100 thous. CPA organised the shipping of machinery for this spinning and weaving mill which began to come on stream only months before the outbreak of War in 1941.

In two moves the CPA established a presence in China in 1924. In March, the Board approved the buying of 17 acres of land in Shanghai, judged to be the most suitable for future operations, for £58,000 (143). Later in the year the Company received a cable from Ilbert & Co. offering a small French owned textile printing works in Shanghai (the works originally belonged to French missionaries). The price agreed with Ilbert & Co. in November was 180 thous. taels - £29 thous. (143).

From this modest start the CPA greatly expanded its finishing business (bleaching, mercerising, dyeing, printing, schreiner and finishing) in China under the name adopted in 1926 of The China Printing and Finishing Company, Limited. The first major expansion was to expand the number of printing machines from three to ten. This was agreed by the CPA Board at the end of 1926 (144). This raised capacity from c. 10 million yards per annum to 37.5 million yards – 4 per cent of CPA's UK capacity. It was on the occasion of this rise that the possibility of in-house output of cloth was examined. A director suggested a plant of 20,000 spindles and 600 looms be considered (144). Nothing came of this but further expansion of the finishing facilities took place. Cumulative spending on this venture rose from £111,400 at November, 1926 to £340,000 by March, 1930. (145). In early 1931 production ran in a peak week at 71 million yards per annum – 19 percent of the level at CPA's UK plants. An expenditure on the works that amounted to £30,000 was authorised in 1934 and brought capacity up to 80 million yards per annum (146).

A report submitted to the CPA Board by the firm's China based manager in December, 1932 (147) advocated the installation of a spinning and weaving mill in Shanghai. The eight man Board finally approved the project at a meeting in October, 1933 but with two directors having previously argued against it. (148). These two advocated, in fact, a completely contrary policy – selling the existing finishing unit to the Japanese - owned Shanghai Cotton Manufacturing.

For the spinning and weaving plant (in Pudong) it was envisaged by the Board in December, 1932 that this "would involve a total expenditure including land already purchased" (see above) of £454,000 (149). This implied a total spending on buildings and machinery of £396,000 but by the end of June, 1935 £442,000 had been expended (150). Together with the expanded finishing plant (i.e. the £30,000 additional expenditure authorised in 1934) the CPA's sterling investment in The China Printing and Finishing Company totalled £763,000 at the end of 1936 (151) and by the end of 1937 "over one million sterling" was "sunk in this enterprise by the parent company" (152). Shipments of machinery began in June, 1934 and by 1936 the mill was in full operation with 42,240 spindles and 1,130 looms. (153).

The main purpose of the mill was to supply grey cloth to the finishing plant – which was some distance away. The cotton mill's output was, by local standards, of a high degree of fineness – the average yarn

count being 31.5 in early 1941 (154). The great majority of the combined output of the mill and the printworks was for the local market – less than 5 per cent was exported (155).

The CPA venture was reasonably profitable and this suggests that the ascendancy of Japanese cotton spinning and weaving mills in China was not inevitable and could have been challenged by British enterprises. The CPA venture was a direct challenge to local Japanese mills :-

- Previous to the development of in-house weaving in China their printing base cloth requirements were met by local Japanese mills. This was a source of irritation for the local CPA management as through no fault of their own they were hit by Chinese boycotts against the Japanese. Thus, in October, 1928 the Company suffered seizure of some of its goods by an Anti-Japanese boycott. (156). In 1931 a director (Mr Bolden) urged the advantage of local spinning and weaving (157) :-

- free the Company from the effect of boycotts of Japanese goods.
- secure supplies.
- avoid having to buy in advance.

- In terms of the market for the finished cloth produced by the China Printing and Finishing Company, it was in direct competition with local Japanese mills rather than Chinese mills in the market i.e. China where the bulk of its output went. This is clearly brought by the high average count of the mill (see above).

There was a possibility that the CPA could have dramatically expanded its presence in the Chinese cotton industry. At a Board meeting in October, 1934 it was reported that the CPA's local management had been approached by the managing directors of two Chinese banks to find ways of helping the Sung Sing Group of mills which were in severe trouble and mortgaged to the banks (158). The Sung Sing Group, comprising nine mills with a total capacity of 530,000 spindles and 4,860 looms, was the largest Chinese owned group in the cotton industry. Nothing, however, transpired.

Other UK firms did think on occasion of following the example of CPA but nothing of any import materialised. (The other British firm to enter the field in the 1930s was essentially a merchant firm operating in China –The China Engineers, Limited and not a UK based cotton firm). In 1930 a representative of the Bleachers' Association visited Shanghai with a view to starting a works and the CPA Board favoured collaboration with the company (159) but nothing came of this. Also, in 1936 the three leading British textile finishing companies of CPA, the Bleachers' Association and the Bradford Dyers' Association formed Overseas Industries, Limited to sponsor spinning, weaving or finishing overseas with special reference to countries in which local industrialisation was tending to exclude imports from the UK - China being an obvious example. Nothing transpired. Again, at a Board meeting in August, 1933 the Chairman revealed that he had received a letter from his counterpart at the thread producer J. & P. Coats asking for information as they were "considering putting up a small plant in China" (160). Once again, nothing came of this.

The main reasons for this failure of UK based cotton textile firms (apart from the CPA) to invest in China appear to be threefold. Firstly, the lack of vision of many directors of Lancashire firms which was accentuated by the mainly horizontal structure of the industry. The numerous manufacturers had no experience of overseas marketing while the merchants had no substantial knowledge of production processes or factory management. Contrast the vertical structure of the Japanese cotton industry and the

close links with the merchant firms. Secondly, the poor financial state of the UK cotton industry after the post-War boom. In 1920 the average dividends of spinning companies was 40.21 per cent but dividends from 1922 onwards were very poor – reaching a low point of 1.46 per cent in 1931 (see STATISTICAL ANNEX, TABLE RRR). In the years 1927-1934 there was, on average, losses by UK spinning companies. It was the spinners of lower count yarns, in the form of the “American” sector of the spinning industry, that suffered the most whereas the “Egyptian” sector producing fine count yarns from long staple cotton was in a much better state. It was, of course, the “American” sector which would be most probably interested in utilising Chinese short staple cotton. This financial weakness of the Lancashire cotton industry was more than could be justified by the poor trading it faced. The post-War boom in the industry led to a “speculative financial reconstruction” of around 46 per cent of the spinning industry on the basis of spindlage. This process which was performed via refloatation or recapitalisation was accompanied by a large increase in loan finance. This large increase in “gearing” meant that the companies affected were weak sellers and in a poor position to diversify geographically. Again the “American” sector was much more affected by this financial weakening than the “Egyptian” sector (161).

Moreover, political uncertainties and civil and military disorders in China made British firms chary of Chinese projects. This was certainly the case in the 1920s and early 1930s (with also the example of the demise of two British mills) but these factors were less relevant in the high noon of the Nationalist Government in the mid-1930s when there was also a period of greatly improved Sino-British relations.

With the advantage of hindsight, of course, the reluctance of UK cotton firms to invest in Chinese projects, apparently against the current evidence, was justified in retrospect by the outbreak of War followed by civil war and the subsequent sequestration of foreign enterprises by the People’s Republic of China.

(3) The Effect of Japanese Military and Other Provocative Moves on UK Enterprises.

As the 1930s developed, UK industrial firms were increasingly affected by the aggressive moves of Japan against China. The principal events affecting British firms were, to repeat, :-

- the invasion of Manchuria in 1931 followed by the proclamation of the puppet state of Manchukuo in March, 1932.

- the conflict in Shanghai starting at the end of January, 1932 and ending in May on the arrangement of a truce.

- the start of all out conflict at the end of July, 1937. Fighting in Shanghai, the area most relevant to UK interests started on August 13th, 1937 and stopped in early November.

- the blockade of the Tianjin concession starting in mid-June, 1939, partially eased in August and finally lifted in Spring, 1940.

The effect of the creation of Manchukuo was really only of significance to one British concern - B.A.T. – and has already been discussed. On the whole, British firms survived fairly well the hostilities in Shanghai in 1932. Typical of their experience was that of the Ewo Cotton Mills, Limited as related above. The Company lost the best part of two months’ output. There was only a small amount of damage but the mills had to be closed for over a month due to the fighting. The Tianjin crisis of 1939 had, as regards British

concerns, the main impact on those companies in the press packing sector. It was the fighting starting in 1937 – particularly the struggle for Shanghai – that had the most serious effect on the operations of British companies. This affected the operations of the majority of British industrial firms. Annex A to this PART gives an account of the fortunes of many of the British firms in this regard.

Apart from the direct effects of military action, British companies were also subject to harassment from the Japanese occupation authorities in terms, firstly, of arbitrary seizure of British property and, secondly, instigating labour disputes at British firms.

An example of the former is the experience of The China Engineers, Limited (see PART III – Chapter Three). This company supplied as part of its activities textile machinery to Chinese mills on credit terms. The machinery supplied by China Engineers remained their property until it was fully paid for. On the outbreak of hostilities in 1937, the Company, in the case of two contracts on its books, “took special precautions to protect our interests” (162). These were :-

- the Chun Tah Cotton Mill - an integrated mill in Shanghai with 25,000 spindles and 640 looms. (163). There were 1,495 employees.
- China Dyeing Works, Shanghai.

The land on which these mills stood was British owned. However, “owing to the policy of the Chinese National Government to give special privileges and encouragement to purely national enterprises, the British interests were not advertised” (164). With these interests in jeopardy two companies were formed on the outbreak of hostilities :-

- China Spinners, Limited which purchased all the property belonging to the Chun Tah Cotton Mill.
- The China Textile Manufacturing Company, Limited.

However, the Japanese forces seized these installations in December, 1937 and despite the fact that the deeds of sale had been signed in September, 1937 regarded them as Japanese companies. The Chun Tah mill was handed over to the Toyada Cotton Spinning and Weaving Company. (165). The same situation applied to the finishing mill. (165). Despite British diplomatic protests these mills were retained in Japanese hands.

One example of the latter is the situation facing the China Printing and Finishing Company in 1939. On May 20th a strike commenced which in the words of the Company was “fermented by Japanese paid agitators” (166). These were organised in the Chinese Republic Workers League. A combination of gangsters, collaborating labour organisers and a puppet local authority fermented disputes in foreign factories :-

“...as a result of certain anti-British agitation a number of strikes have recently occurred at British owned factories in the neighbourhood of Shanghai but outside the International Settlement. The agitation appears to be directed by the Japanese sponsored administration in Pootung and there is reason to believe that certain Japanese elements are actively concerned with it.” (167).

A relief allowance was paid to the strikers by the local authority. The local authority demanded \$500 thous. from the Company for these strike expenses with the threat that damage would be done to its property. Nevertheless, the Company did not submit to this blackmail. The expenses of the Company were £6,000-7,000 per month and it reckoned it could finance itself for a year (168). The situation became very

serious from an international relations aspect when on June 5th a Mr R.M.Tinkler (169) was fatally shot and bayoneted by Japanese marines after an altercation with the strikers. Another UK employee of the firm died from shock.

The strike ended on November 27th, 1939 (170) principally due to a reduction in Japanese support for the strikers. This was not an end to the Company's troubles. Much less serious strikes occurred in 1940 due to another Japanese creature – the Chinese Workers' Welfare Association. (171). Apart from The China Printing and Finishing Company, The Ewo Cotton Mills, Limited, The Orient Paint, Colour and Varnish Company, Limited, The China Import and Export Lumber Company, The Ewo Brewery, Patons and Baldwins, The China Soap Company and Shanghai Dockyards were other British concerns that reported trouble from this source. (171).

Attitude and behaviour of British firms in relation to the Japanese penetration into China in the 1930s.

The attitude of British companies to the Japanese incursion varied widely. At one extreme you had the example of the Pekin Syndicate which did not cooperate in any form with the Japanese and continued its cooperation with the Guomindang. (see PART III - Chapter Two above). Another example of distaste for accommodating the Japanese was that of the Orient Paint, Colour and Varnish Company (47.75% owned by John Swire & Sons and 47.75% by Pinchin, Johnson and Company, Limited – a UK paint manufacturer). In a letter of February 26th, 1939 to Swires in London the Company reported that a visit had been received from the managing director of the Kwangsai Paint Company (No. 2 paint producer in Japan with also a paint factory in Shenyang). In a return letter of the 17th, March (172) Swire's replied :-

“As you surmise, we are not prepared to consider either the outright sale of O.P.Co. or the admission of Kwangsai Paint Co. into a 50% share. We should dislike the second alternative more than the first.” (172).

The position of B.A.T., as described above, was intermediate between that of those companies above and that described below of the Chinese Engineering and Mining Company, Limited with its extreme willingness to accommodate the Japanese invaders. It is difficult to see what other action B.A.T. could have taken with its interests in Manchuria.

The Chinese Engineering and Mining Company had an equal share with Chinese interests in the Kailan Mining Administration (KMA). The output of these mines was of particular interest to the Japanese. The agglutinating properties of this coal was counted very highly by the Japanese steel industry (because of this US planes bombed the mines as early as October, 1942.). There was thus some Japanese purchase of the shares of the Company – 2 per cent of the equity by 1939 (173). There were rumours, particularly strong in 1935, that the Japanese were putting pressure on the Company to sell out (although no mention of this is contained in the Company's archives).

In March, 1938 a strike broke out at the Zhaogezhuang mine which spread to the other mines. The KMA lost a whole month of output. (174). It was alleged at the time (175) that these labour disturbances were secretly encouraged by the Japanese to influence the KMA to come to a working agreement with them. Support for this view is given by the cablegram received by the Board of the Chinese Engineering and Mining Company on April 6th, 1938 from the acting head of mines :-

“...have complained to the British Consul General of large numbers of Japanese and Korean agitators who are now inciting and endeavouring to organise strikers in opposition to KMA.” (176).

While the strike was in progress Mr E.J.Nathan, the General Manager of the KMA, reached an agreement in Japan to increase shipments of (coking) coal to Japan. To handle the larger shipments a new local sales company was formed to replace the Kaiping Coal Sales Company. Japanese companies would have the majority of the shares – in particular, the Japan Iron Manufacturing Co. but also other large consumers. Supplies to Japan were to be increased to 2,500 thous. tons per annum from 1,700 thous. tons. (177). The strike action at the mines was settled fairly shortly after the agreement was concluded with the intercession of the Japanese army.

This accommodation with the Japanese was undoubtedly of considerable commercial advantage to the KMA. The Japanese press (Japan Times, Tokyo) called the agreement “an actual result of British diplomacy based on reality” (178). The action of the Chinese partners in the KMA would, of course, count as collaboration with the enemy to the great majority of Chinese of any political viewpoint. The action of the British partners would, again, offend all but a relatively small section of the Chinese. There were, of course, Quisling governments – initially in Inner Mongolia, Beijing and Nanjing – succeeded in March, 1940 by the most extensive puppet regime under Wang Ching-wei (Wang Jingwei). At the industrial level there was a varying amount of collaboration by industrialists. This has been closely analysed by Parks M. Coble in a recent work. (179).

The benefits of the close relationship with the Japanese for the Chinese Engineering and Mining Company is apparent from the figures below :-

Kailan Mining Administration (KMA) / Chinese Engineering and Mining Company (CEMC) – Twelve Months To End June.

	<u>Output of Coal by KMA*</u> <u>Thous.metric tons</u>	<u>Gross Profits</u> <u>KMA*</u>		<u>Net Profits</u>	<u>Net Income CEMC</u>	
		<u>\$ thous.</u>	<u>£ thous.</u>	<u>Accruing to</u> <u>CEMC - £ thous.</u>	<u>Before Tax</u> <u>£ thous.</u>	<u>After Tax</u> <u>£ thous.</u>
1937	4,664	10,557	633	128	180	168
1938	4,458	13,603	762	208	215	185
1939	5,967	27,721	776	314	330	224
1940	6,629	36,469	766	199	219	54
1941	6,546	42,073	1,136	272	392	257

* Figures from – *Jiu Zhongguo Kailuan meikuang de gongsi zhidu he baogong zhidu*. Tianjin: Tianjin renmin chubanshe, 1983. Page 145.

Output of coal soared and the benefits of full capacity utilisation were attained. In May, 1940 Mr E.J.Nathan reported that “all mines working overload to produce maximum output which you are aware is politically essential.” (180). The gross profits of the KMA nearly doubled in sterling terms between 1936-7 to 1940-1. The profits in sterling accruing to the Chinese Engineering and Mining Company from its holding in the KMA rose from nothing in 1934-5 and 1935-6 to levels not exceeded since the late 1920s. Even in the tense five months before Pearl Harbour profits from this source were running at a rate (£185 thous. per annum) in excess of that of the financial year 1936-7. (SEE STATISTICAL ANNEX, TABLE CC). The shareholders of the Chinese Engineering and Mining Company did not fully share in this as with the rise of military expenditure in the UK tax was inevitably increased. However, dividends of the Chinese Engineering and Mining Company revived – from nil in 1933-4 and 1934-5 and 2.5% in 1935-6 to 7.5% in 1938-9 and 3.75% in 1939-40.

The level of cooperation with the Japanese grew to a level which later was a source of embarrassment for the UK company. The cooperation reached a high pitch in late 1941. In a letter from Mr Nathan to the Chairman dated October 15th, 1941 he stated that he had discussions with a Lt. Col. Yamashita – Chief of the Tianjin Special Mission. In this meeting Yamashita suggested that in the event of war between the UK and Japan then there should be a hand over period in which the British staff ran the mines until the Japanese were in a position to operate the mines efficiently. In his reply to Yamashita's summary of the talks Nathan stated (October 11th, 1941) that as regards KMA's contact with the Japanese authorities :-

"I have always believed that this liason was as satisfactory to the Japanese as it is to the KMA and I trust that no attempt will be made to substitute any other arrangement for one that has functioned and is functioning so successfully." (181).

It was not until December 10th, 1941 that the Board of the Chinese Engineering and Mining Company decided to impart what seems a significant piece of intelligence to the UK authorities :-

"It was resolved that a copy of enclosures Nos. A1 and A3 relating to the handing over of the whole management of the KMA to the Japanese Military in the event of War be sent to the Foreign Office for their information." (181).

The eventual reply from the Foreign Office in June, 1942 (182) was scathing :-

"...the Kailan mines have produced a large proportion of the coking coal essential to the Japanese steel industry and are of first class military importance. Nevertheless... Mr Nathan gave an undertaking to the Japanese authorities to be responsible for the continued working of the mines after the outbreak of war and until the Japanese were in a position to take them over... Mr Eden is not impressed by the Statement of your directors that this was the only means to enable the Chinese Engineering and Mining Company to resume possession of the property after the war and that the Japanese would eventually have been able to replace the British staff with their own nationals.

These and the other arguments advanced...do not, in Mr Eden's opinion, excuse a voluntary undertaking by a British subject to carry on a vital war industry for the enemy against his own country, and he can only express astonishment and regret that such conduct should be openly approved by the directors of your Company."

(A full account of this extraordinary affair is given in Annex B to this PART).

Furthermore, the Board of Trade in a letter of July 9th, 1942 exercised powers conferred on them by the Trading with the Enemy Act, 1939 and the Defence (Trading with the Enemy) Regulations, 1940 and put a Government Controller into the Company. This severely restrained the business of the Company. This action was justified as the Company's "Kailan Mining Administration Account" dated June 12th, 1942 showed (183) :-

- "June 12th, 1942 – Cash Staff Payments 1st, December, 1941 to 31st, May, 1942 - £2,775."

It was not until July 8th, 1946 that the Board of Trade Controllorship on the UK company was lifted.

(4) The Indian Summer of British Industrial Enterprises in China.

Abnormal conditions after the 1937 invasion of China by the Japanese brought prosperity to the great majority of British firms after the initial impact of any fighting and disruption in their vicinity and in spite of the results of the various Japanese harassments.

The following figures estimated in this study from the various accounts with differing year ends of the companies concerned (See the STATISTICAL ANNEX) illustrate this :-

	<u>Profits as Percentage of Paid-up Capital.</u>						
	<u>Total UK Industrial</u>	<u>Of which</u>	<u>Total excluding</u>	<u>- Of which -</u>			
	<u>Companies in China</u>	<u>B.A.T. China</u>	<u>B.A.T. China</u>	<u>Cotton</u>	<u>Marine</u>	<u>Mining</u>	<u>Chemicals</u>
				<u>Textiles</u>	<u>Eng.</u>		
1935	8.6	11.8	-0.3	0.9	-0.8	0.6	-7.3
1936	14.7	18.6	6.5	7.2	1.1	6.0	6.6
1937	20.2	26.3	7.8	14.9	4.8	6.5	7.0
1938	21.4	25.2	15.1	37.1	10.5	9.0	12.7
1939	48.8	77.1	15.0	39.7	14.1	2.9	73.9
1940	n.a.	83.8	n.a.	n.a.	62.6	11.1	49.0.

Although in many cases the opportunity was taken to build up reserves, rewards to shareholders in terms of dividends grew markedly in many cases (although because of the depreciating Chinese currency not, in some cases, in real terms) :-

	<u>Dividends (ordinary and preference) as Percentage of Paid-up Capital.</u>						
	<u>Total UK Industrial</u>	<u>Of which</u>	<u>Total excluding</u>	<u>- Of which -</u>			
	<u>Companies in China</u>	<u>B.A.T. China</u>	<u>B.A.T. China</u>	<u>Cotton</u>	<u>Marine</u>	<u>Mining</u>	<u>Chemicals</u>
				<u>Textiles</u>	<u>Engineering</u>		
1935	3.3	3.8	1.8	4.3	-	1.6	
1936	5.3	6.2	3.4	3.0	-	3.6	
1937	7.2	8.0	5.3	7.2	3.6	5.1	
1938	9.8	8.6	11.8	28.9	8.0	6.3	
1939	12.7	15.3	9.4	24.9	28.9	3.2	
1940	n.a.	32.2	n.a.	n.a.	41.0	1.2	

Table Ten shows the development of ordinary dividends for many of the British firms. Particularly large increases were recorded by British American Tobacco Company (China), Limited, Electric and Musical Industries (China), Limited (which retained only 0.6 per cent of its earnings from June, 1934 to June, 1941), the shipbreaking, etc firm of Metal Industries of China, Limited, the Shanghai Exploration and Development Company, Limited, China Import and Export Lumber Company, Limited and Ewo Cotton Mills, Limited. By 1939 the net profits of the last were 3% in excess of the total paid-up capital bringing Jardine Matheson £29 thous. as general managers. (In 1940 net profits were as much as 52% in excess of capital). The rise in the dividend rates was a major factor in the beneficial rise for shareholders in the share prices of local British companies on the Shanghai Stock Exchange. Thus, the share price of Ewo Cotton Mills, Limited peaked in May, 1940 at \$82 against, for example, \$17.5 in July, 1937.

Despite the severe depreciation of the Chinese currency between the outbreak of War and 1941 profits on translation into Sterling did in most cases rise. The following figures are taken from individual company records (See the STATISTICAL ANNEX) utilising their translation into Sterling :-

	<u>Net Income - £ thous.</u>				
	<u>B.A.T. (China)</u>		<u>China Printing and</u>	<u>Orient Paint, Colour</u>	<u>EMI (China)</u>
	<u>Year to</u>	<u>Calendar</u>	<u>Finishing</u>	<u>and Varnish</u>	<u>Year to</u>
	<u>Sept.</u>	<u>Year</u>	<u>Calendar Year</u>	<u>Year to Sept.</u>	<u>June</u>
1937	1,711	1,775	64	-3.2	27.7
1938	2,416	2,408	130	-1.3	4.5
1939	1,809	1,733	18	15.5	11.6
1940	1,883	2,021	104	21.7	15.5
1941	2,501	..	..	27.8	21.3

TABLE TEN
Dividends on Ordinary Capital (including bonus share issues) - Per cent.

	Financial Year	1935	1936	1937	1938	1939	1940	1941
	<u>Ending :-</u>							
B.A.T. (China), Ltd.	Sept.	1	5	8	9	20	48	76
Chinese Engineering and Mining Co., Ltd.	June	-	2.5	5	7.5	7.5	3.75	-
Pekin Syndicate	Dec.	-	2	-	-	-	-	-
Shanghai Exploration and Development Co., Ltd.	Dec.	4	-	6.25	49	34.25	88.5	..
Ewo Cotton Mills, Ltd.	Dec.	3.6	8.6	20.0	50.0	71.5	71.5*	..
China Printing and Finishing Co.	Dec.	-	-	-	22.5	-	20	..
New China Textile Co., Ltd.	Dec.	..	..	..	-	10	25	..
Shanghai Worsted Mills, Ltd.	March	-	-	-	-	-	8	..*
EMI (China), Ltd.	June	14	35	44	43	44.5	105.5	197
Shanghai Dockyards, Ltd.	Sept.	..	-	4	9	25	30	..
Metal Industries of China, Ltd.**	Dec.	..	..	-	-	60	140*	..
Orient Paint, Colour and Varnish Co., Ltd.	Sept.	-	-	-	-	5	10	-
Ewo Breweries, Ltd.	Dec.	..	..	..	..	..	5*	..
China Import and Export Lumber, Co., Ltd.	Feb.	8	-	6	6	20	46.5	46.5
S. Moutrie and Co., Ltd.	March	-	-	6	-	8	16	..

The figures above are taken from the relevant tables in the STATISTICAL ANNEX or the relevant tables in the main text except for :-

* Obtained from the *Far Eastern Economic Review*, Volume No. 8, 1946, Page 6 which gives dividends for 1940 for all those companies listed on the Shanghai Stock Exchange.

** Figures for Metal Industries of China, Ltd display an excellent example of the boom conditions experienced by British companies after the cessation of hostilities in Shanghai :-

	<u>Issued Capital.</u>	<u>Net Income.</u>	<u>Dividend.</u>
	- \$ thousand -	- % -	- % -
1937 16.3 to 31.12.	1,250	-46.2	- (Finance and Commerce 15.6.38)
1938	1,250	-212.1	- (Finance and Commerce 22.5.40)
1939	1,250	1,317.2	60 (Finance and Commerce 5.6.40)
1940	1,250	n.a	140

As regards B.A.T. (China), profits in March, 1940 at £319 thous. – a rate of £3,828 thous. per annum – were a record. In the case of the China Printing and Finishing Company profits in 1940 to the 13th, April ran at a rate of £380 thous. per annum. For Electric and Musical Industries (China), Limited profits in the four months to end October, 1941 ran at £59 thous. per annum.

The main reason for this relative (and rather artificial) prosperity of British firms was the differential impact of hostilities on their Chinese rivals. Thus, in Shanghai, out of the largest 18 cigarette manufacturing concerns out of the 45 Chinese factories operating, 8 were completely destroyed. (184). Sales of cigarettes from their Mainland Chinese facilities of B.A.T.'s main Chinese competitor – Nanyang Brothers – fell from 3,543 million in 1937 to 1,301 million in 1940. (See STATISTICAL ANNEX, TABLE I). Again, the operations of the three largest competitors of the Orient Paint, Colour and Varnish Company were virtually terminated. British firms prospered from this inability of many Chinese firms to supply (as did some Chinese firms in the interior who could obtain essential raw materials). There was, however, a negative aspect for British firms as, given the War conditions, the external value of the Chinese dollar plunged thus reducing earnings in terms of Sterling.

Another factor in the situation was the reduction of import competition from Europe after the outbreak of the Second World War. On the other side of the coin, British firms were able, in many cases, to develop export business to compensate for the increasing difficulty in supplying Free China. (The boom conditions for British firms tapered off somewhat in 1941 as the Japanese blockade of trade with Free China increased in efficiency).

Thus, the Orient Paint, Colour and Varnish Company faced “the continued closure of a large section of the China market” but, as described in PART III – Chapter Five, redressed this by developing sales to markets in South East Asia. This situation was also experienced by Electric and Musical Industries (China) who boosted exports from its Shanghai plant – see PART III – Chapter Six.

The dire state of locally owned industry, increasing inflation and political uncertainties led Chinese investors to seek sanctuary in local British industrial (and other) enterprises. Chinese investors desperately sought shares in local foreign enterprises in basic industries which were (mistakenly in the light of subsequent events) thought to have a high degree of security. Thus on the occasion of the public issue of shares in Ewo Breweries (see below) it was commented that :-

“There is an unrelenting search for sound investments which will provide a safeguard against depreciation of the national currency. Large amounts of national currency are available and the Chinese do not know what to do with it for the best.” (185).

This situation enabled British enterprises such as Ewo Cotton Mills, Limited and the New China Textile Company (see PART III – Chapter Three) to make share issues at a considerable premium. In the case, for example, of Ewo Cotton Mills when new shares were issued in December, 1938 the premium was 100 per cent.

This situation also helped British concerns on converting into public companies and in the associated “floating”. The Shanghai Worsted Mills, Limited was founded in 1935 under the aegis of China Engineers, Limited (see above). In 1940 it was converted into a public company. An issue of 786 thousand shares at a premium was undertaken in December, 1940. 362 thousand of these were applied for by directors and their friends. Of the balance of 424 thousand shares offered to the public, principally Chinese investors,

applicants received as nearly as possible 2.8 shares for every 100 asked for (186). The lists were only opened for half an hour. (187). This was in the context of a company that had only paid one dividend in its history and was highly "geared" – at 30.9.1940 creditors were nearly five times capital and reserves with Sterling denominated debts accounting for 89 per cent of these debts. (188).

A similar process took place in the case of Ewo Breweries – originally a private venture by Jardine Matheson (a third share) and two partners of Messrs Benjamin and Potts (Shanghai stockbrokers). (See PART III, Chapter 7 (A)). Its initial financial performance was poor. Losses were made in 1937, 1938 and 1939 although a good profit was made in the first half of 1940 (189) :-

		- \$ thous. -
	1937	398 loss (before interest of 240)
	1938	254 loss (before interest of 288)
	1939	194 loss (before interest of 301)
January- June	1940	618 profit
July – December	1940	<u>253</u> profit
	1940	871

(The interest figures quoted above are derived from the Jardine Matheson Archives (J37). 1937/8 from Letters Shanghai to London 1939, No. 2103 and 1939 from Letters Shanghai to London 1940, No. 2370.)

The second half, however, showed a partial relapse. (190).

However, these profit/loss figures, quoted in the prospectus offering shares in the Company are rather misleading as they do not take account of the considerable interest burden in 1937-1939.

In October, 1940 the concern was incorporated as a public company as Ewo Breweries, Limited with Jardine Matheson as general managers. Benjamin and Potts offered for sale 800,000 of the 1,400,000 shares held by Jardine Matheson and their partners. Some of the share issue was taken up by British interests but the vast majority was taken by Chinese investors. (191). There are some grounds for thus believing that, here again, the vendors took advantage of the desperate desire of Chinese investors for security. Jardine Matheson raised money which could be used to buttress their own local operations or, by various means, repatriated while still maintaining effective control of the company.

This case was quoted by the Historical Academic Research Committee in the PRC as an example of British imperialist exploitation (192). However, on the other side of the coin, the figures quoted here do not tally with the information given in the offer document. Also, to be fair to the promoters it seems that the assets for sale were not over-valued. The valuation of the fixed assets was well below replacement value.

After the Second World War British companies did not experience any competition in China from local Japanese enterprises. All of those remaining, in common with other Axis ventures, were nationalised. For example, in cotton textiles they became part of China Textile Industries. This Government concern controlled 83 cotton mills with 1,763 thous. spindles and 38,400 looms – in 1947 it accounted for 35.8 per cent of the national output of cotton yarn. These nationalised organisations could not offer anywhere near the keen competition that the previous Japanese managed firms could. Thus, on this count British firms could expect a bright future. However, the civil war followed by the formation of the PRC rendered this factor irrelevant.

Annex A.

CONSEQUENCES FOR BRITISH FIRMS OF THE HOSTILITIES IN 1937/1938.

British American Tobacco. Factory at Pudong damaged and out of action for two months. The Thorburn Road factory in Shanghai escaped with only minor damage. (a).

Chinese Engineering and Mining Company. The mines escaped physical damage and sales of coal kept up better than expected. The port of Shanghai was closed from August to December, 1937 but this was "compensated to some extent by increased sales elsewhere". Sales of coal from the Kailan mines in the 23 weeks from 1st July, 1937 at 1,567 thous. tons were only 8% down on the 1,702 thous. tons for the same period of the previous year (b).

Shanghai Exploration and Development Company, Limited. In August, 1937 operations at the mine (16 miles from Beijing) were suspended due to hostilities in the vicinity. The labour force was forced to disperse. Production was not resumed until April, 1938. (c).

Pekin Syndicate. Production was curtailed towards the end of August and in October it was decided to close down the mines. In February, 1938 the mines were occupied by the Japanese military. (d).

China Printing and Finishing Company. The cotton mill at Pudong Point received twelve shells either on the building or in the compound. The skeleton staff at this mill and the printworks (also in Shanghai) had to make daily reports to the Head Office in the relatively unaffected International Settlement. In December, 1937 the local manager sent to the Chairman of the parent company (the Calico Printers' Association) a compilation of these reports which covered the period August 23rd to December 6th, 1937. After apologising for the bulkiness it was noted that "even the bulkiness is no measure of the anxiety through which we passed during the four months they cover"(e).

Ewo Cotton Mills, Limited. On the nights of September 18th and 21st incendiary bombs landed on the Ewo mills but damage was relatively slight. Six carding machines and eight mule spinning machines were badly damaged. (f). The Company's war damage claim for this and other damage was fairly small - \$45,000 (£2,700). (g).

Patons and Baldwins (Far East), Limited. The factory suffered damage but not to the main building. (h).

Shanghai Dockyards, Limited. The International Dock was badly damaged and the Tungkadoo Dock was burnt. (i)

Metal Industries of China, Limited. Direct damage due to hostilities was unimportant but it was not until May, 1938 that the Company obtained control of their properties. Thefts amounted to around \$50 thous. (£3 thous.). The outbreak of hostilities meant the cessation of activities after a period of "very substantial profits". (j).

Hope Crittal (China) Company, Limited. The factory escaped serious damage - a few holes in the wall caused by shrapnel. Work ceased in the factory on August 14th, 1937 but the Company rented a portion of a factory in the Settlement to complete some rush orders. By January, 1938 the factory was operating. (k).

The China Brass and Iron Works, Limited. There was no material loss from shrapnel or bombs. During the period that the factory was closed the Company removed any stocks of value. (l).

Major Brothers, Limited. The plant was undamaged in the hostilities and reopened in November although "many factories using our product have been either destroyed or so seriously damaged as to prohibit their

working." (m). (Being a supplier of acids the Company was more vulnerable in terms of its customer base than suppliers of consumer goods).

Orient Paint, Colour and Varnish Company, Limited. The works were evacuated on August 14th, 1937. Watchmen remained on duty until the 18th when told by Japanese troops to get out. The depot was "stocked to capacity" so was "in a favourable position when business reopens." (n). However, although the Company obtained a permit to remove ten truckloads of manufactured goods it was "impossible owing to Japanese restrictions". (o). On October 15th a shell landed but fortunately did not explode. Repairs only cost around \$900 (£55). On October 19th a shell burst in a paint storage depot but damage was "fairly slight". (p). The minutes for the local meeting of the "Advisory Committee" of the Company on December 2nd, 1937 noted that "we have been particularly fortunate in avoiding serious damage" (q). The factory was reopened on February 7th, 1938. (r). (The company was lucky in that the two shells had landed just after the expiry of their war risk insurance (s)). Sales fell from \$103 thous. in June, 1937 and \$80 thous. in July to (t) :-

August \$30 thous.
September \$26 thous.
October \$23 thous.

November \$21 thous.
December \$34 thous.

The China Soap Company, Limited. One of the warehouses at the factory at Yangtsepoo Road was hit by an incendiary bomb on September 1st, 1937 but by June, 1938 the factory was in full production. (u).

Electric and Musical Industries (China), Limited. From August 14th the factory was virtually closed – only a few workers being employed on export orders. By October 31st the Chinese employees were laid off - to be fully re-employed in March, 1938. Direct losses due to hostilities amounted to \$39,000 (£2,300). Home sales fell from a monthly average of \$177.7 thous. in July/August to \$22.7 thous. in September to December, 1937. (v).

The Ewo Brewery. The brewery was "in the centre of hostilities, however the staff kept to their posts and the products from time to time found their way through the Japanese lines." (w).

S. Behr and Mathew, Limited. Their egg factory was severely damaged by an incendiary bomb. (x).

The China Import and Export Lumber Company, Limited. The Shanghai factory of their subsidiary of China Woodworking and Dry Kiln Company, Limited was hit by an incendiary bomb causing damage of \$132,000 (£8,000) while damage at other sites, mainly Nanjing, cost \$88,000 (£5,300). Two of the Company's Shanghai yards also suffered damage. (y). An incendiary bomb (from a Chinese plane!) set fire to their Yangtsepoo Road premises (z).

Woodcraft Works Limited. Shelling induced a fire which helped by the combustable raw materials mainly gutted the plant which had to be entirely reconstructed. (aa).

S. Moutrie and Company, Limited. The factory in Shanghai, employing 200 Chinese, was closed for five months albeit only slightly damaged. (bb).

Marconi's Wireless Telegraph Company, Limited. The small (50 employees) factory in Shanghai, mainly engaged in assembly and testing of imported equipment but also making radios and wireless equipment, was completely burnt out during the hostilities. (cc).

(a) *Finance and Commerce*, November 24th, 1937.

(b) *The Times*, December 18th, 1938 / *Finance and Commerce*, January 5th, 1938.

(c) *Finance and Commerce*, August 3rd, 1938.

- (d) The Chairman of the Pekin Syndicate at the Ordinary General Meeting on July 6th, 1938. *Finance and Commerce*, August 10th, 1938.
- (e) The archives of the Calico Printers' Association. Box 1254 marked "Shanghai".
- (f) *Finance and Commerce*, October 6th, 1937.
- (g) *North China Herald*, May 11th, 1938.
- (h) *Finance and Commerce*, December 1st, 1937.
- (i) *Finance and Commerce*, December 1st, 1937.
- (j) *Finance and Commerce*, June 15th, 1938.
- (k) *Finance and Commerce*, January 5th, 1938.
- (l) *Finance and Commerce*, January 12th, 1938.
- (m) *North China Herald*, March 16th, 1938.
- (n) Swire Archives (see PART III, Chapter Five). Letter to UK Office from Shanghai, August 24th, 1937. Box 174.
- (o) Telegram to Swire Head Office from Shanghai on September 24th, 1937. Box 174.
- (p) Telegram to Swire Head Office from Shanghai on October 19th, 1937. Box 174.
- (q) Swire Archives. Box 174.
- (r) Letter to Swire Head Office from Shanghai on February 11th, 1938. Box 175.
- (s) Letter from Shanghai on November 22nd, 1947 to Butterfield & Swire, Hong Kong. Box 364B.
- (t) Attachments to letter from Shanghai to Swire Head Office of February 18th, 1938.
- (u) *Finance and Commerce*, June 15th, 1938.
- (v) Archives of the EMI Group.
- (w) *Far Eastern Economic Review*, April 7th, 1940.
- (x) *Finance and Commerce*, October 6th, 1937.
- (y) *Finance and Commerce*, May 17th, 1939.
- (z) *Finance and Commerce*, October 10th, 1937.
- (aa) *Finance and Commerce*, December 22nd, 1937.
- (bb) *Finance and Commerce*, July 20th, 1938.
- (cc) *Finance and Commerce*, January 12th, 1938.

Annex B.

This extraordinary affair, which can be closely followed from the archives of the Chinese Engineering and Mining Company, must have been beyond the comprehension of the gentlemanly and intensely patriotic (judging by his record in the First World War) Foreign Secretary Anthony Eden. The archives are not systematically classified and indexed but, in this case, are given in date order of the various minutes of the Board meetings. The volumes concerned are :-

MS 28378/16 - Minute Book No 14.

MS 28378/17 - Minute Book No. 15.

MS 28378/16.

As noted in the main text above, the Minutes of the 54th Meeting of the Committee of the Board of Directors on December 10th, 1941 noted that copies of the key documents "relating to the handing over of the whole management of the organisation of the Kailan Mining Administration to the Japanese Military in the event of War be sent to the Foreign Office for their information." These documents which were typed were attached to the minutes as enclosures A1 and A3.

Enclosure A3.

This document was headed "Resumé of Talks Between Mr Nathan and Lt. Col. Yamashita, Chief of the Tientsin Special Mission, on October 2nd, 1941. There were five points :-

1. "It is desired the KMA will confirm that, in the event of a war unfortunately breaking out between Japan and Britain, the KMA will hand over peacefully the whole equipment of the organisation to the Japanese Military."
2. "...it is desired Mr Nathan and the rest of the KMA Staff pledge that they will remain at their respective posts...until such date when the Japanese side will have completed all necessary arrangements to take over and operate in full the whole machinery of the KMA. The period of time required for such preparatory arrangements is tentatively fixed at about 6 months.
3. There was a guarantee "that the Japanese Military will give protection to the life and property of Mr Nathan and the rest of the KMA Staffs".
4. A Japanese advisor and his assistants to be appointed as honorary members of the KMA.
5. If a vacancy occurred in the technical staff a Japanese technician should be considered.

Enclosure A1.

Nathan's reply included :-

- "I accept the responsibility for the continued functioning of the Mines until such time as the Japanese were able to assume this responsibility if, after war had broken out, they decided to do so."

- "I can give the pledge requested regarding the KMA Staff remaining at their posts after War has broken out..."

A letter was sent in reply by the Foreign Office to the Company on February 26th, 1942. This was noted as received in the minutes of the 60th Committee Meeting of the Board of Directors on March 4th, 1942 but no copy was attached.

MS 28378/17 - Minute Book No. 15.

The Minutes of the 66th Meeting of the Committee of the Board of Directors on May 21st, 1942 noted the receipt of a letter dated May 13th, 1942 from the Foreign Office. This stated that "I am directed by Mr

Secretary Eden to inform you that the following telegram was recently received from the Swiss Chargé d'Affairs at Shanghai through his Majesty's Minister at Berne." After noting this it went on to say that :-

"In reply His Majesty's Minister has been instructed to request the Swiss Government to inform the Managers of the Kailan Mining Administration of the general attitude of His Majesty's Government in the matter, namely that His Majesty's Government do not regard as unpatriotic the participation of British subjects in such maintenance of essential services as is for the benefit of the civil population of the occupied territory, but that they do expect patriotic British subjects to refrain from assisting the enemy war effort, and that as the production of coal is clearly essential to the Japanese war effort His Majesty's Government cannot but regard assistance given voluntarily by British subjects to this end as unpatriotic and reprehensible."

The Minutes of the 70th Meeting of the Committee of the Board of Directors on June 10th, 1942 noted that a letter defending their conduct had been sent to the Foreign Office on June 1st, 1942.

The Minutes of the 71st Meeting of the Committee of the Board of Directors on June 24th, 1942 contained a copy of the withering reply from the Foreign Office :-

1. "I am directed by Mr Secretary Eden to acknowledge the receipt of your letter of June 1st enclosing a memorandum on the subject of the arrangement made by the manager of the Kailan Mining Administration with the Japanese authorities at Tientsin."
2. "The views expressed by your Board of Directors have been carefully considered, but they do not lead this Department to modify the opinion already conveyed to you in the letters of February 26th and May 13th."
3. "The fact remains that the Kailan Mines have produced a large proportion of the coking coal essential to the Japanese steel industry and are of first class military importance. Nevertheless, in the circumstances already described, Mr Nathan gave an undertaking to the Japanese authorities to be responsible for the continued working of the mines after the outbreak of war and until the Japanese were in a position to take them over. This undertaking specifically related to a state of war between Great Britain and Japan."
4. "Mr Eden is not impressed by the argument of your directors that this was the only means to enable the Chinese Engineering and Mining Company to resume possession of the property after the war, and that the Japanese would eventually have been able to replace the British staff with their own nationals."
5. "These and other arguments advanced in your memorandum do not in Mr Eden's opinion excuse the voluntary undertaking by a British subject to carry on a vital war industry for the enemy in a war against his own country and he can only express astonishment and regret that such conduct should be openly approved by the directors of your Company."

PART V - FINANCIAL PERFORMANCE (The relevant Figures (4 -14) are given on Pages 214-224).

(A) INTRODUCTION

The large assembly of financial data on British industrial enterprises in China, presented here (mainly) in the STATISTICAL ANNEX, is not only useful for assessing the scale of British investment, as shown in PART II, but also in assessing the level of profitability of these enterprises and the distribution of their profits – how much was paid out in dividends as against retained with the likelihood of being ploughed back to further develop the business.

There are currently, given the volume of financial data revealed by modern companies, a selection of financial ratios that can be calculated bearing on differing aspects of, for example, the profitability of enterprises. This situation did not exist in the period covered here. Thus, in assessing profitability, it is impossible from the data available to calculate such familiar ratios as profits as percentage of average total assets (or net assets) employed (very little balance sheet information available), operating profits as percentage of sales or earnings before interest, tax, depreciation and goodwill amortisation. All that is comprehensively available from both Chinese and UK sources is the ratio of profits to issued capital and the ratio of profits less dividends to total profits.

Nevertheless, despite all its limitations this analysis is still worth performing with the main aim of analysing the cogency of what Chi-ming Hou describes as the “Drain Effect” (1) in this instance :-

“... foreign trade and investment are alleged to have drained the economy of its wealth because of the secularly unfavourable balance of trade and the large amount of income that was made or remitted to their home countries by Western enterprises”(2). This opinion was propounded by Chinese politicians of such diversity as Mao Zedong, Jiang Jieshi and Sun Yat-sen. (3). It was also echoed by Western writers such as C.K. Hobson :-

“Capital has been employed in numerous instances to drain countries of their resources, to weaken them economically, and to degrade them morally.” (4).

The charge has been encapsulated by Lloyd E. Eastman in listing the various arguments as (5) :-

“The imperialists... drained off China’s wealth by repatriating the large profits made in China...”

Another facet of the argument concerning the impact of foreign investment in China that is examined in this PART is the assertion that a major portion of this investment did not originate in the transfer of scarce capital to China but was the result of recycling monies received from previous commercial operations in China predominantly of an exploitive nature, in particular the opium trade. In the words of Wui Zichu (referring to total British investment in China) (6) :-

“Although England has a large amount of capital in China, yet the actual amount brought in is very limited and the greater part of the capital came from China and not from England... From a study ... probably the total capital brought in by English firms cannot be more than £50,000,000. Yet each year they received from China a remittance of profits in good times more than £10,000,000.”

The principal sources of funds for this locally generated capital was alleged by Wei Zichu to be the “huge profits” of the opium era and profits on land speculation i.e. alleged commercial exploitation aided by the “Unequal Treaties” and the Concessions. (7).

This analysis below only covers one sector of British investment in China and is not necessarily representative even of British investment as a whole and even more so of total foreign investment.

Nevertheless it is hoped that this analysis might throw some light on, to recapitulate, assertions that :-

- Investment by foreigners in China was highly profitable both absolutely and relatively against the background of relevant conditions in the investing countries.
- These (allegedly) high profits were preponderately repatriated to the investing countries.
- A substantial, indeed major share, of investment by foreigners was not financed by capital exports to China but by utilizing funds secured by previous commercial operations, often of an exploitative nature, within China.

The data on the performance of British companies given here has been assembled by the author from the accounts of these companies. Key sources include :-

- (a) The financial statements of the various companies (locally or Hong Kong registered) as given principally in the *North China Herald*, *The Celestial Empire* or *Finance and Commerce* (the Reuters publication in Shanghai).
- (b) A useful compilation of similar financial information is contained on pages 850-877 in Chen Zhen and others: *Zhongguo jindai gongye shi ziliao* (Source material for history of modern industry of China). Volume Two; Beijing, 1958.
- (c) In the case of British registered companies dedicated exclusively to operations in China – a small proportion of the total and virtually confined to the mining sector – data has been sourced from the reports of the firms concerned (mainly from *The Economist*, *the Times*, *the Stock Exchange Yearbook*, *the Colliery Guardian*, etc) or in one case their archives (the Chinese Engineering and Mining Company, Ltd.).
- (d) In the case of British registered companies with their presence in China being by private subsidiaries recourse has been made to the archives of companies such as British -American Tobacco (in this case analysed by Chinese researchers from local documents of the Company), Electric and Musical Industries, Limited, etc.

There is not 100 percent coverage of the financial series that ideally could be available but the omissions do not affect the analysis. The coverage incorporating those organisations with the necessary financial details was, for example, in 1921 as follows:-

<u>Sector.</u>	<u>Percent of total British industrial investment in China.</u>	<u>Percent covered by financial details.</u>
Tobacco industry.	63	100
Mining.	10	95
Cotton textiles.	6	100
Marine engineering.	5	100
Other sectors.	<u>16</u>	<u>12</u>
TOTAL	100	85

Obviously, there is no attempt made at giving financial ratios for the under represented “Other sectors” but it can be confirmed that in terms of the figures for the total situation, this is very unlikely to distort any conclusions. The proportion of “Other sectors” increased somewhat in the 1930s but this was counterbalanced by increased financial information on this area.

Comparison is made with the profitability and distribution of profits of British industry in the period under review. Two series are principally used in this comparison. Neither of these are completely satisfactory for the purpose :-

- the first series below is not strictly comparable as the figures include non- industrial activities.
- the second series is more comparable in terms of coverage but restricted in length.

The Economist Series.

Starting in 1908, *The Economist* series, concerning companies listed on the London Stock Exchange, covers the period up to the Second World War. A useful compilation of these figures is included in "British Industrial Profits, A Survey of Three Decades" by Hargreaves Parkinson in *The Economist* of December 17th, 1938 – pages 597-603.. However, only around 60 percent of the coverage relates to industry with the figures including public utilities, transport, etc. Also, a relatively small proportion (around 10%) includes British companies in oil, nitrates, rubber and tea with their operations mainly overseas.

The Hart Series

This series gives a more relevant categorisation but only starts in 1920. It is given in "*Studies in Profit, Saving and Investment in the UK 1920-1938*, Volumes 1 and 2" by P.E.Hart. (pages 21, 32 and 118).

In addition to the above limitations there are other difficulties in comparisons of profitability, etc over time. There could be changes over time of accounting practices and also in the obligations concerning disclosure of information. There could be varying treatments of depreciation. Also, in periods of high inflation as occurred in China in the 1930s depreciation would presumably be calculated on original asset cost but income would be in terms of current cost. Taxation is another problem. Thus in the later years of the First World War and immediately afterwards British companies' profits were understated because of Excess Profits Duty whereas in 1921 Excess Profits Duty repayments tended to raise profits. Nevertheless despite these and other difficulties it is felt that the comparisons made below are reasonably sound.

(B) AN OVERALL COMPARISON.

(1) PROFITABILITY.

Part (A) of Table Eleven gives an overall comparison of British experience in China with *The Economist* series for the UK while Table Twelve and Figure 4 show the development over time with a split showing the (differing) position of B.A.T. China compared with other British industrial sectors in China. Table Fourteen and Figure 6 show the development over time of the major British industrial sectors other than B.A.T. China. Table Thirteen and Figure 5 gives the comparison between UK experience in China with the P.E.Hart series for the UK.

Section (A) of Table Eleven gives the profit rate of UK companies in China with UK companies as taken from *The Economist* series. The overall comparison shows that British companies in China enjoyed an advantage of seven percentage points over the UK companies. However, if we do not include B.A.T. China in the comparison the difference is only about one and a half percentage points. The cigarette industry from the start of the First World War and throughout the twenties and thirties was enjoying a period of sustained growth despite the Great Depression. B.A.T. accounted by 1937 for about 55 percent of total British industrial investment in China – completely disproportionate to the tobacco industry's relative importance in UK industry.

TABLE ELEVEN.
AVERAGE 1909 – 1939.

(A) PROFITS AS PERCENTAGE OF PAID UP CAPITAL - %.

<u>UK Companies (The Economist Series).</u>	<u>9.6</u>
<u>UK Industrial Companies in China.</u>	<u>16.5</u>
- <u>B.A.T. China.</u>	<u>18.8</u>
- <u>Other.</u>	<u>10.9</u>
- Cotton Textiles.	26.8
- Marine Engineering.	13.0
- Mining.	6.5
- Chemicals.	8.7
- Other	8.1

(B) DIVIDENDS ON PAID UP CAPITAL (Ordinary plus Preference) - %.

<u>UK Companies (The Economist Series).</u>	<u>7.4</u>
<u>UK Industrial Companies in China.</u>	<u>7.6</u>
- <u>B.A.T. China.</u>	<u>7.1</u>
- <u>Other.</u>	<u>8.7</u>
- Cotton Textiles.	22.0
- Marine Engineering.	10.8
- Mining.	5.2

(C) THE RETENTION RATIO (Profits less dividends as percentage of profits) - %.

<u>UK Companies (The Economist Series).</u>	<u>22.8</u>
<u>UK Industrial Companies in China.</u>	<u>46.2</u>
- <u>B.A.T. China.</u>	<u>61.8</u>
- <u>Other.</u>	<u>20.1</u>
- Cotton Textiles.	18.0
- Marine Engineering	16.8
- Mining	19.6

TABLE TWELVE.
PROFITS AS PERCENTAGE OF PAID UP CAPITAL - %

	<u>The Economist</u>	<u>Feinstein</u>	<u>UK Industrial companies in China</u>		
	<u>Series for the UK</u>	<u>Series</u>	<u>Total</u>	<u>B.A.T. China</u>	<u>Other</u>
1895	n.a.	)	22.2)	-	22.2
1896	n.a.	)	12.4)	-	12.4
1897	n.a.	)15.2	9.6) 9.5	-	9.6
1898	n.a.	)	7.7)	-	7.7
1899	n.a.	)	6.6)	-	6.6
1900	n.a.	)	6.9)	-	6.9
1901	n.a.	)	9.3)	-	9.3
1902	n.a.	) 12.7	6.3) 7.3	85.7	5.9
1903	n.a.	)	5.9)	144.0	5.1
1904	n.a.	)	8.2)	151.7	6.1
1905	n.a.	)	7.3)	37.3	6.3
1906	n.a.	)	9.2)	22.7	7.3
1907	n.a.	) 11.9	9.0) 8.6	22.0	7.2
1908	11.6	)	8.1)	5.1	7.2
1909	7.5	)	9.4)	20.4	8.1
1910	8.5	)	6.3)	13.4	5.5
1911	9.2	)	7.5)	12.6	6.9
1912	9.7	)	7.6)	17.8	5.3
1913	11.5	)	9.9)	16.5	8.4
1914	10.9	)	9.2)	19.6	6.7
1915	10.1	)	n.a.)	n.a.	7.5
1916	13.6	)	n.a.)	n.a.	8.5
1917	12.8	)	18.9)	23.4	17.5
1918	12.2	)	24.8)	42.9	18.6
1919	14.6	)	12.2)	7.1	40.6
1920	13.2	)	19.6)	16.3	37.4
1921	6.8	)	10.2)	8.3	17.2
1922	9.1	)	13.8)	15.0	9.0
1923	9.9	)	18.7)	20.5	12.3
1924	10.7	)	18.4)	22.0	5.9
1925	11.4	)	18.6)	22.3	5.1
1926	10.8	)	19.7)	23.6	7.5
1927	10.8	)	15.1)	17.2	8.8
1928	10.7	)	16.4)	19.1	7.7
1929	10.6	)	16.0)	17.8	10.7
1930	8.7	)	12.6)	16.3	4.6
1931	5.7	)	15.6)	19.5	8.0
1932	5.7	)	12.9)	16.2	5.1
1933	6.7	)	16.4)	21.8	2.8
1934	8.0	)	16.3)	21.3	3.0
1935	9.1	)	8.6)	11.8	-0.3
1936	10.6	)	14.7)	18.6	6.5
1937	12.1	)	20.2)	26.3	7.8
1938	11.2	)	21.4)	25.2	15.1
1939	8.6	)	48.8)	77.1	15.0
1940	n.a.	)	n.a.)	83.8	n.a.

(Some guide as to the relative position before 1909 is given in Table Twelve with the figures for the UK being taken from C.H. Feinstein's '*Home and Foreign Investment. Some Aspects of Capital Formation and Finance in the UK 1870-1913.*' (Ph.D. thesis, University of Cambridge, 1960). Unfortunately his figures for industrial profitability, based on tax data, include, besides industry, transport, building, etc. However, even allowing for lower profitability in the industrial sector in the UK, there seems little evidence of profitability of British industrial operations in China being in excess of that in the UK in the period covered from 1895 to 1909).

As noted above, the gap between the relative profitability of British companies in China and those in the UK was relatively small over the period 1909 to 1939 but still in the former's favour. However, as best seen from Figures 4 and 6 there were two periods when the profits of British industrial firms in China were boosted by special and short-lived factors :-

- the period of the later years of the First World War and its immediate aftermath. The War brought boom conditions to local suppliers with the reduction of supplies from abroad and this lingered after the War.

(As noted above, the boom in profitability of firms in Britain was restrained by Wartime taxation). The boom was particularly marked in the case of the cotton textile industry (see Table Fourteen and Figure 6). Here the post-War boom lasted longer than in other textile centres. Deliveries to China of textile machinery were delayed with the need to meet pent-up demand in the machinery producing countries together with shipping shortages.

- the abnormal conditions after the 1937 Japanese invasion of China brought prosperity to the great majority of British industrial firms in China. Also the outbreak of the Second World War meant a reduction in import competition from Europe. (This period from 1937 until late 1941 has been fully discussed in PART IV (C) above on the interface with Japanese interests).

Thus, if we compare the relevant data for UK industrial companies in China excluding the years 1918-20 and 1938-9 then the balance of profitability becomes marginally in favour of UK companies as per *The Economist* series.

Table Thirteen and Figure 5 present the comparison over a shorter period than the above but with a more comparable series in that the UK figures relate to industry alone. Over the whole of the period 1920 to 1938 overall profitability of British industrial enterprises in China was about four and a half percentage points higher than that in the UK – i.e. 35 percent higher. However, if the comparison is made with the tobacco industry being excluded in the case of UK companies in China then the comparison is reversed with, over the whole period, the British companies in China recording a level of profitability only slightly over half the level of their UK counterparts. (The comparison would be slightly better for the UK firms in China in that the figures exclude textiles where the UK cotton textile industry was throughout most of the period under review faced with very poor trading conditions – see below). The UK figures include the tobacco industry but this should not affect the comparison more than slightly particularly as the British-American Tobacco Company, Limited is excluded.

(2) DIVIDENDS / RETENTIONS.

Parts (B) and (C) of Table Eleven, Table Fifteen and Table Sixteen and Figures 7,8 and 9 give the positions for the related ratios of (a) dividends as a percentage of issued capital and (b) the retention ratio i.e. profits less dividends as percentage of profits.

TABLE THIRTEEN.
PROFITS BEFORE DEBENTURE INTEREST AS PERCENTAGE OF ISSUED
CAPITAL FOR INDUSTRIAL COMPANIES EXCLUDING TEXTILES.

	<u>UK Industrial Firms.</u> (P.E Hart series)	<u>UK Industrial Firms in China.</u>	(Excluding B.A.T.)
1920	7.6	16.1	(14.7)
1921	6.8	8.5	(9.4)
1922	10.2	13.8	(7.7)
1923	11.0	19.5	(14.8)
1924	11.4	19.8	(10.0)
1925	11.6	19.4	(6.4)
1926	11.4	20.1	(7.3)
1927	12.5	15.6	(9.8)
1928	12.7	16.4	(6.6)
1929	13.2	15.0	(6.0)
1930	13.0	12.3	(2.6)
1931	12.1	13.3	(5.2)
1932	10.3	12.6	(3.0)
1933	11.6	17.3	(2.6)
1934	13.7	16.7	(3.0)
1935	15.4	8.8	(-0.3)
1936	16.4	15.3	(6.4)
1937	16.2	20.7	(5.6)
1938	15.1	20.1	(9.0)
Average 1920-38	12.0	16.3	(6.8)

TABLE FOURTEEN.
PROFITS AS PERCENTAGE OF PAID UP CAPITAL FOR UK INDUSTRIAL
COMPANIES IN CHINA - EXCLUDING B.A.T. CHINA.

	<u>Total</u>	<u>Cotton textiles</u>	<u>Marine engineering</u>	<u>Mining</u>	<u>Chemicals</u>
1895	22.2	-	26.4	-	- 1.7
1896	12.4	-	13.7	-	2.6
1897	9.6	3.7	15.8	-	4.4
1898	7.7	1.6	16.2	-	2.0
1899	6.6	0.7	20.8	-	10.1
1900	6.9	- 8.1	26.6	- 2.6	7.0
1901	9.3	5.5	30.6	3.4	0.3
1902	5.9	2.4	16.5	2.9	6.8
1903	5.1	3.2	13.0	3.0	4.9
1904	6.1	- 0.3	14.6	4.1	8.0
1905	6.3	22.7	7.4	4.7	- 2.1
1906	7.3	28.8	3.7	6.9	2.1
1907	7.2	- 0.8	5.5	8.6	- 1.0
1908	7.2	8.8	4.7	8.6	6.6
1909	8.1	22.3	5.6	8.3	- 3.5
1910	5.5	4.3	1.2	7.1	- 3.2
1911	6.9	12.5	- 5.0	10.1	- 5.2
1912	5.3	21.3	3.6	4.0	- 5.2
1913	8.4	26.2	6.2	6.5	- 3.8
1914	6.7	14.5	3.3	6.5	36.3
1915	7.5	14.7	2.8	7.8	3.6
1916	8.5	- 1.2	15.5	8.2	12.5
1917	17.5	37.7	21.9	8.6	21.5
1918	18.6	22.6	23.1	13.5	- 10.5
1919	40.6	87.6	36.1	17.3	- 0.4
1920	37.4	112.5	34.8	7.8	0.5
1921	17.2	48.9	14.7	5.3	1.2
1922	9.0	13.7	10.5	5.2	- 1.8
1923	12.3	3.1	9.4	16.8	- 0.1
1924	5.9	- 10.7	14.5	9.4	0.1
1925	5.1	- 0.8	5.5	6.4	1.3
1926	7.5	8.9	8.1	8.5	1.1
1927	8.8	3.3	8.6	11.2	5.3
1928	7.7	15.6	11.7	5.3	5.1
1929	10.7	48.5	21.2	2.5	7.5
1930	4.6	23.8	7.9	0.8	8.7
1931	8.0	39.1	3.4	4.2	17.4
1932	5.1	23.7	11.8	0.5	15.0
1933	2.8	4.9	2.7	1.3	15.1
1934	3.0	3.1	- 0.3	2.1	12.6
1935	- 0.3	0.9	- 0.8	0.6	- 7.3
1936	6.5	7.2	1.1	6.0	6.6
1937	7.8	14.9	4.8	6.5	7.0
1938	15.1	37.1	10.5	9.0	12.7
1939	15.0	39.7	14.1	2.9	73.9
1940	n.a.	n.a.	62.6	11.1	49.0

(a) Dividends.

As Part (B) of Table Eleven shows there was little overall difference over the period 1909 – 1939 in the level of dividends between UK companies and their counterparts in China. However, the level of dividends of UK companies in China excluding B.A.T. was about one and a half percentage points higher. This was principally due to the cotton sector (and to a lesser extent marine engineering) with a very high level of rewards to shareholders in the post- First World War boom and in the years immediately before the Pacific War (See Table Fifteen and Figures 7 and 8). This more than counterbalanced periods of relatively low dividends in the years leading up to the First World War and the mid 1930s (see Table Fifteen and Figure 7).

(b) Retentions. (Tables Eleven and Sixteen and Figure 9)

As Part (C) of Table Eleven shows, the overall retention ratio of UK industrial companies in China was over twice that registered by UK companies. However, this was entirely due to the very high ratio recorded by B.A.T. China. The majority of the great expansion recorded by the Company in China was financed from local internal sources. (B.A.T. adopted a very conservative approach in its financial treatment of its many large international subsidiaries. Dividends from these subsidiaries to the parent company were restrained allowing them to build up reserves.(8)).

Excluding B.A.T., the reverse result is apparent from Part (C) of Table Eleven. British industrial companies in China had a retention ratio three percentage points lower than UK companies. As Table Sixteen and Figure 9 display the ratio of the former was particularly low in the mid 1920s to the mid 1930s. This is confirmed by a comparison with the P.E. Hart series covering 1920 – 1938 :-

	<u>Retention ratio.</u>
UK – P.E. Hart series.	34.8%
UK industrial companies in China excluding B.A.T.	10.5%

Thus, it could be asserted that British industrial companies in China (with the exception of B.A.T.) in the light of the difficult and uncertain operating conditions in China in the 1920s and 1930s decided not to reinvest to any degree but remitted the bulk of their profits to their shareholders abroad – particularly in the UK. However, this assertion must be tempered by the fact that many UK controlled companies in China had significant numbers of Chinese shareholders. Also, the proportion of Chinese shareholders to the total increased markedly towards the Pacific War as Chinese investors sought security. The extent of Chinese shareholding obviously varied from sector to sector with the largest proportion obviously being in those companies quoted on the Shanghai Stock Exchange * :-

Textiles.

Both the two British pioneer cotton textile companies in China had from the very start significant Chinese shareholder presence and in 1925 Jardine Matheson stated that Chinese investors owned about 75 percent of the capital of British mills in China (9). Of the two new entrants after then – the New China Textile Company, Limited and the China Printing and Finishing Company, Limited the former attracted considerable support from Chinese investors but the latter had no Chinese interest.

The Jardine Matheson Ewo Filature had substantial Chinese shareholding from its start in the 1880s while
* This was a sizeable institution with nearly 70 shares quoted – Reuters claim that before the Second World War it was the second largest market for their financial reporting service.

TABLE FIFTEEN.

DIVIDENDS ON PAID UP CAPITAL (ordinary plus preference) - PERCENT.

	The Economist series for the UK	UK Industrial Companies in China					
		Total	B.A.T. China	Other	-Cotton Textiles	-Marine Engineering	-Mining
1895	n.a.	13.5	-	13.5	-	15.9	-
1896	n.a.	7.8	-	7.8	-	8.9	-
1897	n.a.	6.2	-	6.2	2.2	10.6	-
1898	n.a.	5.2	-	5.2	1.3	10.5	-
1899	n.a.	4.6	-	4.6	-	15.3	-
1900	n.a.	8.7	-	8.7	-	25.6	-
1901	n.a.	5.9	-	5.9	-	17.0	3.2
1902	n.a.	n.a.	n.a.	4.7	-	15.0	2.1
1903	n.a.	n.a.	n.a.	4.7	4.1	12.0	2.8
1904	n.a.	n.a.	n.a.	5.4	-	13.0	3.7
1905	n.a.	4.9	10.0	4.7	12.1	8.0	3.3
1906	n.a.	5.6	8.2	5.3	14.1	3.4	5.3
1907	n.a.	5.9	12.0	5.1	4.5	4.9	5.3
1908	n.a.	5.1	4.5	5.2	6.9	5.2	5.4
1909	6.0	6.1	9.8	5.7	13.7	5.9	5.3
1910	6.4	4.1	11.2	3.3	4.1	2.5	3.5
1911	6.7	4.5	16.0	3.3	9.5	3.3	2.7
1912	8.1	5.2	10.3	4.0	14.6	3.4	2.9
1913	8.2	6.1	6.6	6.0	17.1	5.6	4.9
1914	8.1	4.1	2.9	4.4	11.0	3.4	3.9
1915	7.2	n.a.	n.a.	5.6	10.0	8.1	4.2
1916	8.8	n.a.	n.a.	6.1	5.5	9.8	4.8
1917	8.1	12.1	15.5	11.1	19.5	15.8	5.7
1918	7.9	12.9	16.0	11.9	14.7	15.3	8.0
1919	9.5	7.1	3.6	26.5	58.6	24.2	11.7
1920	9.4	11.2	7.2	32.0	91.7	26.0	7.4
1921	7.3	6.2	3.8	15.1	46.3	10.6	6.2
1922	7.7	7.7	6.9	10.8	20.7	10.1	7.4
1923	7.9	9.3	9.4	9.0	7.4	10.0	9.3
1924	8.3	9.2	10.1	5.8	3.9	12.8	4.3
1925	9.0	8.5	9.4	5.2	4.3	8.6	4.3
1926	8.9	9.0	9.4	7.4	9.6	8.1	6.5
1927	8.6	7.1	6.4	9.9	6.3	9.2	11.0
1928	8.5	8.0	7.7	9.4	11.3	9.2	8.8
1929	8.6	8.4	7.7	10.6	41.3	11.5	4.8
1930	7.3	5.3	6.0	3.7	13.9	9.1	1.4
1931	5.4	6.5	6.3	6.9	31.7	8.1	4.1
1932	5.2	5.0	5.3	4.5	21.6	8.4	1.4
1933	5.5	5.7	7.1	1.8	6.1	5.9	0.3
1934	6.4	5.5	6.9	1.2	4.9	1.4	0.2
1935	6.9	3.3	3.8	1.8	4.3	-	1.6
1936	7.7	5.3	6.2	3.4	3.0	-	3.6
1937	8.4	7.2	8.0	5.3	7.2	3.6	5.1
1938	7.9	9.8	8.6	11.8	28.9	8.0	6.3
1939	6.3	12.7	15.3	9.4	24.9	28.9	3.2
1940	n.a.	n.a.	32.2	n.a.	n.a.	41.0	1.2

TABLE SIXTEEN.

THE RETENTION RATIO (Profits less Dividends as percentage of profits)

The Economist series		UK Industrial Companies in China					
for the UK		Total	B.A.T. China	Other	-Cotton Textiles	-Marine Engineering	-Mining
1895	n.a.	39.2	-	39.2	-	39.9	-
1896	n.a.	36.9	-	36.9	-	35.3	-
1897	n.a.	35.9	-	35.9	39.5	32.9	-
1898	n.a.	32.1	-	32.1	18.4	34.9	-
1899	n.a.	30.1	-	30.1	100.0	26.7	-
1900	n.a.	-32.2	-	-32.2	-100.0	3.9	-100.0
1901	n.a.	37.3	-	37.3	100.0	44.5	5.2
1902	n.a.	n.a.	n.a.	20.1	100.0	9.1	27.7
1903	n.a.	n.a.	n.a.	7.0	-28.6	7.7	8.4
1904	n.a.	n.a.	n.a.	10.7	-100.0	10.8	9.6
1905	n.a.	33.1	73.2	25.7	46.9	-7.5	31.5
1906	n.a.	38.8	64.0	28.3	51.0	8.9	23.3
1907	n.a.	33.7	45.4	29.1	-670.6	10.1	38.2
1908	n.a.	27.4	11.1	28.4	22.0	-11.5	36.6
1909	20.1	35.0	51.9	30.0	38.2	-5.2	36.5
1910	24.4	34.5	16.4	39.6	4.5	-96.9	50.6
1911	27.4	38.6	-27.9	52.4	23.5	-165.4	73.3
1912	16.4	32.2	42.2	24.2	31.7	4.9	28.7
1913	28.4	38.9	60.2	29.1	34.7	10.1	25.6
1914	26.3	55.5	85.0	34.0	23.8	-2.8	39.3
1915	28.3	n.a.	n.a.	26.0	31.9	-193.6	45.6
1916	35.2	n.a.	n.a.	27.6	-561.3	37.1	40.7
1917	36.7	35.8	33.8	36.7	48.3	27.6	33.7
1918	35.1	47.9	62.7	36.3	35.1	33.7	40.6
1919	35.2	42.0	49.6	34.7	33.1	32.9	32.4
1920	28.8	43.0	55.5	14.2	18.4	25.2	5.0
1921	-7.9	38.7	54.0	12.2	5.5	27.7	-18.1
1922	15.2	44.0	53.9	-20.5	-51.7	3.9	-42.3
1923	20.2	50.5	53.9	27.0	-135.7	-6.0	44.6
1924	22.3	50.2	54.0	-4.4	-136.4	11.7	54.5
1925	21.1	54.4	58.0	-3.2	67.8	-57.2	32.9
1926	17.9	55.8	60.0	13.8	-7.6	-0.3	23.2
1927	20.7	53.7	62.9	-6.4	-93.1	-6.8	2.2
1928	20.1	52.2	59.3	-15.1	27.2	21.0	-67.4
1929	18.6	48.5	57.0	4.6	14.7	45.6	-86.7
1930	15.7	57.9	63.3	11.0	41.5	-16.3	-72.5
1931	5.5	58.2	67.6	2.8	18.9	-137.4	1.5
1932	8.9	60.6	67.6	-15.9	9.1	28.4	-204.3
1933	17.2	65.5	67.5	-11.4	-24.1	-116.2	77.2
1934	20.9	66.6	67.4	40.4	-55.5	-657.1	88.6
1935	24.6	65.6	68.1	-257.9	-358.9	-100.0	-143.0
1936	27.5	64.1	66.8	46.3	58.0	-100.0	40.1
1937	30.7	65.4	69.6	36.1	51.6	25.4	21.8
1938	29.4	54.6	65.9	20.8	22.1	23.6	29.9
1939	26.9	73.4	80.2	14.3	37.4	-105.6	-10.4
1940	n.a.	n.a.	51.6	n.a.	n.a.	34.5	89.3

the Shanghai Worsteds Mills, Limited, established in 1935, had strong Chinese presence from its foundation.

Mining.

Of the three British companies that engaged in sustained mining operations in China only the smallest company – the Shanghai Exploration and Mining Company, Limited had a great number of Chinese shareholders – probably up to 50 percent. Of the other two companies (both UK registered) the Peking Syndicate, Limited had no Chinese shareholders but in its early days the Chinese Engineering and Mining Company, Limited had a significant proportion of Chinese shareholders stemming from its 1901 takeover of the original Chinese company but the proportion of such shareholders declined over time.

However, it is worth noting, as described in PART III – Chapter Two, that from 1912 and 1914, respectively, the Chinese Engineering and Mining Company, Limited and the Peking Syndicate, Limited combined most of their activities into joint ventures with Chinese companies. In both cases the 1930s saw a strengthening of the interests of the Chinese partners in these respective joint ventures.

Marine Engineering.

After a long period of amalgamations the main British interests in this activity were consolidated in 1936 into Shanghai Dockyards, Limited. The Chinese interest in this company eventually reached 80 percent of the issued capital.

Chemicals.

Of the two leading British companies in the 1930s – The China Soap Company, Limited (Unilever) and the Orient Paint, Colour and Varnish Company, Limited – only the latter had a Chinese share (4.5% from mid-1938) of its equity.

Other Industries excluding tobacco.

Chinese investors did not figure strongly overall in these industries. An exception was the Ewo Brewery when it was changed from a private concern to a public company in 1940 – this increased the Chinese share of the company to around 60 percent (see PART IV (C)).

British -American Tobacco.

The share of Chinese investors in the B.A.T. subsidiaries in China has been pinpointed above in PART III – Chapter One. The share of Chinese investors in British-American Tobacco Company (China), Limited never exceeded 5.1%. This proportion is low compared with, say, the textile and marine engineering sectors. Thus, the B.A.T. companies in China had a high retention ratio but a low proportion of Chinese investors. In contrast, those sectors with a relatively low retention ratio such as cotton textiles and marine engineering had a high proportion of Chinese investors.

(C) A COMPARISON BY INDUSTRIAL SECTOR.

(a) British-American Tobacco.

Figure 10 (Based on Table QQQ in THE STATISTICAL ANNEX) shows the respective dividend records of the B.A.T. China flagship companies with those of two UK tobacco companies and the leading Chinese competitor – Nanyang Brothers Tobacco Company. Although lagging behind the dividend record of the Nanyang Brothers Tobacco Company in the early 1920s the B.A.T. company in China was ahead as regards dividends from 1924 onwards. However, in relation to dividends by UK tobacco companies those of the B.A.T. subsidiaries in China tended to be modest apart from during the First World War and just before

the Pacific War. (The profits of Imperial Tobacco would include dividends from the B.A.T. parent company but over the period these were at a rate below the dividends of Imperial Tobacco). These high dividends by leading UK tobacco firms further illustrate the fact that the First World War and the next two decades were periods of prosperity for the cigarette industry Worldwide and that the high level of prosperity of B.A.T. in China was not exceptional.

(b) Cotton Textiles.

Figure 11 (Based on Table RRR in the STATISTICAL ANNEX) gives the dividend progress of UK cotton firms in China as compared with their counterparts in the UK and Japan. The pioneer UK cotton companies in China had a poor start (see PART III, Chapter Three (A)) but the situation improved markedly from 1905. There followed a period of reasonable dividends until the massive boom conditions of 1917-1922. It should be noted, however, that this boom also applied, albeit at a lower level, to the industry in Japan and the UK. From 1923 onwards, apart from 1929, the dividend level was unspectacular albeit much higher than that of the UK industry which was starting its terminal decline. This situation lasted until 1938 onwards with the UK mills in China enjoying boom conditions again.

(c) Marine Engineering.

Figure 12 (Based on Table SSS in the STATISTICAL ANNEX) shows the relative position as regards dividends of UK companies in Shanghai compared with leading companies in the UK. In the late 1890s and until 1904 the level of dividends was in excess of the UK level. However, due to the entry of further British firms and the growing competition from the Chinese concern of Kiangnan (Jiangnan) Dock and Engineering Works dividends were mediocre until the First World War led to a high level of dividends, particularly in 1919 and 1920. Dividends in the balance of the 1920s were unspectacular, albeit better than that of UK counterparts, and matters deteriorated in the mid 1930s – in contrast to the UK experience. The special conditions applying from 1937 onwards plus the savings following on the merger of the two leading British companies in Shanghai led to a period of (short lived) prosperity.

(d) Mining.

Of the three important British coal mining companies in China the Peking Syndicate was by far the worst performing. From the start in 1908 of its mines in Henan until June, 1922 accumulated profits only amounted to £70 thous. compared with the cost of the concession and capital expenditure totalling £811 thous. (10). There was a brief period of relative prosperity in the early 1920s but after then the profits of the mines went downhill (See Table V in the STATISTICAL ANNEX) :-

<u>Years to end June.</u>	<u>£thous.</u>	<u>Years to end June.</u>	<u>£thous.</u>
1923	100.6	1931	-12.6
1924	114.0	1932	-24.6
1925	56.3	18 months to end 1933	-26.1
1926	-31.3	1934 – calendar	-20.0
1927	-50.7	1935	18.5
1928	-75.0	1936	n.a.
1929	-45.5	1937	11.8
1930	-23.6	1938-1940	-

Only in one year –1936- did the Peking Syndicate pay a dividend (3.3%) on a reduced capital. From its entry into production to the end of 1937 the total profit of the Henan mining operation was only c. £70

thous. against fixed capital expenditure on these mines which totalled £865 thous. up to the end of June, 1928. (11).

The relatively small Shanghai Exploration and Mining Company had a chequered career and it was unfortunate for the Company that its best years were close to the Pacific War. It only made a small net profit in 3 out of the years 1920 to 1931. However, the 1930s saw a pronounced revival with a high dividend record towards the end of the period (See Table S in the STATISTICAL APPENDIX):-

1933	8%
1934	6%
1935	4%
1936	-
1937	6.25%
1938	29% + one bonus share for every 5
1939	34.25%
1940	68.5% + one bonus share for every 5

The Chinese Engineering and Mining Company was until 1937 capitalised at slightly less than the Pekin Syndicate and this tended to affect the position as regards profits and dividends in total of these three significant UK mining ventures in China. Only in two years – 1934 and 1935 – did the Chinese Engineering and Mining Company fail to pay a dividend before the outbreak of the Pacific War and only in the former year did it make a (small) loss – overall the Company was satisfactorily profitable in contrast to Pekin Syndicate – see PART III – Chapter Two.

Figures 13 (Based on Table TTT in the STATISTICAL ANNEX) and 14 (Based on Table UUU in the STATISTICAL ANNEX) show the comparison between the operations of the Chinese Engineering and Mining Company / Kailan Mining Administration and the UK coal industry. Profits per ton of coal raised were consistently higher than the depressed UK industry with the exception of 1936 (Apart from poor trading conditions the UK coal industry also suffered from the fact that in terms of mechanisation a substantial proportion of its pits were not much further advanced than the Kailan mines). In terms of labour costs the Kailan Mining Administration clearly enjoyed an advantage but the margin narrowed by the 1930s. Real wages rose at the Kailan Mining Administration – by 1931 they were about twice the level of 1920 and this rise continued until 1935 – after which there was some relapse. (12).

External factors in the 1920s and 1930s meant that the Kailan Mining Administration could not enjoy the full advantage of its low labour costs. One reason is that coal at the pithead is, apart from use in internal power generation, useless unless there is secure transport to the consumer markets. The difficulties that the Company experienced in this regard were legion. A regular feature of the annual reports of the Chinese Engineering and Mining Company was statements on the following lines :-

“... our sales were in every market limited by the amount of coal we were able to transport.” (13).

There were endless troubles with the Peking-Mukden Railway Company which came to a head in 1931 when the railway concern attempted to blackmail the mining concern. (14). Add to this civil and military disturbances and labour troubles then the profitability of the mines was below what one might expect from its low labour costs. Also a factor hitting the English partner in the Kailan Mining Administration was that, as the external value of the Chinese currency fell, the profits in terms of Sterling fell.

(e) Chemicals.

Until the mid-1920s the profitability of the British sector in this industry in the form of Major Brothers Limited, a producer of industrial acids, was mediocre. No dividends were paid by this firm between 1904 and 1929. The position changed with the formation of The China Soap Company, Limited and the coming on stream of the factory in Shanghai of this Lever Brothers company in 1925. Apart from 1935 this company proved to be consistently profitable (15) :-

Profits as percentage of capital.

1926	1.1	1934	12.6
1927	5.5	1935	-7.6
1928	5.1	1936	9.5
1929	7.5	1937	1.5
1930	8.8	1938	15.9
1931	17.5	1939	83.8
1932	14.9	1940	44.0
1933	15.1		

The other late UK entrant in this field was the Orient Paint, Colour and Varnish Company, Limited and here the record was not initially as favourable as the Unilever company. Losses were made in the first four financial years (to end September) but 1938/9 saw a move to profitability – 29.8 percent of capital. In 1939/40 profits were 71.1 percent of capital and in 1940/41 109.8 percent. Dividends were, however, restrained - 5 percent in 1938/9, 10 percent in 1939/40 and nil in 1940/41 – see PART III – Chapter Five.

(f) Other industrial sectors.

Profits in the food and drink area were modest except in the case of the freezing, mainly for export, of eggs, game, poultry, etc which was particularly profitable in the period 1912-1919. In wood processing, the leading British company of The China Import and Export Lumber Company, Limited made steady progress (except for 1908) in the years up to the First World War. In the ensuing boom towards the end of the War the Company delivered dividends of 33 percent in 1917, 1918 and 1919. Dividends were passed in the next two years but with the exception of 1926 dividends were paid in the rest of the decade with 1929 (and 1930) being good years with dividends of 24 percent. After modest payments in the first years of the next decade the Company paid high dividends in 1938 (20 percent) and 1939 and 1940 (46.5 percent in each year). (See Table OOO in the STATISTICAL ANNEX).

The musical instruments company of S.Moutrie and Company, Limited (pianos and organs) made modest profits up to the year ending March, 1910 when the dividend was passed as it was in the next two financial years. However, dividends were resumed in the following financial year and this revival was continued. The 1920s saw a period of considerable prosperity with dividends averaging 19 percent per annum. The first half of the 1930s brought a period of great difficulty. Losses were made, dividends were passed and there was talk of liquidation. With the development of exports of pianos, the crisis was overcome and dividends were resumed in the year to March, 1937. (See Table PPP in the STATISTICAL ANNEX).

Another specialist company was Electric and Musical Industries (China), Limited which was formed in 1934 to take over the previous interests of the Group in China – Pathé Orient and China Record which had in recent years been making losses. The revival in the Company's fortunes was remarkable and dividends to the parent company (Electric and Musical Industries, Limited) rose sharply (see Table HHH in the STATISTICAL ANNEX :-

Years to end June – Percent. *					
(Compare EMI, Ltd. **)			Compare EMI, Ltd.**)		
1935	14	(12.5)	1939	44.5	(-)
1936	35	(10)	1940	105.5	(-)
1937	44	(10)	1941	197	(6)
1938	43	(5)			

* See Table HHH in the STATISTICAL ANNEX.

** Source : The Stock Exchange Yearbook.

The parent company in England did use the Chinese subsidiary as a “cash cow” – in the period from June, 1934 to June, 1941 retentions by the company in China were only 0.6 percent of earnings (see TABLE HHH in the STATISTICAL ANNEX). (As can be seen above, the performance of the EMI Group as a whole was mediocre).

(D) CONCLUSIONS

(1) PROFITABILITY

The charge that British industrial companies in China enjoyed a bonanza and were in an environment where profitability was well above that of their home equivalents is not proven. Discounting the special conditions towards the end of the First World War and in the immediate years before the Pacific War (where in both cases this prosperity was shared by other foreign firms and in the first case by Chinese firms and in the second case those Chinese firms that escaped Japanese aggression) the financial information suggests that there was no markedly higher profitability for British concerns over their counterparts in the home country.

Another approach confirming the above does not relate principally to financial data but looks at the failure rate of British industrial enterprises in China. This was quite considerable over the period under review and probably in excess of the situation in the UK.

Examples include :-

(i) Cotton Textiles.

In the 1920s two out of the three British cotton spinners and weavers went out of existence after enormous losses leaving, until two new entrants in the next decade, Ewo Cotton Mills, Limited (Jardine Matheson) as the sole survivor - see PART III – Chapter Three (A).

(ii) Marine Engineering.

The Shanghai Engineering, Shipbuilding and Dock Company, Limited was founded with ambitious plans in 1892 but had a short and unsuccessful life. After expensive delays, due to wet weather, labour troubles, repeated flooding of the coffer dam and landslip (16), its dry dock in Shanghai was opened in May, 1899. (17). Reporting on its results to end April, 1900 the Company admitted it was “getting further into debt” – at end April 1900 ‘sundry creditors’ were 82 percent of issued capital. (18). The Company was rescued by another British company (S.C.Farnham and Company, Limited) in order to “get rid of reckless competition”. (19). After the takeover, S.C.Farnham found that the financial situation was even worse than claimed. Claimed stocks in the accounts “could not be found” and there was a previously undisclosed bank loan plus “outstanding bills whose name is legion”. (20).

The Vulcan Ironworks, Limited was founded in 1905. The firm started off fairly well but matters deteriorated after the first three financial years (to end August) and losses were made in the financial years 1909 and 1910. The Company was hit by heavy interest charges and despite a small profit, the Chairman stated at the annual meeting in 1911 that “with the very heavy sum to be paid for interest, the chance of the

shareholders ever having a dividend are remote". (21). Heavy losses were made in the period September, 1911 to February, 1912 and at a meeting in April, 1912 the shareholders voted for a merger with another British firm – the New Engineering and Shipbuilding Works, Limited. (22).

(iii) Mining.

Seventeen British mining ventures were established from 1896 to 1920 but only seven actually started mining operations in China. Of these only the three companies discussed above engaged in sustained operations. The other four companies :-

- The Anglo-French Quicksilver and Mining Concession (Kwei-Chau Province) of China, Limited. Established 1899 – wound up 1920.
- Tung Tsing Coalmining Company – 1910-1917.
- Kiangpei Ting Coal and Iron Mining Company – 1906-1909.
- The Weihaiwei Gold Mining Company, Limited – 1903 – wound up in early 1907.

all did not survive.

(iv) Chemicals.

The ephemeral career of the Yue Kang Glue Factory Company is an example of the pitfalls facing British investors in China. The Company was established in January, 1900 with a capital of \$125,000 (£11 thous.) and by April, 1900 the plant in Shanghai was ready. (23). It suffered many problems (24) :-

- a loss of 10,399 taels (£1,350) was made in the period January 29th, 1900 to December 31st, 1900.
- shortage of working capital.
- difficulties with the comprador.
- sourcing problems. The bones supplied were of inferior quality compared with the UK.. Only 14 percent was realised as glue. Also the price of bones rose as soon as buying commenced.
- production problems. The hot and damp weather of a Shanghai summer reduced the yield of glue from bones to only 10 percent and spoilt the glue.

In the case of the last two problems the Company admitted that they had not taken full account of how "different conditions were from home". After losses the shareholders voted for liquidation in April, 1902. (25).

Another disastrous and very short lived venture occurred in 1911 with Demovel, Limited with a 800 gallons per day plant in Shanghai for making paint remover. (26).

(v) Other Industrial Sectors.

As illustrated in PART III – Chapter 7 the following two food companies illustrate the problems of British enterprises during this period relying on the input of indigenous agricultural materials – with the danger of interruptions to supplies due to natural disasters or civil or military disruptions accompanied with violent price fluctuations :-

- The China Flour Mill Company, Limited.
- Scharff's Oil and Bone Mills, Limited.

Other British companies which were relatively short lived and went into liquidation included :-

- General Forge Products (1929), Limited, producing nails, bolts, etc., went into liquidation in 1934.

- A. Butler Cement Tile Works, Limited – see PART III – Chapter Eight.
- China Aerocrete – see PART III – Chapter Eight.
- The Shanghai Tanning Factory - see PART III – Chapter Eight.

(2) RETENTION POLICY.

Here the evidence is less clear-cut. The financial evidence is that, excluding B.A.T. from the equation, British industrial companies in China had a retention ratio in the period 1909-1939 3 percentage points lower than companies in Britain. The great discrepancy, as is apparent from the P.E.Hart data for the UK, was in the 1920s and 1930s. Here, it could be argued, British firms “called back the legions” i.e. repatriated as much as possible of what profits there were to the UK. (Given political turmoil, lawlessness, etc in the country of overseas investment, it is clear that many companies will restrict investment locally and try as much as possible to repatriate earnings). However, this charge is negated to a considerable degree by the fact that the British industrial sectors amongst those with the highest degree of Chinese shareholding were also those with low percentages of retention i.e. cotton textiles and marine engineering. (Where there was a high retention ratio i.e. B.A.T. there was a very modest Chinese shareholding). Admittedly, as high Chinese inflation and War conditions existed in the late 1930s British firms tended to repatriate whatever profits they could lay their hands on but this was an extreme case in extenuating circumstances. Over the whole piece British industrial companies in China were only slightly guilty as charged.

A final point. The third charge, noted above, is that the early profits of British commercial activities in China e.g. the opium trade plus profits on land purchases i.e. alleged commercial exploitation aided by the “Unequal Treaties” and the Concessions, funded British industrial investment in China and thus there was little capital inflow. According to Wei Zichu this recycling was predominantly in the hands of trading companies such as Jardine Matheson and such recycling of profits by British banks and insurance companies in China to British industrial enterprises in China was virtually nil. (27).

This seems to contradict to some extent the second charge. However, it could be argued that the profits from drug dealing, in particular, were so enormous that organisations could do both – repatriate very large sums as well as invest heavily locally.

This charge could be seen as having some validity in the early days of British industrial investment in China. However, as time went on, the proportion of British industrial investment in the hands of long established trading companies such as Jardine Matheson shrank considerably. The author estimates that by 1937 under 15 percent of British industrial investment in China was in the hands of these “Old China Hands”.

Percent.

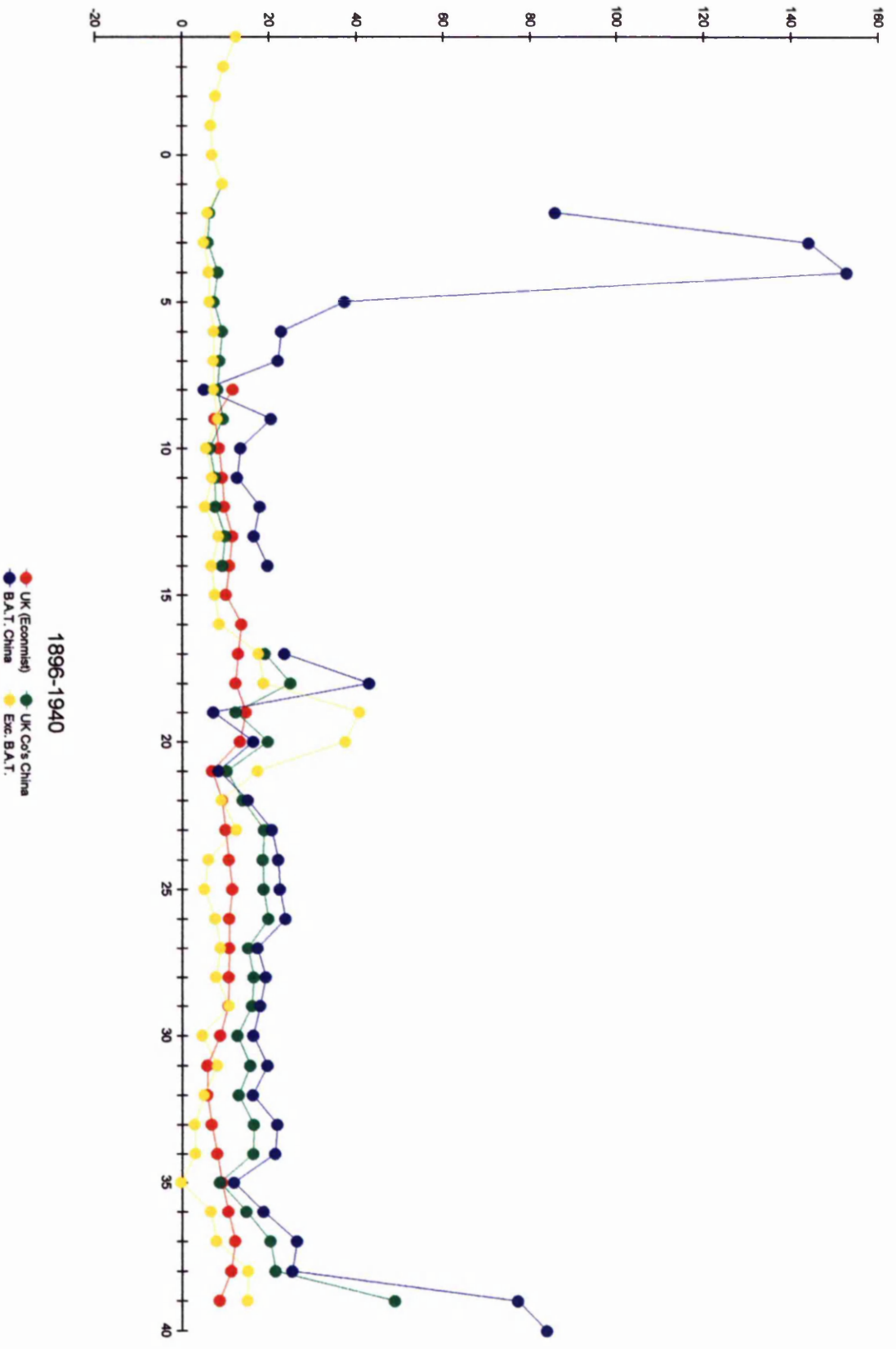


FIGURE 4
Profits as % of Paid-up Capital

PERCENT.

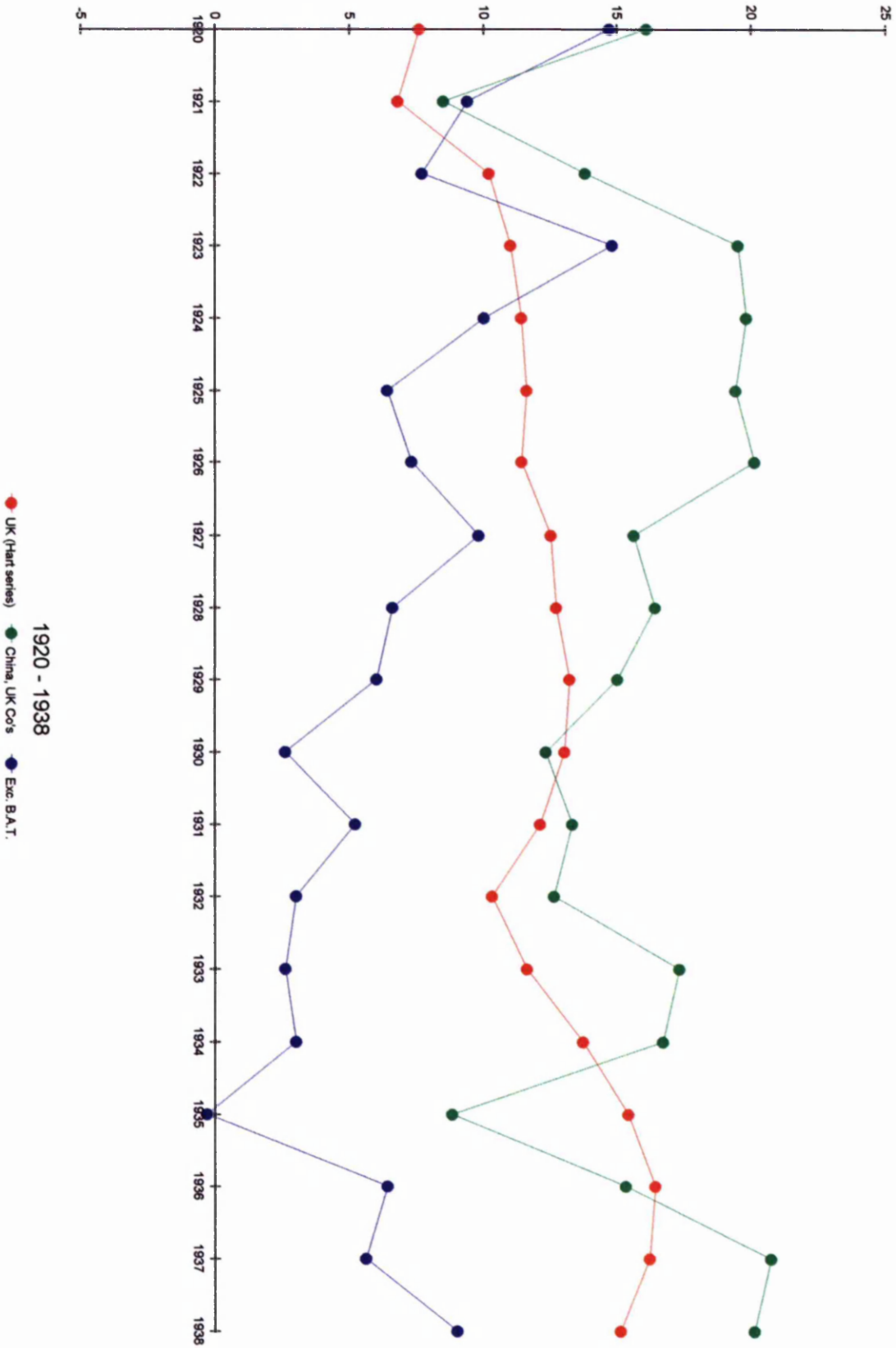


FIGURE 5
Ind. Co's - Profits as % Capital*

* Excluding Textiles.

Percent.

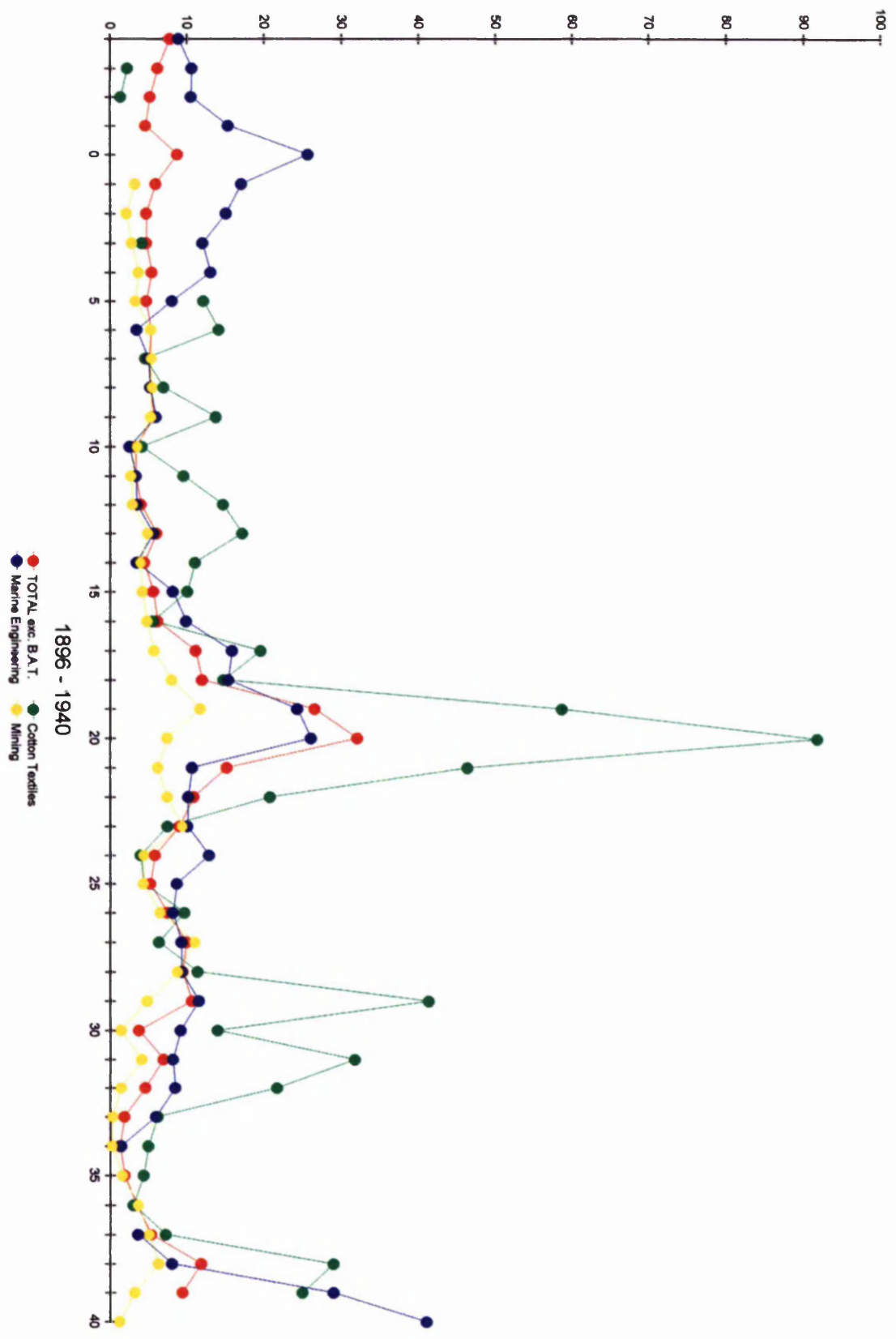


FIGURE 6
Profits as % of Paid - up Capital

Percent.

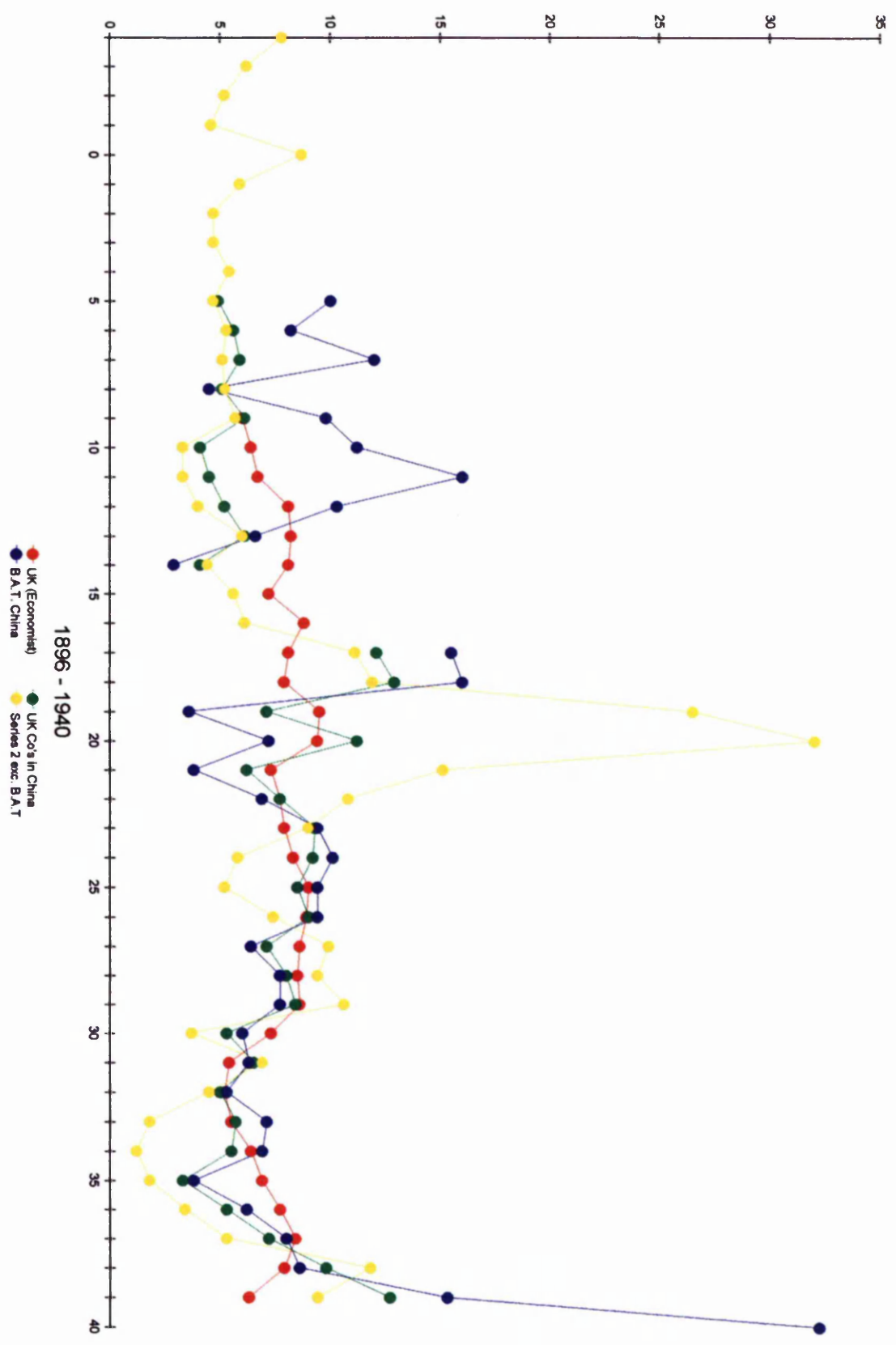


FIGURE 7
Dividends on Paid - up Capital

PERCENT

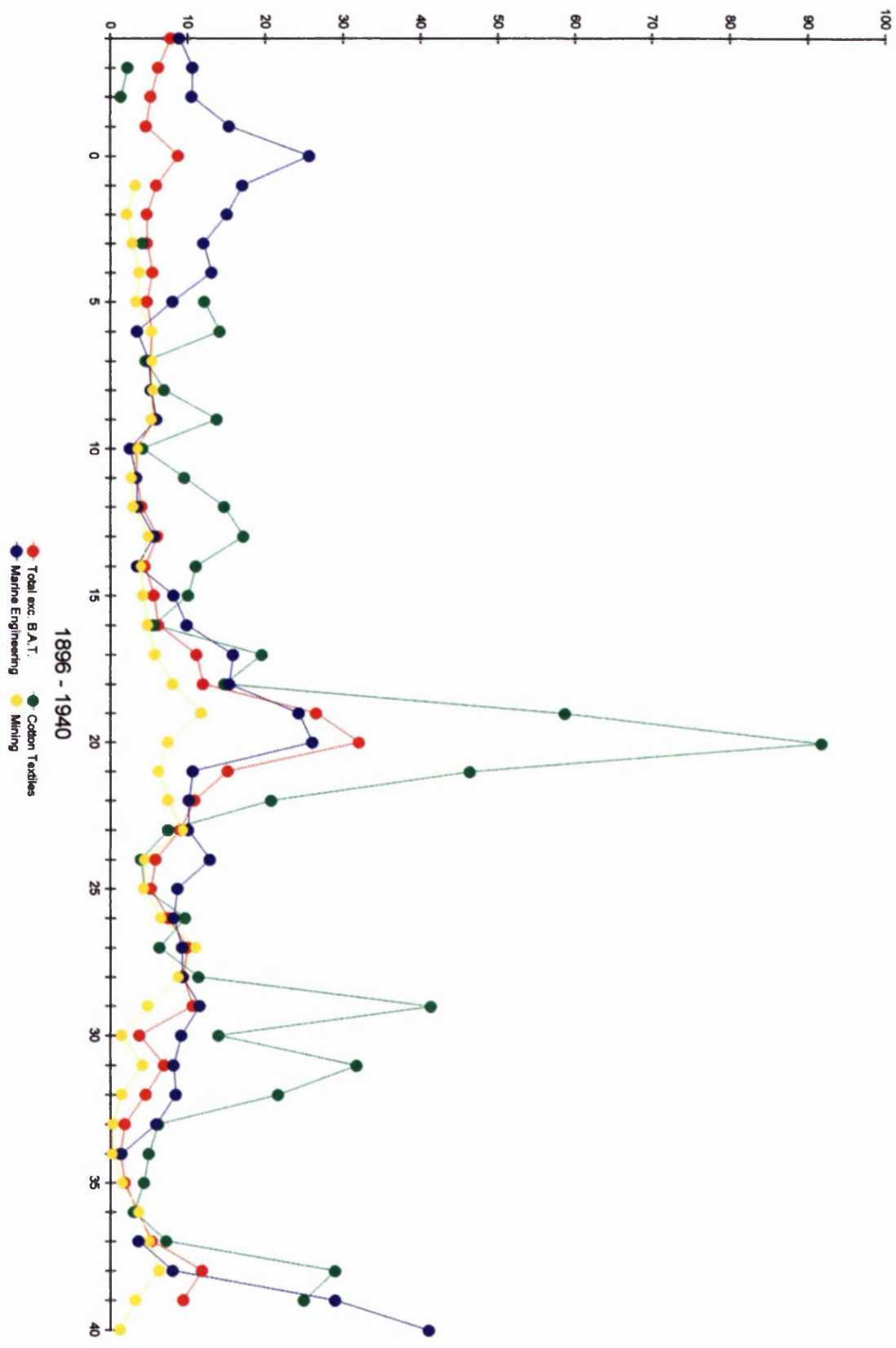


FIGURE 8
Dividends on Paid-up Capital

PERCENT

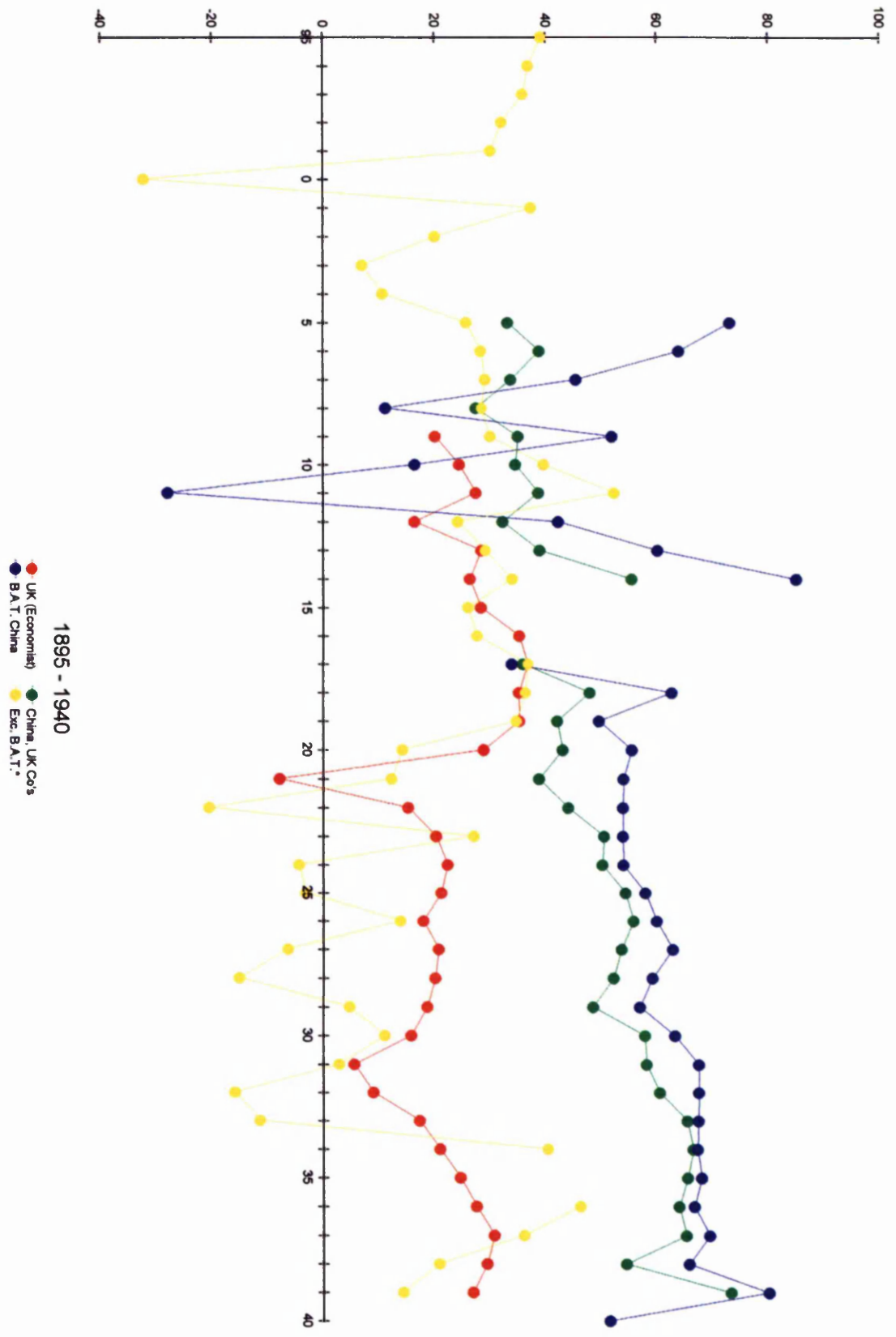


FIGURE 9
THE RETENTION RATIO

1895 - 1940

- UK (Economist)
- China, UK Co's
- B.A.T., China
- China Excl. B.A.T.

*1935 = 257.9

PERCENT.

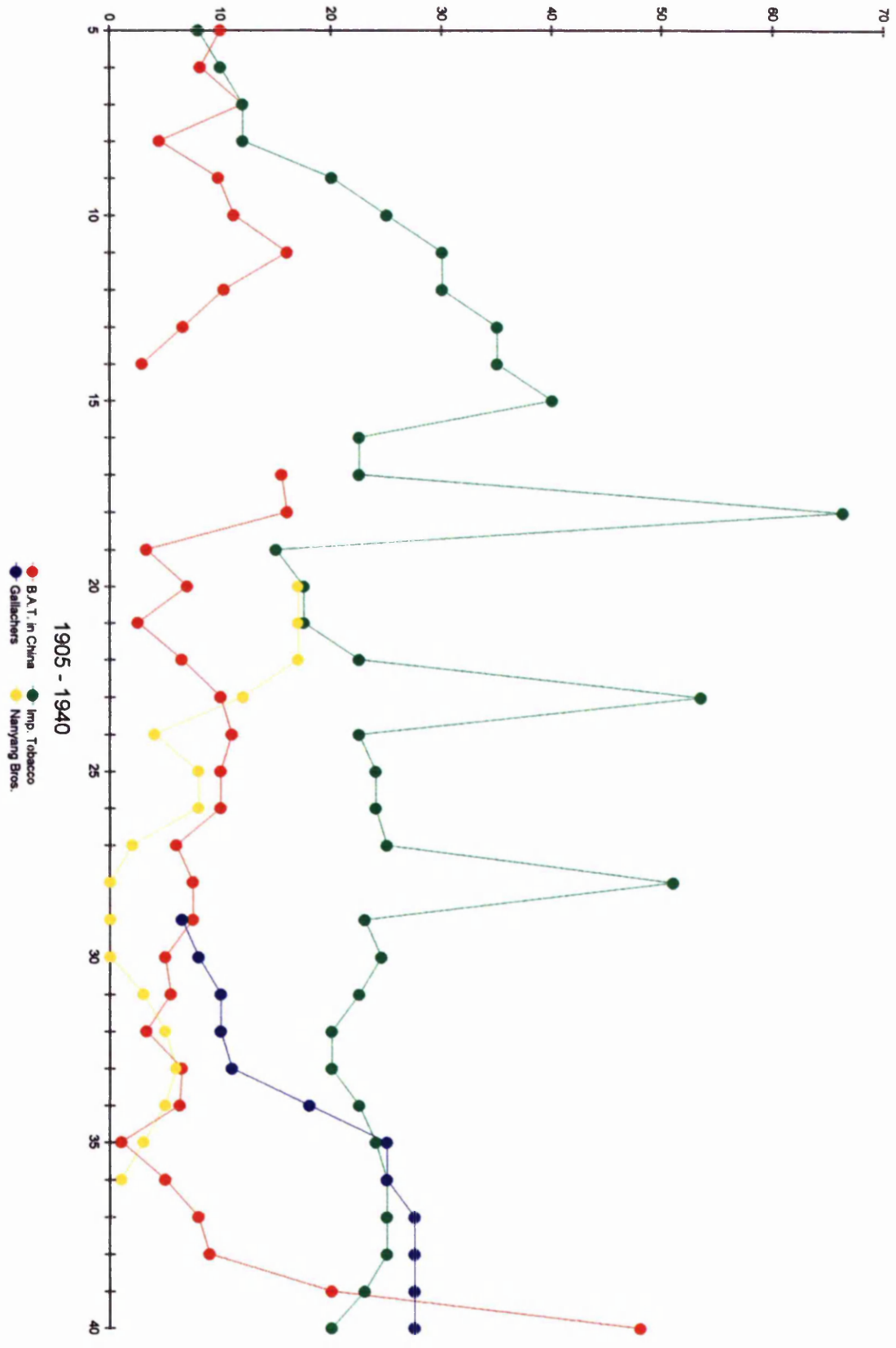


FIGURE 10
Ord. Dividends of Tobacco Co's

PERCENT.

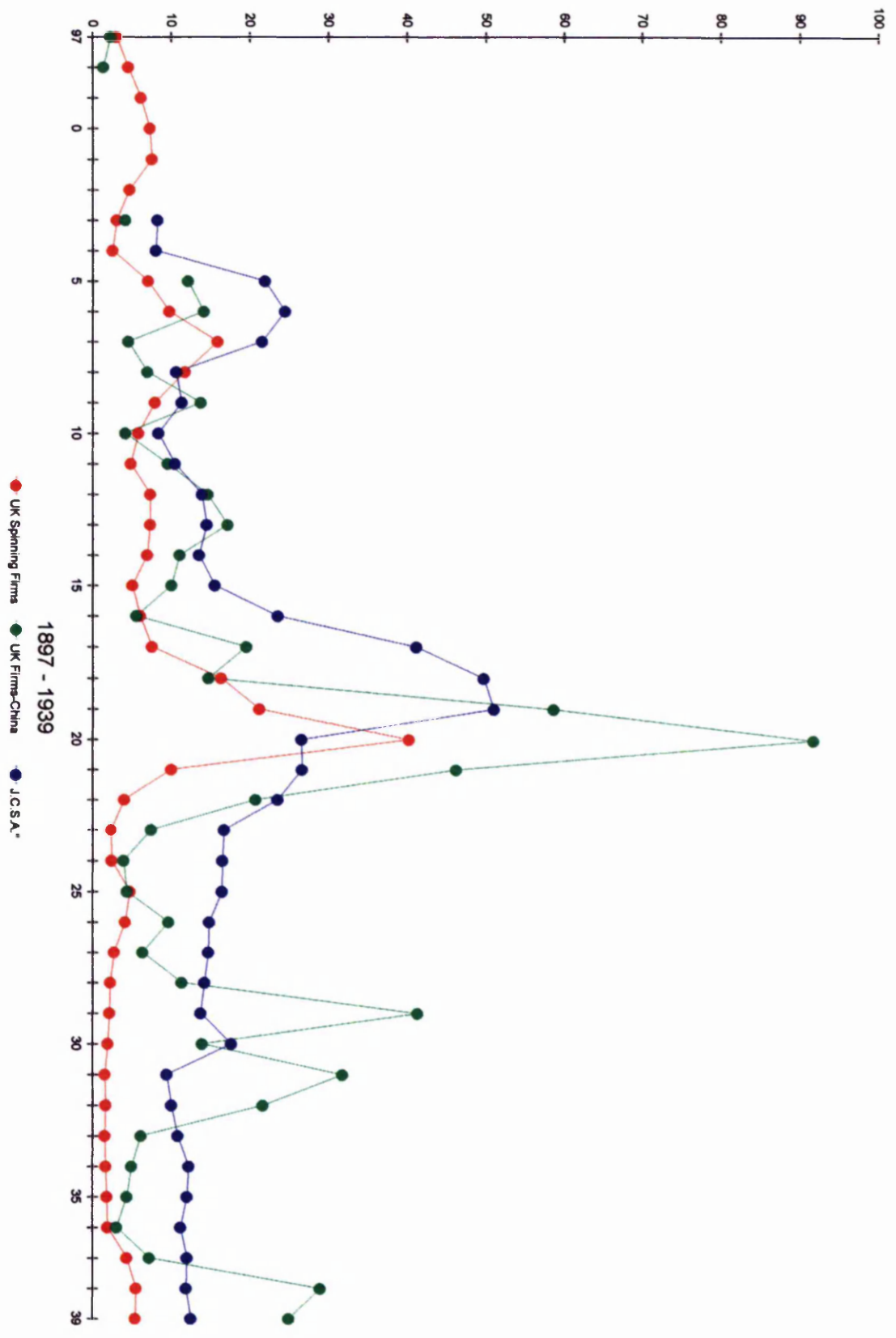


FIGURE 11
Dividends - Cotton Textile Firms.

PERCENT

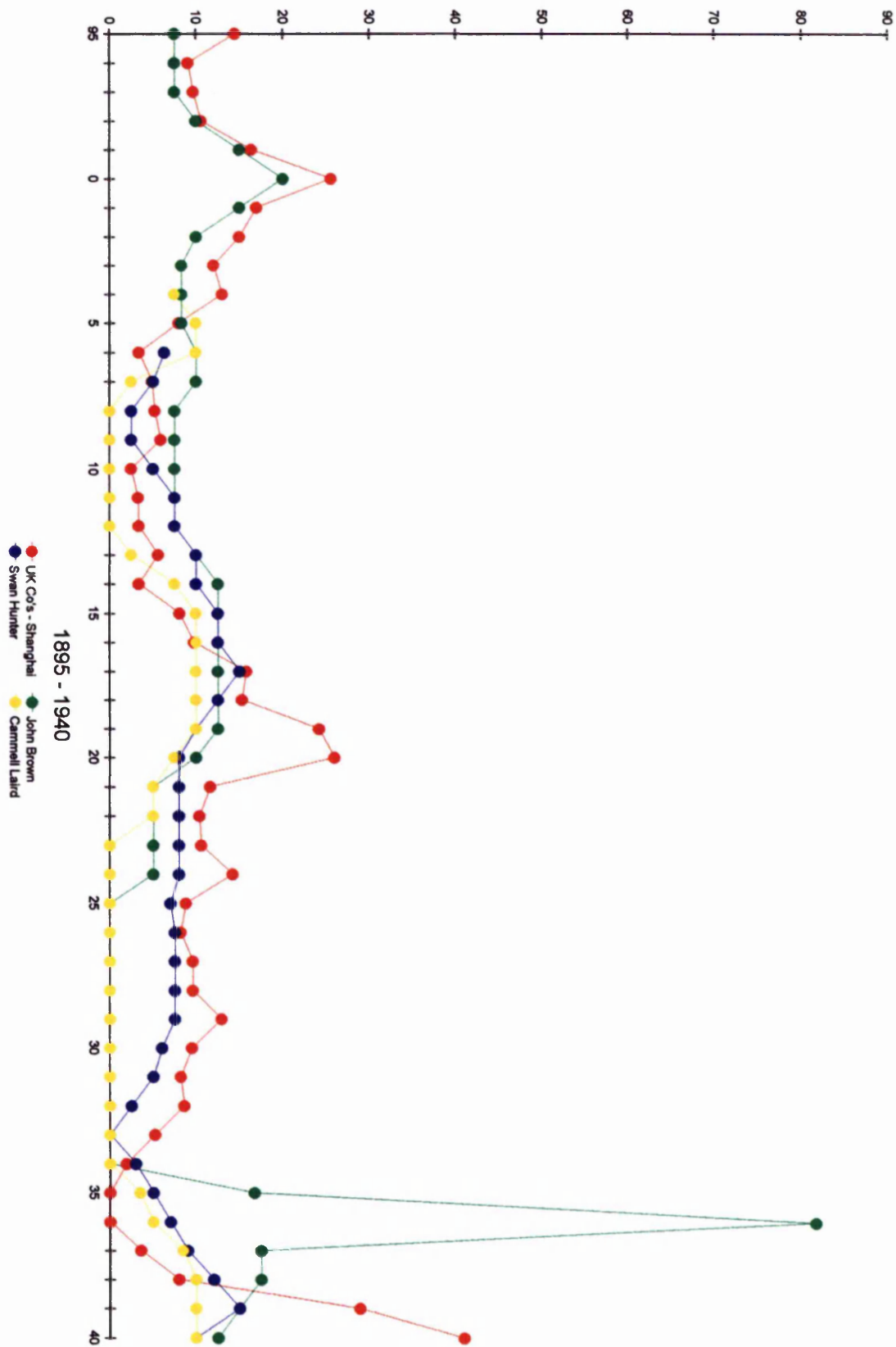


FIGURE 12
Marine Eng. Co's. Ord. Dividends

Pence (new) per ton of coal.

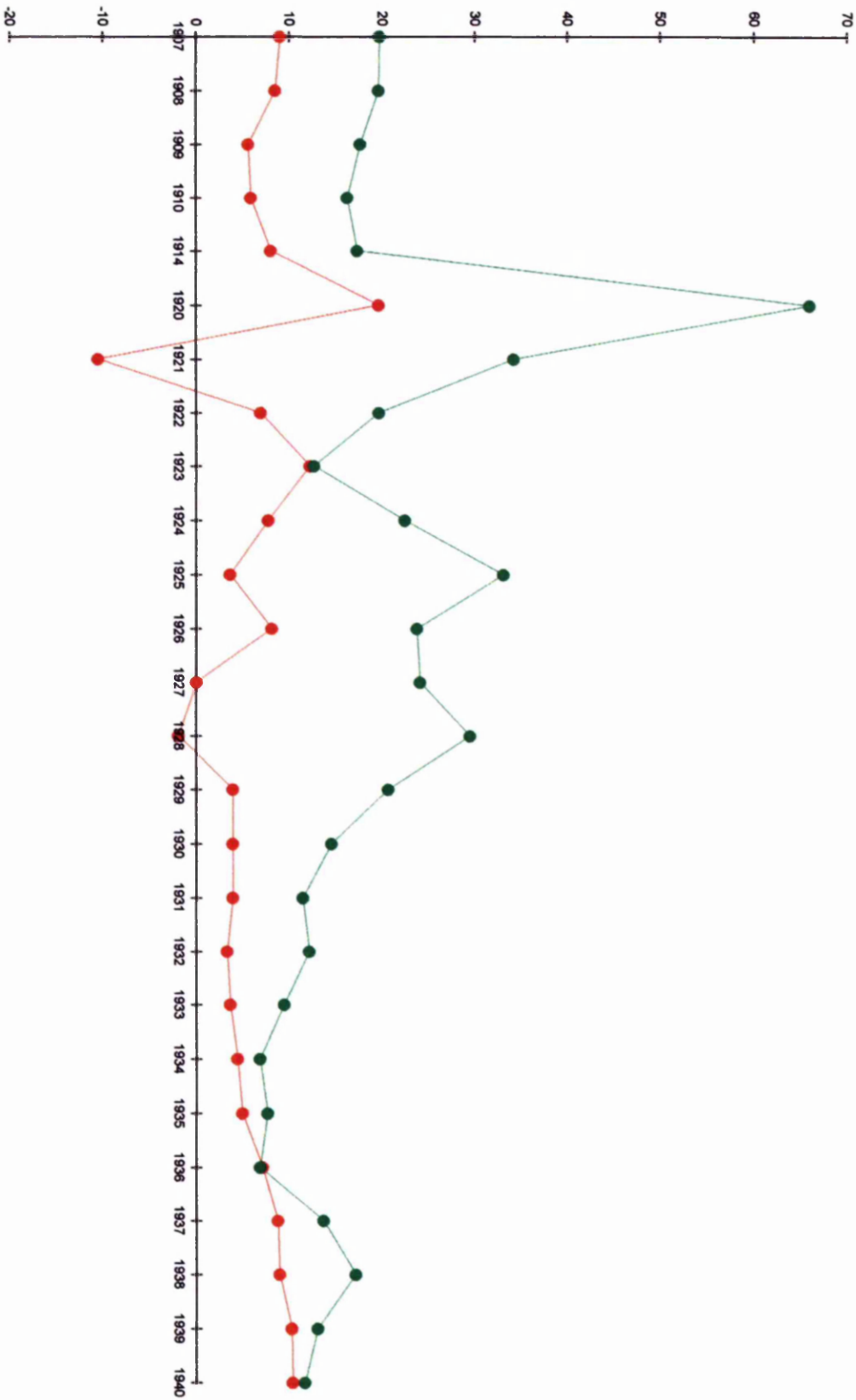


FIGURE 13
Profits/royalties per ton raised.

1907-1910, 1914, 1920-1940
◆ UK MINES ● K.M.A.*

* Kailan Mining Administration and predecessor.

PERCENT

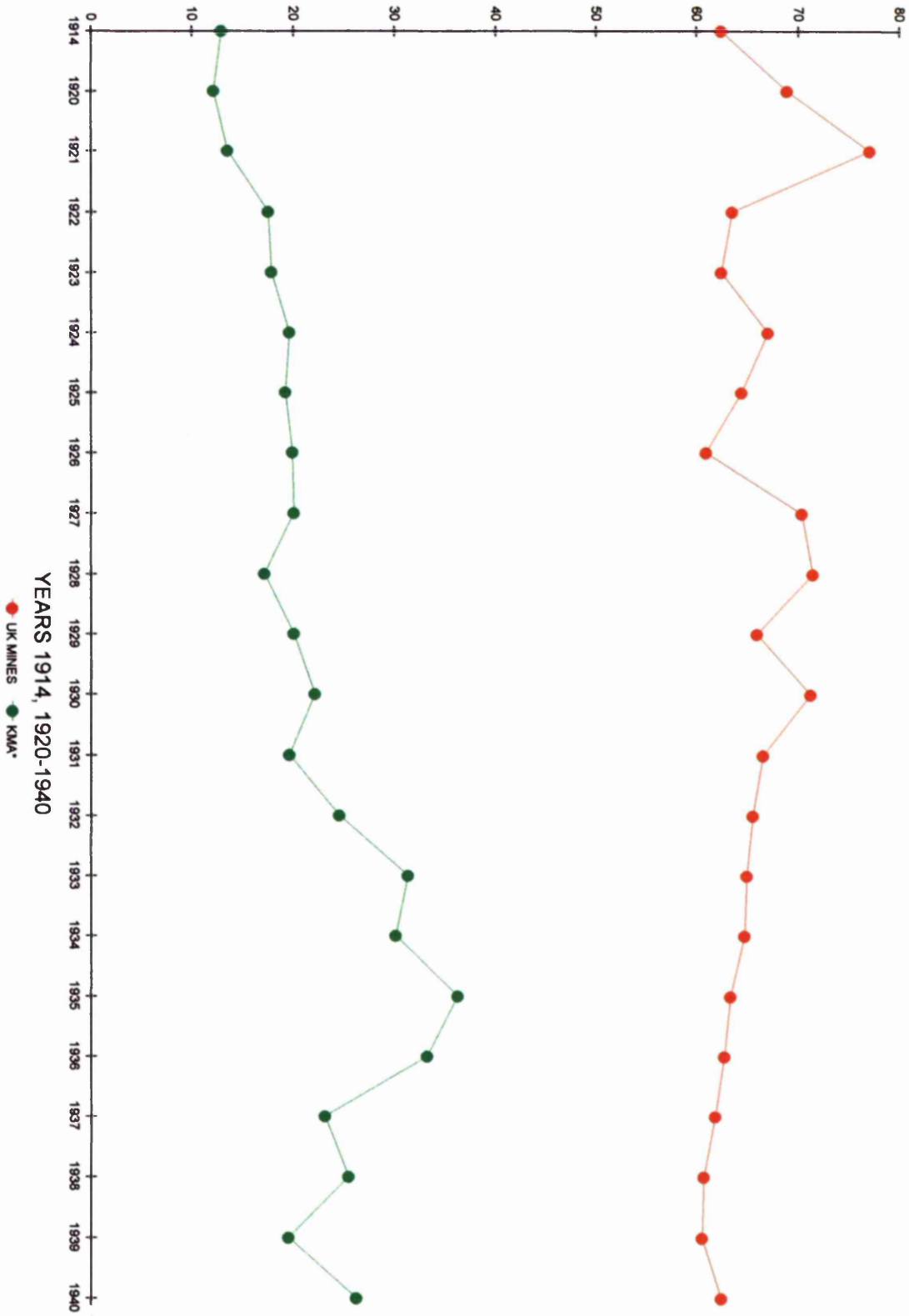


FIGURE 14
Labour costs as % output value

* KAILAN MINING ADMINISTRATION

PART VII – A SUMMARY OF, AND CONCLUSIONS FROM, THE EVIDENCE ADVANCED IN PARTS III AND V CONCERNING THE IMPACT, FAVOURABLE OR OTHERWISE, ON CHINA OF BRITISH INDUSTRIAL INVESTMENT.

The purpose of this concluding part of the study is to answer a salient question that was raised in the Literature Review – Was the net result of British industrial investment in Mainland China in the period under review to the advantage or otherwise of the Chinese economy?. (Couched in terms of total foreign investment in China this has been a much discussed topic and, also what might be said, a highly polemical and politicised topic. Here an attempt is made to confine the analysis to strictly economic terms.). The analysis below is, to a large extent, based on the studies of the various branches of British industrial investment given in PART III and the overall analysis of the financial aspect given in PART V. Clearly there was likely to be a differential impact of the various industrial sectors on the Chinese economy and this has been brought out in the concluding parts of the sector studies in each Chapter of PART III.

Historically there was a clear answer to the above question by a widespread school of thought epitomised in the writings of Mao Zedong (and Marxists generally). Industrial investment by foreigners in both light and heavy industry in China served “to obstruct the development of her productive force” (1). Not only that, foreign direct investments, as with most significant investments, being capitalist in character were historically ephemeral in that they would experience an inexorable transition to state ownership :-

“ The socialist system will eventually replace the capitalist system : this is an objective law independent of man’s will “ (2).

Economic penetration by foreigners into China in all sectors, not just industrial investment, was, it was alleged, particularly inhibiting on Chinese development due to “Imperialist Oppression”. An essence of imperialism in the economic sphere is that the foreign Government secures for its citizens in the host country advantages not justified by a level playing field. Among the factors which, it was thought, conferred economic advantages on the British and other foreigners in China were those arising from the “unequal treaties” – in particular :-

Lack of tariff autonomy.

From the Treaty of Nanjing in 1842 until the beginning of the 1930s China did not enjoy the right to fix unilaterally her customs duties. During this period import tariff rates were fixed at around 5 percent ad valorem. On regaining tariff autonomy in 1929 there was a sharp rise in import duties.

Thus, the level of protection available to protect Chinese industries, particularly infant industries, was fairly negligible. However, this lack of effective tariff protection also affected British industrial concerns in China, particularly in their early years – an example being the difficulties experienced by the Laou Kung Mow cotton mill in 1898 consequent on “dumping” of yarns by Indian and Japanese spinners (see PART III, Chapter Three). A low tariff did, however, aid British industrial enterprises in developing the market for their products when their local output was small - B.A.T. being the main case in point.

The rise in tariffs on resumption of Chinese tariff autonomy did lead to a small increase in UK industrial investment as companies such as the wool textile firm of Patons and Baldwins aimed to recoup what they lost by the imposition of high duties (see PART III, Chapter Three). The increased level of import tariffs did, however, lead to high cost increases for those British enterprises in China that relied to a large extent on imported components (almost 100 percent reliance in the case of the piano manufacturer of

S. Moutrie and Company – see PART III, Chapter Eight). Thus, in 1934 the Shanghai Dock and Engineering Company, Limited had to cope with the following price increases on imported components and materials (3) :-

Steel plates and angles – plus 22%. Teak – plus 50%.

which were mainly attributable to increased tariffs.

Although the period of lack of tariff autonomy was in the interests of British industrial exporters to China and exercised a restraint on indigenous industrial development this cannot be said of British industrial firms in China except in the case noted of B.A.T.

Extraterritoriality and its concomitant privileges.

These rights embodied in various treaties exempted foreigners from Chinese legislative actions and the full extent of internal taxes and levies. These advantages were most pronounced in the Treaty Ports which amounted to self governing foreign enclaves in China. Thus the administration of the International Settlement in Shanghai was dominated by representatives of foreign business interests – particularly British interests. However, these enclaves included some Chinese industrial enterprises (which benefitted in terms of the greater law and order) and also many of the British factories in China were outside these centres. The B.A.T. factories in Pudong, etc were a case in point as were British mining ventures (with one insignificant exception). In the marine engineering sector a significant proportion of British docks in the Shanghai area were in Pudong. Although the extraterritoriality rights applied throughout China, the further from the areas of Western influence they were the less likely they could be enforced in the context of lawlessness and separatism that existed for much of the period in China.

The main situation in which extraterritoriality could be regarded as giving an unfair advantage to British industrial firms is the issue of taxes.

Internal Transit Taxes – The Likin (Li-jin) (4)

Introduced in 1853 (abolished in 1930) the Likin was a tax on goods in transit from one province to another or from one district to another within the same province. The rates varied but normally within each province would not exceed 10 percent but goods going through more than one province could face a total burden of 15-20 percent. In contrast, by the Treaty of Tianjin (1858) goods produced abroad would be exempt by paying half the import duty i.e. around 2.5 percent and later this concession was extended to goods produced in foreign factories in China. At first sight this seems to have extended to foreigners an important advantage. However, beginning in the 1880s, finished products from Chinese factories were exempted. Raw materials and non-factory produced products were not so exempted. Therefore, in so far as British industrial firms in China used a higher proportion of imported raw materials than Chinese factories then this gave them an advantage. Examples where British companies tended to be more reliant on imported raw materials than their Chinese rivals included the marine engineering sector and cotton spinning but over the whole range of industries this advantage was of no great magnitude (B.A.T., for example , adopted a programme of import replacement for its tobacco requirements that came to partial fruition by the 1920s).

Other Domestic Taxes.

Tobacco industry.

In this case (5) B.A.T. had as early as 1904 concluded an agreement with the Chinese Government which allowed its locally made cigarettes to be taxed equally with Chinese goods. The Company, however, suffered increasingly from local taxation including Likin. Negotiations between B.A.T. supported by the Foreign Office and the Beijing Government to relieve the burden of arbitrary taxes by the provincial authorities and replace them by a central Government tax dragged on until 1921 when an agreement was reached for a central Government tax in place of local taxes. However, with the growing disintegration of China, many provinces began to impose consumer taxes on cigarettes. After a confrontation with the emerging Guomindang Government, with this government introducing a blatantly favourable tax schedule for local producers, the issues were resolved in early 1928. The new tax regime, as described in PART III, Chapter One, while starting off fairly neutral, increasingly favoured B.A.T. As the cigarette tax was the third largest source of Government revenue and B.A.T. was the largest single taxpayer this situation was not due to the extraterritoriality factor but to the Company's size and ability to organise a very welcome flow of cash to the Government's coffers.

Mining.

Here the various Chinese mining regulations were paramount over extraterritorial rights and were enshrined in the concession granted. On the whole British mining interests in China did not enjoy any taxation advantages over Chinese mines. In any case the two main enterprises – the Peking Syndicate and the Chinese Engineering and Mining Company – were for most of their working life engaged in joint ventures with Chinese companies.

Cotton textiles.

Here it has been alleged that the excise duties on cotton yarns, imposed in the 1930s to replace the end of the Likin, discriminated against Chinese mills in that the tax rates on coarse yarns (i.e low count yarns), which tended to be the field in which Chinese mills operated, were higher than on fine yarns. This last was the province of the local Japanese mills with an average count of 24.5 in the early 1930s. However, the leading group of British mills – the Ewo Cotton Mills – had an average count in the early 1930s of 19.5 which was not much higher than the 17 count average of the Chinese mills. (6). The other main British mill – the China Printing and Finishing Company - however, had an average count much higher (31.5 in early 1941). (7). However, even here the tax differential was fairly marginal.

Thus, from the evidence we have for these three main sectors of British industrial investment it would appear that, as far as formal taxation in areas where the Central Government's writ was strong, the charge that UK firms enjoyed an unfair advantage in taxation is weakened although still of some force. (In another main sector of UK investment – marine engineering – the charge is weak in that the key competitor to the British firms concerned was a State owned company (The Jiangnan Dock and Engineering Works) which would be unlikely to been put under any competitive disadvantage in this respect).

There is, however, another aspect. It is alleged by, for example, Joseph Esherick (8) that foreign companies during periods of weak control by the Central Government escaped the arbitrary and random nature of taxes and levies collected by local governments or warlords. He argues that much Chinese capital in a search for security was invested in foreign controlled enterprises in China and thus "by channeling elsewhere the development capital needed by Chinese...enterprises" gave a "considerable advantage" to foreign enterprises. However, this assertion should not be exaggerated. Firstly, many Chinese industrial

enterprises were in, or near, Treaty Ports where the influence of such independent local governments and warlords was not a factor. Secondly, some of the capital injected into foreign controlled industrial enterprises was a recycling of monies earned by compradores from foreign investment. This occurred, for instance, with some of the enterprises in the Jardine Matheson stable – for example the Kung Yik Cotton Spinning and Weaving Company, Limited. Again, the large Chinese firms were often either owned or backed by influential Chinese officials. It is difficult to believe that they were subjected to severe official abuse or exactions. It might also be added that foreigners were not primarily to blame for the situation in which taxes and levies by warlords and unregulated regional governments arose.

A rather similar charge concerns the period before the Pacific War when the Chinese State was menaced by Japanese aggression. Here, in at least two cases, British concerns took advantage of the desperate desire of Chinese investors to seek security (which proved to be illusory) by “floating” British local industrial concerns. This has been discussed above in PART IV (C).

Apart from the “unequal treaties” there must also be considered the situations where Imperial Powers used their power directly to ensure particular advantages for their national industrial companies in China. This process was clearly most likely during periods of weakness of the Chinese State. It was particularly prominent in the mining sector in the cases of the granting of concessions or subsequent defence of a concession already granted (see below). One area in which the exploitation of diplomatic or even military power failed to make even a marginal impact on China was the agricultural sector. There was no suggestion of any parallel to the “plantation” development as occurred in many other countries. There were strictly enforced laws banning foreigners holding agricultural or forest land. Thus, British industrial firms could not integrate backwards into raw materials and were subject to the vagaries of Chinese suppliers. (This, as described in PART III, often created difficulties for UK enterprises in the cotton industry and in the food industry and led in the cotton sector on occasion to large imports of foreign cotton). Even B.A.T. could only manage to have some very minor success in the form of “front” companies or before the First World War in securing land for tobacco collecting from the German administration in Shandong (see PART III, Chapter One).

To revert to the case of mining, diplomatic pressure by the British Foreign Office was clearly a factor in the securing of concessions by British firms. Examples include the case of the Syndicat du Yunnan, Limited (see PART IV (B)) and the Peking Syndicate, Limited. The Chairman of the latter company stated at an extraordinary general meeting of the Syndicate on July 19th, 1898 after concessions in Shanxi and Henan had been granted that (9) :-

“..the present happy position..... could not have been reached without the support of the British Government acting through its representative in Peking, Sir Claude Macdonald, with the friendly cooperation of the Marquis Salvago, the Italian Minister, also acting under instructions from his Government. Her Majesty’s Government recognised the necessity of granting this assistance in view of the fact that other Governments were vigorously supporting applications made by their subjects for concessions.”

The golden age for foreign concessions hunters was at the turn of the Nineteenth Century but with a recovery of Chinese national pride from 1903 onwards there was at both central and local level a drive for recovering alienated mining rights. There would seem to be, as described in PART III, Chapter Two above,

several cases where British holders of mining rights were victimised by local officials and vested interests exploiting the nationalist tide. However, in the case of the London and China Syndicate, the opposite seemingly occurred with the payment on redemption being well in excess of the cost of the preparatory work on the site. This success was attributed by the local journalist G.E Morrison to great diplomatic pressure exerted on behalf of King Edward VII on account of a mistress (Mrs George Keppel) having shares in the venture :-

“ it is however believed that our most gracious sovereign...is interested in it for nothing else can explain the pertinacity with which the claims of the Syndicate are brought before the Commons and the wire pulling which has even caused instructions to be sent to both the German, Russian and American legations to support its pretensions,” (10).

It is impossible to confirm or deny this assertion as so far the writer has been unable to trace the shareholders' register of the Syndicate.

Another general charge is that, influenced by the Western and Japanese presence in the Treaty Ports and the Leased Areas (for example, the German leased area in Shandong), foreign investment, according to Esherick (11), led to an unbalanced and stifled pattern of China's economic development.

Western investment in the infrastructure of these areas attracted Chinese industrial investment. Thus, the charge is that Western industrial development led to a lopsided geographic distribution with an emphasis on the coastal strip. In the case of British industrial investment, for example, in 1937 (PART II) 86 percent was in the coastal strip and Manchuria and of the balance 10 percent was in Hubei (Wuhan) with relatively good river transport. No less than 44 percent was in Shanghai alone.

However, there is a strong argument to suggest that this situation was considerably more due to natural factors than Western influence. The transport system in China, even by 1937, was seriously underdeveloped and inland and coastal water transport played a key role. Add to this the perils for factories operating in many areas of the hinterland were great. Thus, it was natural that the main centre of the cotton industry in China was in Jiangsu and Shanghai with good access to raw cotton from the interior. It is also worth noting that even in 2003 the coastal strip plus Manchuria extending Northwards from Guangdong to Heilongjiang accounted for the following percentages of all “State-owned and non State-owned above designated size industrial enterprises” (12):-

	-Percent-
Value added	70
Value of total capital	65
Value of total assets	64
Number of employees	64

This was despite the “Third Front” programme (13) in the 1960s and 1970s which, on military grounds, built up factories, with the emphasis on heavy industry, in the interior. The proportion of investment in capital construction that went into “Third Front” projects was high (14) :-

	-Percent-
1963-65	38.2
1966-70	52.7
1971-75	41.1

and the proportion of industrial output outside the “coastal provinces” rose by 5 percentage points from 1957 to 1978. (15).

So far the discussion has been concerned with the various elements of the "Oppression Argument" :-

- Foreign industrial concerns enjoyed various advantages that gave them a lead over Chinese industrial concerns.
- These advantages were not just due to any financial, managerial or technical strength i.e "natural economic advantages" but to privileges associated with Imperialism.
- Given this, the growth of modern Chinese industrial enterprises was stunted.
- Also, foreign influence imparted a lopsided geographic development of industry.

Another hypothesis is the "Destruction Argument". Imports of manufactures and local production of these by Western and Japanese enterprises destroyed a very damaging proportion of the traditional handicraft industries with unfortunate effects on the rural economy of China. To assess how, and to what extent, this applies to British industrial investment it is necessary to consider how far the various industrial branches interfaced with Chinese handicrafts :-

	<u>Percent of total</u> <u>UK Investment in 1937</u>
(A) <u>Tobacco Industry.</u>	<u>55.4</u>
There was no sizeable handicraft production of cigarettes in China before B.A.T. entered the field – pipe smoking being much more common. In fact the burgeoning development of cigarette consumption for which B.A.T. was to a large extent responsible and the desire to evade tax led to a growth of a new handicraft sector in the form of small-scale makers of hand-rolled cigarettes. B.A.T. was successful in obtaining Government action sharply reducing competition from this source (which also helped Chinese producers of machine rolled cigarettes).	
(B) <u>Mining.</u>	<u>11.5</u>
Apart from the case of the Shanghai Exploration and Development Company whose treatment of the 100 or so small Chinese mines in its vicinity was hardly friendly (see PART III, Chapter Two) the effect of the three major British coal mining companies on small Chinese mines was fairly limited. Transport difficulties were a factor in this by delimiting the area of practical competition.	
(C) <u>Cotton Textiles.</u>	<u>7.3</u>
This was the key area of interface with the handicraft sector and is further analysed below.	
(D) <u>Non-cotton Textiles.</u>	<u>3.6</u>
Although British firms were prominent in introducing powered silk reeling to China they had no presence by 1937. In the worsted sector, the coarseness of Chinese wool meant that there was no worsted textile production in China until this new branch of the textile industry was established in the 1930s.	
(E) <u>Engineering.</u>	<u>3.4</u>
There was little competitive interface with handicrafts. Indeed in the marine engineering business there was a limited purchase of ships' fittings from the handicraft sector.	
(F) <u>Industrial Chemicals</u>	<u>0.3</u>
No interface with handicraft industry.	
(G) <u>Consumer Chemicals.</u>	<u>2.8</u>
Some interface but the ease of entry in the soap sector still enabled small producers to survive. This, as with matches, created new handicraft sectors.	
(H) <u>Sound Reproduction.</u>	<u>0.2</u>
No interface.	
(I) <u>Drink, Food, Packing, etc. of Agricultural Items.</u>	<u>13.4</u>
(a) Brewing – no interface.	1.5
(b) Non-alcoholic Drinks – no interface.	0.3
(c) Flour mills – an area of interface but British representation in this trade, which was modest, ended in 1916.	-
(d) Oils and fats. There was pioneering British presence in introducing modern technology in extracting soya oil, etc. which competed with traditional methods	0.1

but this soon petered out. Again, British presence in modern processing of other oils was relatively short-lived.	
(e) Eggs, etc. No interface with handicraft activities. The industry relied on modern, capital intensive, refrigeration facilities.	7.7
(f) Packing and cleaning, etc. of agricultural products. An export oriented industry with no competitive interface with handicraft activities.	3.8
(J) <u>Miscellaneous Industries.</u>	2.1
(a) Wood processing. Some limited interface in lumber and furniture.	1.7
(b) Musical instruments. No interface.	0.2
(c) Glass and electrical industries. No interface.	0.2
(d) Tanning. Some interface but British presence ended in 1915.	-

Thus, only around 10 percent, on the basis of above, of British industrial investment represented a serious threat to handicraft industries with the impact being most pronounced in cotton textiles. As outlined above, the development of power spinning in China greatly reduced in a relatively short time hand spinning. (See PART III, Chapter Three (A)). The great majority of this loss of employment was not attributable to British firms – only 4.5 percent of spindles in 1937 - but to local Chinese spinners (51 percent), the first to install spinning mills in China, and Japanese spinners plus heavy imports of yarn in the closing years of the Nineteenth Century. Also the growth in machine-spun yarn (apart from supplying stronger and more regular warp yarns to hand loom weavers) removed a bottleneck in the supply of cotton yarn to hand loom weavers who survived much longer due, partly, to the basic economics of hand loom weaving against power looms being more favourable to the traditional process than in the case of hand spinning. Also, as described in PART I, the hand woven cloth was in a different market segment than the machine woven variety. Again, there were technical improvements in hand looms, not only in the traditional wooden loom but also in the introduction of the “iron-gear” loom which mimicked the simpler power looms. (16). Another technological slant is that in China the hand loom was competing against second division technology in that the automatic loom was, with the exception of some presence in Japanese owned weaving sheds, virtually non-existent. (17). (This loom with its automatic weft changing mechanism markedly increased the number of looms a weaver could tend.). In contrast to the situation in weaving, the productivity of a machine spinning operative was so enormous compared with hand spinning that it was a clear priority in any move to industrialisation. This process, however unpleasant in a social context, was only matching what had already occurred in the earlier process of industrialisation in, for example, Europe.

A final charge on the theme that Western development in China distorted and weakened traditional sectors of the Chinese economy. It is alleged that Westerners by linking China’s agricultural economy to the World market created export trades that were vulnerable to the vicissitudes of overseas demand. The British industries that processed Chinese agricultural products, primarily for export, accounted for 11.5 percent of total UK industrial investment in China in 1937. The smaller category (3.8%) was the press packing, etc. business which did not create this export business but rendered the already existing export of agricultural products more competitive by improving quality and reducing transport costs. The larger category (7.7%) – the freezing, etc. of eggs, meats, etc. was developed by Westerners (particularly the UK) and created a new outlet for the Chinese rural community. Initially the trade was very buoyant but experienced difficulties in the 1930s, so, to that extent, the charge above has some validity. However, it could be argued that periods of recession in the export market for Chinese agricultural products should be balanced against periods of buoyancy.

So far, we have concentrated on the debit side of the balance sheet but it could be argued that British industrial investment brought with it :-

- The inflow of much needed capital. Admittedly, a proportion of British industrial investment, particularly in the early days, was financed by either the contribution of Chinese capital into British controlled ventures (see above) or from the reinvestment in China of monies gained by British trading groups in China from trading or land speculation in the Treaty Ports. However, this proportion steadily diminished over time as industrial companies registered in the UK started up industrial operations in China (see the concluding section of PART V above).

- The introduction of new technology. British firms setting up factories in China were in many cases precursors of economic development by their introduction of new technology. Examples, quoted in PART III, include :-

- silk reeling (although the technology was primarily French or Italian).
- sugar refining.
- soya bean processing (as with the above, abortive ventures).
- marine engineering.
- non – marine engineering.
- industrial acids.
- brewing.
- margarine
- press packing.
- worsted textiles.
- specialised paints.
- sound reproduction.
- piano manufacturing.

In British coal mines in China there was some useful innovations but there was no technical progress in the key areas of mechanised coal cutting and underground transport. In the cigarette industry B.A.T. introduced the latest techniques of cigarette manufacture but also the back-up engineering effort to sustain these techniques and modern packaging materials. Beyond this, B.A.T. introduced modern advertising and marketing techniques to China.

In many cases these introductions of modern technology inspired Chinese entrepreneurs to follow suit, albeit, in many cases, at the lower end of the price/quality spectrum. The factories started by British firms trained Chinese operatives and these formed a pool of trained labour available for Chinese enterprises. It is, however, important to recognise that this process was not a necessary condition for the transfer of technology to China. The same result could be achieved by Chinese enterprises hiring Western specialists and importing machinery for the purpose. Thus, the Chinese cotton industry preceded Western mills in China with hired Western mill managers providing the initial expertise (at the end of the Nineteenth Century there already was a Lancastrian Society in Shanghai). Again, the diversification move of the Jiangnan Dock and Engineering Works into the commercial marine engineering market in Shanghai was aided by poaching managers from the local British enterprise. (See PART III, Chapter Four).

- The backward linkage effect. The establishment of British industrial concerns in China stimulated the local supply of intermediates and components. Textile mills stimulated a modest local industry for mill supplies while the British shipyards in Shanghai (which like railways demanded a large volume of diverse supplies) were also significant contributors to developing local suppliers. However, this effect should not

be overestimated. Many British firms (including shipyards) still, as mentioned, relied to a significant extent on imported supplies.

Alleged financial exploitation (see PART V).

The charge is, that along with other Western countries, UK industrial investment in China was highly profitable both absolutely and relatively against relevant conditions in the UK. These profits were, supposedly, repatriated preponderantly to the UK. A further charge, already replied to on the previous page, is that a very significant share of UK industrial investment in China was financed not by capital export to China but by previous British commercial operations in China often of an exploitative nature such as opium trafficking.

From PART V we can conclude that British industrial concerns in China did not enjoy a significantly higher profitability over home operations. In the case of "milking" profits earned in China by excessive repatriation the evidence is less clear-cut but the severity of the charge is greatly reduced.

It is, of course, very difficult to balance all of the above but, on the evidence presented, the impact of the negative assertions must, if not as in some cases be even dismissed, is not nearly as serious as often charged. Also, the assertions of the positive aspects of foreign industrial investment are given extra validity by the PRC Government's approval since 1978 of foreign direct investment in industry. Why then was there such contemporary resistance to such investment by the UK and others and why has such investment been vilified by historians both in China and abroad ?

The answer would not seem to lie as much in the economic benefits or penalties of such investment but the way, often very insensitive, in which it was carried out (However, even if British industrial investment in China had been carried out with the utmost sensitivity and in a diplomatic manner it still faced the historical baggage of Western (with the exception of the USA) and Japanese diplomatic and military humbling of China in the last half of the Nineteenth Century.)

The often arrogant attitude of certain British companies, in particular the Chinese Engineering and Mining Company, caused great offence to the host country. Almost throughout its history this company was imbued with a feeling of racial superiority. Examples of this have been given above for the early years of the Company but this attitude persisted into the 1930s. Thus, in negotiations with their Chinese partner in the Kailan Mining Administration in 1934, Mr E.J.Nathan sent a personal message to his Chairman stating that "...Chinese commonly cease to observe agreements when these have ceased to operate in their favour" (18). The Chinese Engineering and Mining Company was, of course, an extreme case. Nevertheless some other firms acted in an arrogant manner. They behaved when dealing with Chinese competitors in a manner which was unacceptable in the United Kingdom at that time having been outlawed for a considerable time. Thus, for example, B.A.T. used coercive business practices in dealing with its local competitors.

A feature of many British industrial firms in China was the reluctance to have Chinese managers in senior positions (the Chinese Import and Export Lumber Company was an exception). Although there is little numerical information available, the writer is fairly convinced that the ratio of expatriates to total staffing was well above that usually applicable currently. This placed a significant cost burden on UK firms. This, is evident from the experience of the Orient Paint, Colour and Varnish Company, where there

was a divided opinion between the local Works Manager and London as to the question of Chinese staff at senior levels (see PART III, Chapter Five (A)).

Another aspect is that, in the case of British managing agencies, the British General Managers on occasion adopted a rather cavalier attitude to their Chinese shareholders and members of the Consulting Committee. Significant decisions concerning finance, capital investment, etc. could be implemented with insufficient consultation. This was more or less admitted by Mr W.J.Keswick of Jardine Matheson, China in September, 1937.(19). In the light of amendments to the Companies Act of India in 1937 intended to solve a similar abuse, he wrote that as regards their managing agencies in China they "intend to be on the safe side and take the Consulting Committee into our confidence more than formally." Fuller details were to be revealed.

By the standards of the day, the record of British firms in dealing with the Chinese labour force in their mines and factories was reasonable (with the exception of the Chinese Engineering and Mining Company although their workers did manage an improvement in their pay – see PART III, Chapter Two). The British enquiry into labour conditions in China, instigated by the First Labour Government in 1924 (20), gave a reasonably clean bill of health to British factories in China. Part of the reason for any failure in labour relations was due not to ill will but language difficulties and the existence of the labour contractor system in many British enterprises. This last was a constant source of trouble. For example, despite the advice of its local Acting General Manager in a cablegram to the Board of the Chinese Engineering and Mining Company in October, 1920 (21) :-

"have recently discovered contractors responsible for general strike in summer and have been conspiring to make more trouble. Last week Ma-Chia-Ko (Majiagou) colliery contractors made reduction in wages resulting in general strike here. Contractors defied us and resigned. Ma-Chia-Ko colliery now working without contractors in a system which Engineer-in-Chief and all concerned very certain will work very satisfactory indeed..."

Unfortunately, the Board rejected this advice replying :-

"...not in favour of abolishing contractors in principle and fear great difficulty first to get rid of contractors and secondly in dealing with coolies direct." (22).

(By the early 1930s over 80 percent of the miners were still contracted workers (23)).

Labour relations tended to become easier in the late 1930s particularly as newer British enterprises rejecting using labour contractors. Also, respect for Chinese workers by British firms increased. Thus, the China Printing and Finishing Company (which employed all its 4,000 Chinese operatives directly) whose two mills were affected by the hostilities in Shanghai in 1937 made arrangements "to pay wages due to all operatives at Head Office" in the relatively unaffected International Settlement :-

"Our Chinese have stood by me like heroes and I am proud of them. Do anything you can to pay all who call. I consider this very important" (24).

The maturing of the relationship between UK firms and the Chinese was not only marked in labour relations in the late 1930s but extended to other matters. The period was also marked with easier relationships at the diplomatic level.

After the Pacific War even the Chinese Engineering and Mining Company belatedly noted that things had changed. On the 25th, September 1946 "recognising the new conditions in China" it was decided to

“intimate to the Board of Directors of the Lanchow Mining Co. that the Board of Directors of this company were in favour of the admission of the Chinese Government into partnership with the two companies in the K.M.A. at the opportune moment and in conditions mutually acceptable to the parties and the Chinese Government.” (25). Also, “the cheapness of labour on which they had relied so much up to 1941 was a thing of the past.” (26).

It is possible that the course of British industrial investment in China might have reached a situation in which relations with the host country were considerably better with greater understanding on both sides and, in particular, greater sensitivity to local feelings on the British side. The victory of the PLA in 1949 and the formation of the PRC meant a postponement of such a situation happening for three decades.

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- (64) *Commercial Reports by Her Majesty's Consuls in China, 1876 – Hankow*. Page 27.
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- (66) Keizo Saki: *The Cotton Industry of Japan*. Japan Society for the Promotion of Science, 1956. Pages 19 and 311 respectively.
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“When the difference in width is taken into account the foreign cottons are about one-half cheaper than the native ; but native cottons wear better, and are, therefore still generally preferred by the country people whose avocations are of a rougher description than those of the town population. Thus two yards of foreign cotton can be purchased for, say, 9d ; and will go far towards making a jacket as three and a half yards of native cotton which, assuming the quality to be equally good, will cost about 1s.3d.; but a jacket of the latter will wear twice as long under bad treatment as a jacket made of the former.”

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PART II – THE SIZE, DISTRIBUTION BY BRANCH OF INDUSTRY AND SPATIAL DISTRIBUTION OF BRITISH INDUSTRIAL INVESTMENT IN MAINLAND CHINA.

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- (34) From official statistics (*China Statistical Yearbook / Almanac of China's Foreign Relations and Trade*) the total of UK investment actually used totals c. \$ 8.2 billion from 1978-2003. From the writer's compilation of industrial investment by around 200 UK firms in China (described overleaf in the text) for the same period he arrives at a total of around \$ 5.4 billion. This gives a ratio of 66%. This is a rough figure but what cannot be gainsaid is the fact that UK industrial investment in China was much higher as a proportion of total UK investment in China than before the Second World War. Hardly a surprising conclusion as it is only fairly recently that many areas of foreign direct investment were either totally forbidden or only partially allowed. The proportion of industrial investment advanced above fits comfortably with the overall ratio for all foreign investment in industry which according to the National Bureau of Statistics of China was 62% at end 2002.
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- (9) Tennant. Op.cit. Page 67.
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- (17) *Ying Mei Yan Gongsí zai Hua qiye ziliao huibian*. Page 1031.
- (18) *Ying Mei Yan Gongsí zai Hua qiye ziliao huibian*. Page 1630.
- (19) *Ying Mei Yan Gongsí zai Hua qiye ziliao huibian*. Page 1031.
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- (25) *Ying Mei Yan Gongsi zai Hua qiye ziliao huibian*. Page 1630.
- (26) Sherman Cochran. Op. cit. Page 16.
- (27) "Shanghai's Leading Industrial Enterprises - British American Tobacco Company (China), Ltd.," in: *Finance and Commerce*, February 28th, 1934.
- (28) PRO - FO228/2154.
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- (30) *North China Herald*, June 14th, 1907.
- (31) *North China Herald*, April 11th, 1911.
- (32) *Ying Mei Yan Gongsi zai Hua qiye ziliao huibian*. Page 1523.
- (33) *B.A.T. Bulletin*, September, 1924.
- (34) *B.A.T. Bulletin*, March, 1930.
- (35) *Ying Mei Yan Gongsi zai Hua qiye ziliao huibian*. Pages 661-663.
- (36) *North China Herald*, September 27th, 1907.
- (37) *Ying Mei Yan Gongsi zai Hua qiye ziliao huibian*. Page 1630.
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- (39) Figures for sales of tobacco plug, chewing tobacco, snuff and cigars are given in the STATISTICAL ANNEX. Table A.
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- (41) *Ying Mei Yan Gongsi zai Hua qiye ziliao huibian*. Figures given here calculated from balance sheet information given on pages 1470 and 1473.
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- (43) *Ying Mei Yan Gongsi zai Hua qiye ziliao huibian*. Page 1635.
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- (45) *Ying Mei Yan Gongsi zai Hua qiye ziliao huibian*. Page 178.
- (46) *Ying Mei Yan Gongsi zai Hua qiye ziliao huibian*. Page 1640.
- (47) *Ying Mei Yan Gongsi zai Hua qiye ziliao huibian*. Page 178.
- (48) Pages 1637-1640 of *Ying Mei Yan Gongsi zai Hua qiye ziliao huibian* give figures for each factory of machines installed, production of cigarettes and number of workers.
- (49) See TABLE C in the STATISTICAL ANNEX.
- (50) *Ying Mei Yan Gongsi zai Hua qiye ziliao huibian*. Page 1638.
- (51) *Ying Mei Yan Gongsi zai Hua qiye ziliao huibian*. Page 1637.
- (52) *Ying Mei Yan Gongsi zai Hua qiye ziliao huibian*. Page 1638.
- (53) *Ying Mei Yan Gongsi zai Hua qiye ziliao huibian*. Page 1640.
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- (65) The course of Wing Tai Vo Tobacco Corporation's cigarette sales in quantity from 1921-1941 are given in page 630 of *Ying Mei Yan Gongsi zai Hua qiye ziliao huibian* (reproduced in TABLE G in the STATISTICAL ANNEX). These are related to total B.A.T. sales in China in Table Four above.
- (66) Pages 734 to 746 of *Ying Mei Yan Gongsi zai Hua qiye ziliao huibian* give for 1931-41 sales of cigarettes by quantity and geographic area by Wing Tai Vo Tobacco Corporation together with sales by other B.A.T. routes and sales by competitors. The percentage figures for the proportion of B.A.T. sales via this company by geographic area are thus calculated from these series.
- (67) Ibid.
- (68) Page 740 of *Ying Mei Yan Gongsi zai Hua qiye ziliao huibian* gives figures as above for the Shanghai market from which this data is derived.
- (69) See Cox, op cit. Pages 188-190.
- (70) Ibid.

- (71) Sherman Cochran: *Big Business in China. Sino-Foreign Rivalry in the Cigarette Industry, 1890-1930*. Cambridge, Mass.: Harvard University Press, 1977. Page 50.
- (72) As above, Pages 51-2.
- (73) Sherman Cochran gives on pages 54-61 of the above a detailed account of the development of Nanyang Brothers to the point when it became a serious competitor to B.A.T.
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- (75) See Sherman Cochran. Op cit. Pages 62-66, 70-74.
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- (96) *Finance and Commerce*, April 7th, 1937.
- (97) Cox. Op.cit. Pages 186-188.
- (98) Chen Han-Seng. Op. cit. Page 41.
- (99) *North China Herald*, December 1st, 1928.
- (100) *North China Herald*, February 18th, 1928.
- (101) Parkes M. Coble, Jr.: *The Shanghai Capitalists and the Nationalist Government, 1927-1937*. Cambridge, Mass.: Harvard University Press, 1980. Page 231 quoting Wang Hsi, *Tsung Ying - Mei - Yen - Kung - ssu K'an ti-kuo chu-i te Ching-chi Ch'in - lueh. Li-shih yen chiu*, 1976 no.4. Page 81.
- (102) Coble. Op.cit. Page 232.
- (103) Sherman Cochran. Op. cit. Page 22. Also Y.C.Yang: "Free Enterprise in China ; the Case of a Cigarette Concern, 1905-1953", in: *Pacific Historical Review*, 29 (4), 1960. Page 407.
- (104) Information on purchases of local tobacco by B.A.T. is given on pages 369 and 370 of *Ying Mei Yan Gongsi zai Hua qiye ziliao huibian* – reproduced in TABLE J of the STATISTICAL ANNEX.
- (105) Figures for total consumption of tobacco and the proportion imported are given in *Ying Mei Yan Gongsi zai Hua qiye ziliao huibian* on page 1634 – see TABLE K in the STATISTICAL ANNEX .
- (106) Chen Han-Seng. Op. cit. Pages 45-54
- (107) *North China Herald*, 18th March, 1922.
- (108) *Ying Mei Yan Gongsi zai Hua qiye ziliao huibian*. Page 396.
- (109) Sherman Cochran: *Encountering Chinese Networks, Western, Japanese and Chinese Corporations in China 1889-1937*. Stanford CA: University of California Press, 2000. Pages 64-68.
- (110) Chen Han-Seng. Op.cit. Page 54.
- (111) Ibid.
- (112) Chen Han-Seng. Op cit. Page 85.
- (113) Chen Han-Seng. Op.cit. Page 67.
- (114) *Finance and Commerce*, February 28th, 1934.
- (115) See Cox. Op cit. Pages 217-22,252-3,310-11.
- (116) *Ying Mei Yan Gongsi zai Hua ziliao huibian*. Pages 1536-7, 1568 and 1603.
- (117) *Ying Mei Yan Gongsi zai Hua ziliao huibian*. Page 1603.

- (118) *Ying Mei Yan Gongsi zai Hua ziliao huibian*. Page 1561.
- (119) *Ying Mei Yan Gongsi zai Hua ziliao huibian*. Page 1522.
- (120) *Ying Mei Yan Gongsi zai Hua ziliao huibian*. Page 1534.
- (121) *Ying Mei Yan Gongsi zai Hua ziliao huibian*. Page 1533.
- (122) Ibid.
- (123) Ibid.
- (124) Taken from the *Stock Exchange Year – Book*.
- (125) Cox. Op. cit. Page 317.
- (126) *Ying Mei Yan Gongsi zai Hua ziliao huibian*. Page 1470.
- (127) Ibid.
- (128) *Ying Mei Yan Gongsi zai Hua ziliao huibian*. Page 1472.
- (129) *Ying Mei Yan Gongsi zai Hua ziliao huibian*. Page 1474.
- (130) *Ying Mei Yan Gongsi zai Hua ziliao huibian*. Page 1476.
- (131) Ibid.
- (132) *Ying Mei Yan Gongsi zai Hua ziliao huibian*. Pages 1477-1478.
- (133) *Ying Mei Yan Gongsi zai Hua ziliao huibian*. Page 1568.
- (134) *Ying Mei Yan Gongsi zai Hua ziliao huibian*. Page 147.
- (135) FO 371/75866.

PART III – CHAPTER TWO – MINING.

- (1) The figures for total UK investment overseas in mining used here are derived for 1907/8 from a study by Sir George Paish – *Journal of the Royal Statistical Society*, September, 1909 and two articles by Sir Robert Kindersley in the *Economic Journal* of September, 1931 and June, 1933.
- (2) *The Far Eastern Review*, April, 1920. Page 193.
- (3) William F. Collins: *Mineral Enterprise in China*. Tianjin: Tientsin Press, Limited, 1922. Page 55.
- (4) *The Times*, May 20th, 1910.
- (5) *North China Herald*, July 31st, 1909.
- (6) *North China Herald*, April 29th, 1909.
- (7) *North China Herald*, December 9th, 1904.
- (8) *North China Herald*, December 23rd, 1904.
- (9) *North China Herald*, January 11th, 1907.
- (10) *The Times*, May 15th, 1901.
- (11) William F. Collins. Op.cit. Page 53.
- (12) *The Times*, May 20th, 1910.
- (13) *The Times*, September 10th, 1909.
- (14) *North China Herald*, May 6th, 1910.
- (15) Quoted in C.Y.Hsieh and M.C.Chu: *Foreign Interest in the Mining Industry in China*. Shanghai: China Institute of Pacific Relations, 1931. Page 5.
- (16) Lo Hui Min: *The Correspondence of G.E. Morrison, 1, 1895-1912*. Cambridge: Cambridge University Press, 1976. Page 401.
- (17) *The Times*, February, 19th, 1910.
- (18) *North China Herald*, April 22nd, 1922.
- (19) *Finance and Commerce*, August 4th, 1937.
- (20) Albert H. Harvey: "A Mining Engineer in China.", in: *Eastern Engineering Supplement to the China Express and Telegraph*, January 26th, 1928.
- (21) *North China Herald*, April 3rd, 1926.
- (22) *North China Herald*, June 2nd, 1928.
- (23) *North China Herald*, June 22nd, 1929.
- (24) Kung-ping Wang: *Controlling Factors in The Future Development of the Chinese Coal Industry*. New York: Kings Cross Press, , 1947. Page 100.
- (25) *North China Herald*, June 22nd, 1929.
- (26) *North China Herald*, August 6th, 1933.
- (27) "China's Coal Production and Trade.", in: *Chinese Economic Journal and Bulletin*, April, 1937.
- (28) Robert Lee: *France and the Exploitation of China 1885-1901 – A Study in Economic Imperialism*. Oxford: Oxford University Press, 1989. Page 134.
- (29) *The Times*, March 12th, 1898.
- (30) John V.A. MacMurray (Editor and Compiler): *Treaties and Agreements with and concerning China 1894-1919*. 2 volumes; Washington D.C.: Carnegie Endowment for International Peace, 1921. Pages 700-1701.
- (31) MacMurray. Op cit. Pages 131-134.

- (32) *The Times*, December 2nd and 4th, 1899 and *The Economist*, December 2nd, 1899.
- (33) Ibid.
- (34) *The Times*, June 29th, 1901.
- (35) En Han Lee: "China's Response to Foreign Investment in Her Mining Industry (1902-1911).", in: *The Journal of Asian Studies*, Volume XXVIII, No. 1, November, 1968. Pages 68-70 give a detailed account of this episode in the rights recovery movement.
- (36) Ibid.
- (37) *The Times*, June 3rd, 1907.
- (38) *The Times*, February 14th, 1908.
- (39) *Transactions of the American Institute of Mining and Metallurgical Engineers*, Volume XXXIV, 1904.
- (40) "A Visit to the Peking Syndicate Works in Henan.", in: *North China Herald*, December 30th, 1904.
- (41) *The Far Eastern Review*, January, 1916. Page 296.
- (42) En Han Lee. Op cit. Page 61.
- (43) *The Times*, September 25th, 1909.
- (44) The Chairman at the 1926 AGM. *The Economist*, April 24th, 1926.
- (45) P. Trueman: De-watering a Chinese Coal Mine.", in: *Mining Electrical Engineer*, 1928.
- (46) *The Times*, June 21st, 1933.
- (47) *North China Herald*, May 17th, 1933.
- (48) *The Times*, June 20th, 1934.
- (49) *Finance and Commerce*, December 26th, 1934.
- (50) *Finance and Commerce*, August 5th, 1936.
- (51) *Finance and Commerce*, August 4th, 1937 and September 1st, 1937.
- (52) *Finance and Commerce*, June 2nd, 1937.
- (53) *Finance and Commerce*, August 10th, 1938.
- (54) *Finance and Commerce*, March 1st, 1939.
- (55) Ibid.
- (56) An excellent account of the early development of the Chinese company is given in Ellsworth C. Carlson: *The Kaiping Mines 1877-1912*. Cambridge, Mass.: Harvard University, 1971. Pages 1-57. More contemporary sources include :-
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 - Noah Fields Drake: "The Coalfields of North Eastern China.", in: *The Colliery Guardian*, September, 27th, 1901
 - "The Coalfields of China.", in: *The Colliery Guardian*, February 1st, 1901.
- Also, Maggie Keswick: *The Thistle and the Jade - A celebration of 150 years of Jardine Matheson*. Hong Kong: Mandarin Publishers, Ltd., 1982. Pages 119-126.
- (57) *The Times*, February 8th, 1905.
- (58) PRO. Reference BT31/9233.
- (59) Herbert C. Hoover: *The Memoirs of Herbert Hoover - 1874-1920. Years of Adventure*. New York: The Macmillan Company, 1953. Page 62.
- (60) See TABLE X in the STATISTICAL ANNEX.
- (61) PRO. Reference BT 31/9233.
- (62) *North China Herald*, March 26th, 1903.
- (63) Letter from "Colonial Englishman" from Shanghai, April 14th, 1902 to the *Investor's Review*. Page 688.
- (64) Held at the Guildhall Library in London. Their reference system used below.
- (65) J.M. Frochisse: *La Belgique et la Chine. Relations Diplomatiques et Économiques (1839-1909)*. Brussels: L'Édition Universelle, 1936. Page 387.
- (66) Madame G. Kurgen Van Hentemryk: *Léopold II et les groupes financiers belges en Chine - La politique et ses prolongements (1895-1914)*. Brussels, 1971. Page 708.
- (67) David Burner: *Herbert Hoover. A Public Life*. New York: Alfred A. Knopf, 1979. Page 358.
- (68) Lo Hui-Min. Op.cit. Page 376.
- (69) There are obviously a considerable number of biographies of Hoover but the one that provides the most detailed account of the takeover of the Chinese concern, Hoover's part in this and its early years under Western control is given in George H. Nash: *The Life of Herbert Hoover - The Engineer 1874 - 1914*. London and New York: Norton and Company, 1983.
- (70) Herbert Hoover: *North China Herald*, August 6th, 1902.
- (71) See PART IV (B) (4).

- (72) An excerpt from an address by Gustav Detring to a meeting of the shareholders in China of the Chinese Engineering and Mining Company, Limited in Tianjin on November 28th, 1902 – *The North China Herald*, December 10th, 1902.
- (73) PRO BT31/9233 gives a copy of the revised document.
- (74) Quoted in the transcript of the 1905 trial – Zhang Yanmou v. Moreing.
- (75) Madame G. Kurgen Van Hentenryk. Op. cit. Page 691.
- (76) The Memorandum of Association (and the Articles of Association) is contained in file BT31/9233/68532 at the PRO.
- (77) PRO BT31/9233.
- (78) The memorandum is published in full in the *Far Eastern Review*, November, 1928. Page 486.
- (79) Guildhall MS 28378/1 – Minute Book No. 1.
- (80) Taken from the Board Minutes of the new company – Guildhall MS 28378/1 (See TABLE Z in the STATISTICAL ANNEX) and submissions to the Companies Registration Office (PRO BT 31/9233).
- (81) Guildhall MS 28378/1 – Minute Book No. 1.
- (82) *The Times*, September 25th, 1902.
- (83) Guildhall MS 28378/3 - Minute Book No. 3.
- (84) Guildhall MS 28378/1 – Minute Book No. 1.
- (85) Guildhall MS 28378/3 Minute Book No. 1 (new company)
- (86) Reported in *North China Herald* of October 29th, 1902 and December 1st, 1902.
- (87) *China Times*, December 1st, 1902.
- (88) The proceedings of the 1905 Trial which found for the Chinese plaintiffs are given in the lengthy transcript. Extracts are given in *The Times* from January to March, 1905. The result of the British Company's appeal, which stymied the Chinese recourse to the British courts, is given in the *North China Herald* for February 9th, 1906.
- (89) Guildhall MS 28378/3 - Minute Book No. 3.
- (90) Ibid.
- (91) Ibid.
- (92) Guildhall MS 28278/2 - Committee Minute Book No. 2.
- (93) Guildhall MS 28378/3 – Minute Book No.3.
- (94) Ibid.
- (95) PRO BT 31/7233.
- (96) *The Economist*, October 29th, 1910.
- (97) Abstracted from Board Minute Books, Numbers 2 and 3. Guildhall MS 28378/2 and 28378/3.
- (98) An excellent account of this agreement is given in *The Economist* of June 8th, 1912. Also see V.A. MacMurray (ed.): *Treaties and Agreements with and concerning China 1894-1919*. Pages 962-967.
- (99) *North China Herald*, February 19th, 1902.
- (100) Guildhall MS 28378/1 - Minute Book No. 1.
- (101) James Zheng Gao: "The Uprooted Peasants : Chinese Labor in South Africa, 1904-1910.", in: *Chinese Historians*, Volume IX, Issue No.16, 1996.
- (102) G.B. Pyrah: *Imperial Policy and South Africa 1902-1910*. Westport Conn: Greenwood Press, 1975.
- (103) PRO FO 17/1759.
- (104) See TABLE EE in the STATISTICAL ANNEX.
- (105) *The Times*, June 26th, 1928.
- (106) *The China Express and Telegraph*, December 20th, 1928.
- (107) *The China Express and Telegraph*, December 12th and 19th, 1929.
- (108) Guildhall MS 28378/11. Minute Book No.9.
- (109) *Finance and Commerce*, January 30th, 1935.
- (110) *Finance and Commerce*, February 2nd, 1938.
- (111) Guildhall MS 28378/11. Board Minute Book No.9.
- (112) Guildhall MS 28378/12. Board Minute Book No.10.
- (113) *Finance and Commerce*, January 30th, 1935.
- (114) Wang Yuru in an article on "Capital Formation and Operating Profits of the Kailan Mining Administration (1903-1937)", in: *Modern Asian Studies*, 28.1 (1994) gives an account on pages 101 and 102 of recent work by Chinese scholars on the mines – in particular by the Institute of Economics, Nankai University.

PART III – CHAPTER THREE – TEXTILES.

- (1) The Chairman at the Fifth Ordinary Meeting – *North China Herald*, March 6th, 1899.
- (2) Approved by shareholders in July, 1902. *North China Herald*, July 23rd, 1902.
- (3) *North China Herald*, December 24th, 1898.
- (4) *North China Herald*, March 4th, 1904.
- (5) *North China Herald*, February 28th, 1900.
- (6) *North China Herald*, March 14th, 1898.
- (7) Inspector General of Customs, Shanghai: *Decennial Reports on the Trade, Navigation, Industries, etc of the Ports Open to Foreign Commerce in China and on the Condition and Development of the Treaty Port Provinces 1892-1901. Volume I – Northern and Yangtze Ports.* Shanghai, 1904. Page 515.
- (8) James Kerfoot, Manager of the Ewo Mill in: Arnold Wright (Editor in Chief): *Twentieth Century Impressions of Hong Kong, Shanghai and Other Treaty Ports of China.* London: Lloyds Greater British Publishing Company, Limited, 1908.
- (9) *Report on the Trade of China for the Year 1901 – No. 2912. Annual Series.* London: Harrison and Sons, 1902.
- (10) *North China Herald*, March 6th, 1899.
- (11) Inspector General of Customs, Shanghai: *Decennial Reports on the Trade, Industries, etc. of the Ports Open to Foreign Commerce and on the Condition and Development of the Treaty Port Provinces 1902-11, Volume II – Southern and Frontier Ports.* Shanghai, 1913.
- (12) *North China Herald*, February 5th, 1902.
- (13) *North China Herald*, October 16th, 1911.
- (14) *North China Herald*, March 8th, 1924.
- (15) The Chairman at the Fifth Ordinary Meeting – *North China Herald*, March 6th, 1899.
- (16) As noted by Jean Chesneau: *The Chinese Labour Movement 1919-1927.* Stanford CA: Stanford University Press, 1968. Page 381.
- (17) See for example, G. Hershatter: *The Workers of Tianjin, 1900-1914.* Stanford, CA: Stanford University Press, 1986. Page 215.
- (18) Kang Chao: *The Development of Cotton Textile Production in China.* Cambridge Mass.: Harvard University Press, 1977. Pages 303-4.
- (19) *North China Herald*, February 24th, 1911.
- (20) *China Stock and Share Handbook 1914.* Page 240.
- (21) *North China Herald*, September 11th, 1899.
- (22) Arnold Wright. Op. cit. Page 236.
- (23) *China Stock and Share Handbook 1914.* Page 249.
- (24) *North China Herald*, October 17th, 1914.
- (25) Ibid.
- (26) *North China Herald*, February 20th, 1915.
- (27) *North China Herald*, March 10th, 1917.
- (28) *North China Herald*, October 17th, 1914
- (29) *North China Herald*, March 26th, 1921.
- (30) *North China Herald*, May 11th, 1938.
- (31) *North China Herald*, April 3rd, 1932.
- (32) *Finance and Commerce*, May 3rd, 1939.
- (33) Compiled by the writer principally from reports in the *North China Herald*, *Celestial Empire* and *Finance and Commerce.*
- (34) *North China Herald*, March 20th, 1926
- (35) *North China Herald*, August 3rd, 1924.
- (36) Kang Chao. Op. cit. Page 351.
- (37) Jardine Matheson Archives (J9). Letters London to Shanghai, 1940. Letter of 16.2.40 from Mr B. D.F. Beith to Mr J.W.Keswick. No.882.
- (38) *North China Herald*, April 3rd, 1915.
- (39) *North China Herald*, May 29th, 1916.
- (40) *North China Herald*, May 5th and May 19th, 1917.
- (41) *North China Herald*, May 4th, 1918.
- (42) *North China Herald*, March 1st, 1919.
- (43) *Celestial Empire*, March 21st, 1925.
- (44) *Celestial Empire*, April 11th, 1925.
- (45) Jardine Matheson Archives (J9). Copies of Semi – Official Letters, London to Shanghai, July to December, 1924. Letter of 6.11.24 from Mr D. Londale to Mr. Brooke Smith. No. 359.

- (46) *North China Herald*, April 3rd, 1920.
(47) *North China Herald*, April 7th, 1928.
(48) Ibid.
(49) *North China Herald*, March 13th, 1926.
(50) *North China Herald*, April 7th, 1928.
(51) Ibid.
(52) *North China Herald*, September 8th, 1928.
(53) *North China Herald*, February 9th, 1929.
(54) A history of the Company is given in *Finance and Commerce*, December 4th, 1940.
(55) *Finance and Commerce*, March 20th, 1940
(56) Kang Chao. Op. cit. Page 130. (Utilising information from Chen Zhen et. al.: *Zhongguo jindai gongye shi ziliao*. Volume 4; Part 1. Page 234).
(57) Xu Xinwu "The Process of the Disintegration of Modern China's Natural Economy.", in: Tim Wright (Editor): *The Chinese Economy in the Early Twentieth Century . Recent Chinese Studies*. Basingstoke and London: The Macmillan Press Ltd., 1992. Pages 113-133.
(58) Ibid.
(59) Jardene Matheson Archives :-
- Letters Shanghai to London 1939 (J37). Letter Mr W.J. Keswick to Mr D.W.G. Bernard dated 18.1.39. No. 1962.
- Letters London to Shanghai 1940 (J9). Letters 16.2.40, 15.3.40 and 25.7.40 from Mr B.D.F.Beith to Mr W.J. Keswick. Nos. 882 and 913.
(60) Inspector General of Customs, Shanghai: *Decennial Reports on the Trade, Industries, etc. of the Ports Open to Foreign Commerce and on the Condition and development of the Treaty Port Provinces 1902-11, Volume II, Southern and Frontier Ports*. Shanghai, 1913.
(61) *North China Herald*, March 18th, 1930.
(62) *North China Herald*, April 15th, 1936.
(63) *North China Herald*, March 31st, 1937.
(64) *North China Herald*, April 10th, 1935.
(65) *North China Herald*, April 7th, 1937.
(66) *North China Herald*, March 31st, 1937.
(67) Jardine Matheson Archives (J37). Letters Shanghai to London 1939. Letter 9.10.39 from Mr W.J. Keswick to Mr J.J.Paterson. No. 2197.
(68) *Far Eastern Economic Review*, 1947. Page 127.
(69) PRO FO371/127356.
(70) *The Economist*, July 26th, 1958.
(71) Prospectus, dated November 14th, 1940 offering new shares in the Company by the Company's brokers – Benjamin and Potts. Reproduced in *Finance and Commerce*, December 4th, 1940.
(72) *Far Eastern Economic Review*, 1947. Page 127.
(73) Prospectus offering new shares in the Company. Reproduced in *Finance and Commerce*, 4.12.40.
(74) Ibid.
(75) *Far Eastern Economic Review*, 1947. Page 127.
(76) Jardine Matheson Archives (J9). Copies of Semi - Official Letters, London to Shanghai, July to December 1924. Letter of 2.10.24 from Mr David Londale to Mr Brooke Smith. No.335.

PART III – CHAPTER FOUR – ENGINEERING.

- (1) Statement by the Chairman at the Annual General Meeting of the Chinese Engineering and Mining Company, Limited on December 15th, 1920 – *The Economist*, December 18th, 1920.
(2) Minutes of the Chinese Engineering and Mining Company, Limited - MS 28378/6 – Minute Book No. 4.
(3) *Report of the United Kingdom Trade Mission to China – October to December, 1946*. H.M. Stationery Office, 1948. Page 98. Also, *Far Eastern Survey*, June 23rd, 1937, Volume VI – No. 13. Pages 141-142.
(4) *North China Herald*, March 31st, 1937.
(5) *Finance and Commerce*, March 31st, 1937.
(6) "British Enterprises in Shanghai -I- The Shanghai Electric Construction Company.", in: *British Chamber of Commerce Journal*. Shanghai: July, 1919. Pages 95-96.
(7) *China Year Book*, 1916. Page 95.
(8) *Finance and Commerce*, January 31st, 1940.
(9) Figures for 1856 and 1900 given in Arnold Wright (Editor in Chief): *Twentieth Century Impressions of Hong Kong, Shanghai and Other Treaty Ports of China*. London: Lloyds Greater

- British Publishing Company, 1908. Page 452. The 1936 figures given in *Finance and Commerce*. January 19th, 1938.
- (10) *North China Herald*, August 2nd, 1933.
 - (11) *North China Herald*, March 12th, 1921.
 - (12) *North China Herald*, March 3rd, 1928.
 - (13) *North China Herald*, March 16th, 1929.
 - (14) *North China Herald*, March 15th, 1932.
 - (15) Inspector General of Customs, Shanghai. *Decennial Reports on the Trade, Industries, etc. of the Ports Open to Foreign Commerce and on the Condition and Development of the Treaty Port Provinces 1892-1901. Volume I – Northern and Yangtze Ports*. Shanghai, 1904. Page 517.
 - (16) *North China Herald*, April 24th, 1935.
 - (17) *Finance and Commerce*, June 6th, 1936.
 - (18) Quoted by Chi-ming Hou: *Foreign Investment and Economic Development in China, 1840-1937*. Cambridge, Mass.: Harvard University Press, 1965. Page 246 – Note 89. (From *Shigaikoku no tai-shi toshi*. Volume II, 29-30. Tokyo, 1943).
 - (19) *North China Herald*, June 30th, 1905.
 - (20) Ibid.
 - (21) *North China Herald*, April 26th, 1933.
 - (22) *The Far Eastern Review*, January, 1920.
 - (23) The Wangpoo Conservancy Board: *The Port of Shanghai (Seventh Revised Edition)*. Shanghai, 1932. Page 41.
 - (24) Naval Intelligence Division: *China Proper - Economic Geography, Ports and Communications*. Volume III; BR530D (restricted). July, 1945. Page 306.
 - (25) *Far Eastern Review*, November, 1919. Page 735.
 - (26) Ibid.
 - (27) Department of Overseas Trade: *Report for the Year 1921 of the Conditions and Prospects of British Trade with China*. H.M. Stationery Office, 1922.
 - (28) *Far Eastern Review*, February, 1919. Page 127.
 - (29) The Whangpoo Conservancy Board: *The Port of Shanghai (Seventh Revised Edition)*. Shanghai, 1932. Page 51.
 - (30) Robert J. Winklareth: *Naval Shipbuilders of the World. From the Age of Sail to the Present Day*. London: Chatham Publishing, 2000. Pages 227-229.
 - (31) H.C.Higgins: "Shipbuilding Industry of Japan, Its History and Future.", in: *Far Eastern Review*, November, 1922. Pages 681-684.
 - (32) *North China Herald*, August 8th, 1930.

PART III – CHAPTER FIVE – CHEMICALS.

- (1) Details of these projects, taken from ICI archives, are given in Patrick Brodie: *Crescent over Cathay - China and ICI, 1898 to 1956*. Oxford: Oxford University Press, 1990.
- (2) Brodie op.cit. Pages 87-88.
- (3) Brodie op.cit. Pages 84-85.
- (4) Brodie op.cit. Page 91.
- (5) Brodie op.cit. Pages 114 and 123.
- (6) Brodie op.cit. Page 125.
- (7) Brodie op.cit. Page 132.
- (8) *Finance and Commerce*, March 14th, 1934.
- (9) Brodie op.cit. Page 140.
- (10) *North China Herald*, April 6th, 1906.
- (11) *North China Herald*, March 13th, 1901.
- (12) *North China Herald*, April 5th, 1907.
- (13) "Shanghai's Industrial Enterprises – XVII – Kiangsu Chemical Works", in: *Finance and Commerce*, June 13th, 1934.
- (14) *North China Herald*, March 22nd, 1919.
- (15) *North China Herald*, March 18th, 1930.
- (16) *North China Herald*, February 13th, 1934.
- (17) *Finance and Commerce*, June 13th, 1934.
- (18) Thomas G. Rawski: *China's Transition to Industrialism*. Ann Arbor, Michigan: University of Michigan Press, 1980. Table 16 – Page 19.

- (19) A very useful guide to the Swire archives is given in Elizabeth Hook: *A Guide to the Papers of John Swire & Sons, Ltd.* SOAS, 1977. The principal items relating to the Orient Paint, Colour and Varnish Company, Limited are in the following classifications :-
JSSIX 1 - Boxes 172-177, 364A, 364B.
JSSIX 2 - Box No. 2016F (Legal Papers).
JSSIC 3 -- Boxes 2052 -- 2062.
- A helpful feature of these archives is that all correspondence is given in strict date order.
- (20) Box 172.
- (21) Report dated December 17th, 1932 attached to the letter from Shanghai to London Office of December 23rd, 1932. Box 172.
- (22) Letter January 17th, 1936, from Swires London to Shanghai. Box 173.
- (23) Letter December 8th, 1933 to Swires London from Shanghai. Box 172.
- (24) The whole of this paragraph is derived from Box No. 2016F giving the agreement between John Swire & Sons and Pinchin Johnson concerning the formation of the joint venture.
- (25) Letter to London Office of Swires from Shanghai on August 24th, 1934. Box 172.
- (26) Letter to Shanghai from London Office dated July 31st, 1934. Box 172.
- (27) Letter from Shanghai to Head Office on August 24th, 1934. Box 172.
- (28) Letter from Shanghai to London Office January 2nd, 1937. Box 174.
- (29) Letter to Butterfield & Swire, Hong Kong from London Office March 29th, 1946. Box 364B.
- (30) Letter to Shanghai from London Office on April 14th, 1938. Box 175.
- (31) Letter from Shanghai to London Office on August 30th, 1937. Box 175.
- (32) Letter from Shanghai to London Office on January 14th, 1938. Box 175.
- (33) Letter from Shanghai to Butterfield & Swire, Hong Kong. November 22nd, 1947. Box 364B.
- (34) Letter December 4th, 1936 to Head Office from Shanghai. Box 175.
- (35) Letter from Head Office to Shanghai on April 14th, 1938. Box 175.
- (36) Letter from Shanghai to Head Office on February 14th, 1936. Box 173.
- (37) Letter to Head Office from Shanghai on January 21st, 1938. Box 175.
- (38) Letter from Shanghai to London Office on June 4th, 1937. Box 174. The firms concerned are listed in PART II, Page 27.
- (39) Letter from Shanghai to London Office on February 14th, 1936. Box 173.
- (40) Letter to Mr Swire from Shanghai dated June 20th, 1941. Box 364A.
- (41) Box 176.
- (42) Letter from London Office on December 3rd, 1937 to Butterfield & Swire, Shanghai. Box 174.
- (43) Letter to Head Office from Shanghai on January 21st, 1938. Box 175.
- (44) Stipulated in the Expert Advice Agreement between the Orient Paint, Colour and Varnish Company and Pinchin Johnson. Box 2016F.
- (45) Letter dated November 6th, 1936 from Shanghai to London Office. Box 173.
- (46) Letter from Shanghai to Head Office of September 8th, 1939 giving "Operating Report and Sales Analysis". Box 2052.
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PART VI – A SUMMARY OF, AND CONCLUSIONS FROM, THE EVIDENCE ADVANCED IN PARTS III AND V CONCERNING THE IMPACT, FAVOURABLE OR OTHERWISE, ON CHINA OF BRITISH INDUSTRIAL INVESTMENT.

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APPENDIX ONE

ROLL CALL OF BRITISH INDUSTRIAL ENTERPRISES IN PRE- SECOND WORLD WAR CHINA.

(A) THE TOBACCO INDUSTRY.

- All British investment in this sector was in the hands of the British-American Tobacco Company, Limited – B.A.T. Altogether B.A.T. had 32 companies to its name in pre-Second World War China. These are given below together with date of establishment.
- 22.7.1903. The American Cigarette Company, Ltd. Founded in 1890 it became a limited company in 1896 – capital 150,000 taels (£22,000). It started a cigarette factory in Pudong. It was purchased by W.D. and H.O. Wills for 190,000 taels (£23,000) on 7.8.1902. New company under same name incorporated in 1903.
- 19.11.1903. Mustard and Co., Ltd. Founded in 1870 as merchants. In 1890 it started importing cigarettes from the American Tobacco Company. In 1891 it had a small cigarette factory in Shanghai under the control of a Mr Laurits Andersen, a Dane. This company became a detached, separate arm of B.A.T.'s involvement in China when purchased in 1903 (81.3 percent owned by B.A.T.). It operated from a separate office in Shanghai from the usual Group office at 175, Soochow Road. Together with a branch in Tianjin, it operated as an importer of machinery, drugs, toiletries, office machinery, etc.
- 29.6. 1904. Murai Brothers Co., Ltd. The American Tobacco Company had a controlling interest in this company which was the largest cigarette producer by far in Japan. However, in 1904 the Japanese Government nationalised the whole tobacco industry. B.A.T., however, retained the Shanghai importing arm which operated from the main office building above.
- 26.9.1905. British Cigarette Company, Ltd. (97.1% owned by B.A.T.) – previously the American Cigarette Company, Limited.
- 24.7.1912. Enterprise Tobacco Company, Limited. 100% owned by B.A.T. and given control of certain brands.
- 14.11.1912. Union Tobacco Company. Majority owned by B.A.T. but with Chinese interest. Managed by Chinese and allocated two brands by Enterprise Tobacco to sell throughout China. Chinese interest terminated in 1919 and in 1920 its brands handed over to Wing Tai Vo.
- 22.12.1913. Keystone Tobacco Co., Ltd. Based at Dalian this company covered the Group's business in the Kwantung Leased Territory.
- 29.4.1914 A. Lopato & Sons, Ltd. Founded in 1909 as a Russian company, having started production in Harbin in 1898. Majority interest acquired by B.A.T. On 1.8.36 it was reorganised as a Manchukuo company.
- 18.8.1914 Caravan Commercial Company, Limited.
- 27.2.1919 British-American Tobacco Company (China), Limited. This was formed to acquire all of B.A.T.'s interests in China. 97.5% owned by B.A.T. parent company.
- 28.4.1919. Alliance Tobacco Company of China, Limited. Joint venture of B.A.T. and A. Lopato to distribute their products. B.A.T. majority.
- 10.5.1920. China Financial Company, Limited.
- 2.12.1920. Hung An Land Investment Co., Ltd. Ostensibly a Chinese company, and registered as such, its apparent owners were, in fact, Chinese compradors of B.A.T. This "front" company with capital of \$1,000,000 (£220,000) enabled B.A.T. to avoid a prohibition on foreigners buying land outside the Treaty Ports The land was needed for their tobacco leaf processing activities..
- 1.10.21. Wing Tai Vo Tobacco Corporation. The President of this company, Cheng Po-chao (Zheng Bozhao) was a merchant who initially became a distributor in Shanghai of Wills' "Ruby Queen" cigarettes in the 1890s. This was under the auspices of Wills' agent of Rex and Co. When this firm's contract was terminated in 1904 Wing Tai Vo continued its connection with B.A.T. via Mustard and Co. B.A.T. acquired a controlling interest (51%) in a new joint venture with this concern in 1921 (capital \$1,000,000 - £130,000).
By the 1930s this concern operated 169 warehouses throughout China. It had the sole distribution rights for certain B.A.T. brands.
- 17.1.1922 China Packers Supply Co., Ltd. producing tin foil, tin cases, cardboard boxes, etc at Pudong for packing and transporting cigarettes. (Capital \$10,000,000 - £1,222,000)
- 31.12.1923 Tobacco Products Corporation (China). An American owned competitor bought out by B.A.T. (Capital \$4,256,000 - £480,000). It had a factory in Yulin Rd., Shanghai.

- 9.4.1926. Acme Foundry, Limited. This machine shop, based in Museum Road, Shanghai, made stoves, ranges, steel furniture etc.
- 11.5.1926. British-American (China) Tobacco Securities Co., Ltd. Founded mainly to give Chinese investors an interest in the B.A.T. business in China. This company had for every one of its shares issued to acquire one share in British-American Tobacco Company (China), Limited -a non quoted company.
- 10.2.1927. Provident Trustees, Limited.
- 24.2.1927. Liggett and Myers Tobacco (China) Company, Limited. Another USA competitor whose importing concern was bought out by B.A.T.
- 8.7.1927. Midland Investment Company, Limited.
- 14.11.1930. Chi Tung Tobacco Company, Limited. Based in Manchuria.
- 30.6.1931 Kung Hsin Tobacco Company, Limited.
- 20.8.1931 Pacific Investors, Limited.
- 14.1.1933 Hsuehchang Leaf Tobacco Company, Limited. Another "front" company using a Wu Ting Seng assisted by an American to buy land in Henan. There was strong opposition from local tobacco brokers. After the murder of these two B.A.T. abandoned this venture.
- 22.9.1934. Both the following companies were formed to take over the business in China carried on by British-American Tobacco Co. (China) Ltd. except in Manchuria and Hong Kong (in Hong Kong the British Cigarette Co. continued to operate the factory). The British-American Tobacco Co. (China) Ltd thus became mainly a holding company.
Yee Tsoong Tobacco Company, Limited. A manufacturing company (capital of \$180,000,000 - £12,000,000).

Yee Tsoong Tobacco Distributors Company, Limited. (A wholly owned subsidiary of the above). A selling company (capital of \$60,700,000 - £4,080,000). This company had by 1938 the following 24 sales offices :-

Beihai*	Qinhuangdao*
Beijing	Shantou*
Changsha*	Shashi*
Chengdu*	Tianjin
Chongqing*	Weihaiwei*
Fuzhou*	Wuhu*
Guangzhou	Xiamen
Jiangmen*	Yichang*
Jiujiang	Yunnanfu*
Kunming*	Zhangjiakou*
Nanjing	Zhenjiang*
Qingdao	Zhifu*

*Headed by Chinese managers or agents.

- 27.9.1934 Chi Tung Manufacturing Company, Limited. Based in Manchuria.
- 29.4.1936. Pagoda Insurance Company, Limited.
- 29.7.1936. Chi Tung Tobacco Company, Limited. Registered as a Manchukuo company.
- 30.7.1937. Tobacco Development Company, Limited. Importers of tobacco leaves. Capital of \$10,000,000 (£620,000).
- 31.7.1937. Capital Lithographers, Limited. (Capital \$20,000,000 - £1,245,000). In 1937 this company operated 6 printing plants making wrapping and advertising material.

(B) EXTRACTIVE INDUSTRIES.

(I) OIL INDUSTRY.

The only industrial activity was by the Asiatic Petroleum Company (Shell) and was minor in nature- the tinning locally of kerosene imported in bulk.

(II) MINERAL MINING.

Altogether there were 17 mining ventures that were associated with British interests. Not one of these were multinational companies - none of them had any operations in the UK. Many of these companies never got beyond the company formation or concession stage (mining operations were, with one insignificant exception (Weihaiwei) outside the Treaty Ports and thus needed official permission). Many of them had their mining concessions redeemed by the Chinese authorities in the "rights recovery" movement

in the first decade of the last century. The only organisations to engage in sustained operations running from the early years of the Century until the outbreak of the Pacific War were three coal mining companies listed first in the snapshot of these 17 companies below :-

<u>NAME</u>	<u>DATE EST.</u>	<u>UK REGISTERED</u>	<u>ENTERED MINING OPERATIONS</u>	<u>PRODUCT</u>
(1) MAJOR PLAYERS				
(i)Pekin Syndicate, Limited	1897	Yes	1908	Coal (Anthracite)
(ii)The Chinese Engineering and Mining Company, Limited	1900	Yes	1901	Coal (Bituminous)
(iii)The Shanghai Exploration and Development Company, Limited	1919	No	1922	Coal (Anthracite)
(2) OTHER				
(iv)Tung Hsing Coalmining Company	1896	No	1896	Coal (Anthracite)
(v) China Concessions Syndicate, Limited	1898	Yes	-	-
(vi)Kiangpei Ting Coal and Iron Mining Company	1898	No	1907	Coal (Bituminous)
(vii)British and Chinese Corporation	1898	Yes	-	-
(viii)Eastern Pioneer Company, Limited	1899	Yes	-	-
(ix) Yang-tse Corporation, Limited	1898	Yes	-	-
(x) China Exploration Company, Limited	1899	Yes	-	-
(xi)Anglo-French Quicksilver and Mining Concession (Kwei-Chau Province) of China, Limited	1899	Yes	1902	Mercury
(xii)London and China Syndicate, Limited	1900	Yes	-	-
(xiii)Syndicat du Yunnan, Limited	1900	Yes	-	-
(xiv)Yangtse Valley Company, Limited	1900	Yes	-	-
(xv) Hui Kung Company	1903	No	-	-
(xvi)The Weihaiwei Gold Mining Company, Limited	1903	No	1904	Gold
(xvii)The Pingyuan Gold Mining Company	1909	No	-	-

(1) MAJOR PLAYERS

(i) Peking Syndicate, Limited.

Founded March, 1897 with capital of £20,000. In 1898 it secured concessions in Shanxi and Henan and by 1900 capital had increased to £495,000 and by 1905 £1,243,000. In 1902 construction began of a railway to link the projected mining areas. In 1908 the mining rights in Shanxi were redeemed for £356,000 – the railway so far completed having been sold to the Government in 1905 for £800,000. Activities were then concentrated on the Henan mines which started producing coal in 1908. In 1914 the selling activities of the mines were placed into a joint venture (Fu Chung Corporation) with 3 local Chinese mines. In 1933 production as well as selling activities were placed into a new joint venture- the Chung Fu Mining Company – which was 49% owned by the Peking Syndicate.

(ii) Chinese Engineering and Mining Company, Limited.

Founded in December, 1900 and registered in London with a capital which totalled £1,000,000 when fully issued at end 1901. In that year it took control of the Chinese company of the same name. In 1912 it entered into a joint venture with the Lanchow Mining Company. Called the Kailan Mining Administration this administered the assets in China of the two companies and their sales. A new British company was formed in 1912 with the same name and capitalisation and took over the assets and liabilities of the old company.

(iii) The Shanghai Exploration and Development Company, Limited.

Incorporated in 1919, the main activity of the Company was a modern anthracite mine about 16 miles from Beijing. By 1924 capital issued amounted to 2,986,000 taels (£480,000).

(2) OTHER

(iv) Tung Hsing Coalmining Company.

This was the first foreign participation in mining when in 1896 an English merchant rented this colliery at Mentoukou near Beijing. By 1907 the mine after passing through several hands had fallen into the hands of a UK company in Tianjin and a Chinese entrepreneur. These transactions were done without official permission and in 1908 the mine was closed. In 1910 it was reorganised with official approval as a Sino-British venture with a capital of 1,000,000 taels (i.e. c.£60,000 each). By 1915 the output had risen to 80,000 tons of anthracite coal. However, the mine was closed in 1917 after being completely flooded.

(v) China Concessions Syndicate, Limited.

Registered in London in 1898 "to carry... on the business of merchants, traders, miners, etc." Very little of the authorised capital of £20,000 was issued and in 1902 the company went into voluntary liquidation.

(vi) Kiangpei Ting Coal and Iron Mining Company.

In 1898 a Mr Archibald John Little began to work this concession in Sichuan in conjunction with some Chinese. The output of bituminous coal was fairly modest albeit profitable. In 1906 the above company was formed – half of the capital (500,000 taels - £65,000) was to have been Chinese but it proved impossible to raise this. In the eleven months to end January 1908 output of good quality coal amounted to 29,000 tons. However, troubles with the provincial authorities and the local population caused the cessation of operations. In July, 1909 the company was "successfully jockeyed out of its holding" (*The Times*, 20th May, 1910) and the concern was handed over to a Chinese company.

(vii) British and Chinese Corporation.

The contract for the Beijing – Shenyang railway in 1899 carried an ancillary agreement granting the above half share in the coal mines at Naniapiao in Jehol. In 1908 after two years of dispute over the Corporation's claim for £20,000 compensation (not successful) the mining agreement became void.

(viii) Eastern Pioneer Company, Limited. / (ix) Yang-tse Corporation, Limited.

In 1898/9 a British MP of Australian origin – Mr William Pritchard - Morgan – secured mining concessions in Sichuan that were approved by the provincial authorities and the central government. As a result of these efforts the Eastern Pioneer Company was formed in London in October, 1899. The authorised capital was £300,000 – by end 1903 £250,000 had been issued. Half of the capital was held by Belgian interests. Delays in exploitation due to the Boxer Rebellion and local resistance gave the Chinese Government the excuse to cancel the Company's concession in 1906. The Company spent many years trying to reverse this situation. In 1921 the Company was acquired by the Yang-tse Corporation. Founded in 1898 with an authorised capital of £300,000 – only £20,000 issued – this was a "shell" company. With the acquisition of Eastern Pioneer its issued capital rose to £168,000 and in February, 1922 the Peking Syndicate became their manager and agent in China with the aim of developing the concession formerly owned by the Eastern Pioneer Company. Despite this move no progress was made in China.

(x) China Exploration Company, Limited.

This company was registered in London in 1899. Despite its London registration the shareholders were mainly Belgian and, to a lesser extent, German. A mining engineer was engaged to prospect in China but nothing ensued. In 1904 the Company was wound up voluntarily.

(xi) Anglo-French Quicksilver and Mining Concession (Kwei-Chau Province) of China, Ltd.

Registered in the UK in 1899 the authorised capital of £300,000 had all been issued by 1903. 3 of the 8 directors were French residents. Entry into iron mining and smelting proved to be a failure and the Company concentrated on mercury. By 1903 two quicksilver furnaces were in operation – later increased to three in 1908. Output from the mines reached 55,000 (metric) tons per annum of cinnabar. Progress, however, proved disappointing and in 1906 the Company was reconstructed into a new UK company of the same name. The Board was now all British. Local unrest during the 1911 Revolution caused the complete cessation of operations. The Company was wound up in 1917.

(xii) London and China Syndicate, Limited.

This company was registered in London in 1900 with an authorised capital of £50,000 – the maximum issued was £24,000 by 1904. In that year the Syndicate obtained from the local government of Anhui an agreement on mining rights (which obtained Imperial sanction) to an iron ore deposit it had discovered on the Yangzi, 55 miles North of Wuhu. The Syndicate ran into strong harassment from the provincial authorities and the local gentry. In 1909 the Chinese Government proposed to buy back the mines for £50,000. This compared with the £47,000 claimed by the Syndicate to have been spent on the project by end June, 1909. (At least two contemporary sources expressed great disbelief that anywhere near this figure had been spent). The Chinese Government increased this offer to £52,000 and through the intervention of the British Foreign Office this offer was accepted by the Syndicate in 1910. The Company was wound up in 1912.

(xiii) Syndicat du Yunnan, Limited.

In May, 1899 a group of French financiers founded the Syndicat Minier du Yunnan. It was decided to seek British involvement. In October, 1899 the Anglo French Syndicate was registered as a UK company "to deal with mining properties". With the introduction of a further Franco-British consortium, the company was reconstructed and renamed as above in April, 1900. The authorised capital of this Anglo-French company (equal shareholding and Board representation and a Secretary and office in Paris as well as London) was £35,000 – all issued by 1906. In 1902 the Syndicate obtained a concession covering mining and other rights over 40,000 square miles of the province of Yunnan. Up to 1906 operations were limited pending the completion of the Hanoi-Yunnan railway. In that year it was decided to begin working of tin. The Syndicate transferred its rights in one of the departments of Yunnan to the Société d' Exploitation de Ling-Ngan in which it took a 43% interest (the other main shareholder with 23% was the Yangtse Valley Company – see below).

A hornets' nest was stirred up. Local opposition became furious both from the gentry and those involved with the local mines. Anti-foreign societies were organised. Given this situation the Company accepted in 1911 a Chinese Government offer for the rights and property of the Company of £190,000. The Syndicate was wound up voluntarily in 1922.

(xiv) Yangtse Valley Company, Limited.

This UK registered company came into being in December, 1900 in amalgamation of the Yangtse Valley Syndicate, Limited (registered May, 1899) and the Upper Yangtse Syndicate, Limited (June, 1899). The Company never engaged in any mining operations in China other than in taking shareholdings in other companies such as in the case of the Yunnan concession above. The Company went into voluntary liquidation in 1922.

(xv) Hui Kung Company.

In an agreement approved by the Chinese Government in February, 1903 this British company would invest in mines in four prefectures in Zhejiang in conjunction with a Chinese concern. The agreement stipulated that mining activities should commence before March 6th, 1904. The British concessionaires did not meet this requirement although some prospecting did take place. The concession became void in March, 1905

(xvi) The Weihaiwei Gold Mining Company, Limited.

This company was floated in early 1903 on the Shanghai exchange by British investors. The capital (all paid up) was \$600,000 (£50,000). The shares fell sharply in December, 1904 on news of disappointing results on the first ore crushing. A meeting of shareholders was held and despite the gloomy outlook resolved to put in more money into the Company via debentures with option to convert into ordinary shares. This proved to be throwing good money after bad and in 1907 the Company was wound up voluntarily.

(xvii) The Pingyuan Gold Mining Company.

This company was formed in 1909 to develop gold mining in Jehol. The capital of this Sino-British concern of 800,000 taels (£96,000) was equally divided. A development shaft was opened but the yield and seam thickness were disappointing. The operation was completely stopped in 1914.

(C) ENGINEERING.

(I) MARINE ENGINEERING.

The table given overleaf shows details of British owned docks in the key port of Shanghai.

1853 Pootung Dock Co.	In 1872 a new public company was formed to work the shipyard which was leased to the existing tenants of S.C. Farnham and Co. (see below). Capital issued 94,000 taels (£28,000).
1858 Shanghai Dock Co.	Established by British merchants. By the 1870s issued capital had reached 220,000 taels. (£66,000).
1858 Amoy Dock Co.	In Xiamen. The general managers were Tait and Co.- established in 1845 in Xiamen.
1860 E. Hawkins and Co.	
1862 Boyd and Co.	In 1891 converted into a limited company with an issued capital of 800,000 taels (£176,000).
1864 Bellamy and Co.	Operated the Bellamy Dock of the Amoy Dock Company.
1865 S.C. Farnham and Co.	In 1892 converted into a limited company with an issued capital of 750,000 taels (£188,000).
1869 Foochow Dock Co.	
1872 Shanghai and Pootung Foundry and Engineering Co.	Capital 100,000 taels (£30,000).
1888 The Hongkew Engine Co.	Makers and repairers of ship engines.

DIMENSIONS OF BRITISH DRY DOCKS IN SHANGHAI – FEET.

	<u>1904</u>			<u>1910</u>			<u>1920</u>		
	<u>a</u>	<u>b</u>	<u>c</u>	<u>a</u>	<u>b</u>	<u>c</u>	<u>a</u>	<u>b</u>	<u>c</u>
Old Dock (1)	399	53	16	399	53	16	399	53	16
Tungkadoo Dock (2)	350	67	16	350	67	16	355	67	16
Cosmopolitan Dock (3)	532	77.5	24	532	77.5	24	532	77.5	24
International Dock (4)	528	77.5	23.5	528	77.5	23.5	528	77.5	23.5
New Dock (5)	450	75.5	21.5	450	75.5	21.5	450	75.5	21.5
Yangtsepoo I (6)	-	-	-	452	61	20	570	61	20
Yangtsepoo II (7)	-	-	-	-	-	-	-	-	-
<u>TOTAL</u>	<u>2,259</u>	<u>350.5</u>	<u>..</u>	<u>2,711</u>	<u>411.5</u>	<u>..</u>	<u>2,834</u>	<u>411.5</u>	<u>..</u>
	<u>1930</u>			<u>1937</u>			<u>1940</u>		
	<u>a</u>	<u>b</u>	<u>c</u>	<u>a</u>	<u>b</u>	<u>c</u>	<u>a</u>	<u>b</u>	<u>c</u>
Old Dock (1)	399	53	16	399	53	16	-	-	-
Tungkadoo Dock (2)	355	67	16	355	67	16	355	67	16
Cosmopolitan Dock (3)	-	-	-	-	-	-	-	-	-
International Dock (4)	528	77.5	23.5	528	65	23.5	528	77.5	23.5
New Dock (5)	-	-	-	-	-	-	-	-	-
Yangtsepoo I (6)	577	61	20	584	62	20	577	61	20
Yangtsepoo II (7)	335	60	14	342	61	16	335	60	14
<u>TOTAL</u>	<u>2,194</u>	<u>318.5</u>	<u>..</u>	<u>2,208</u>	<u>308</u>	<u>..</u>	<u>1,795</u>	<u>265.5</u>	<u>..</u>

a. Length on Blocks.

b. Breadth at Entrance.

c. Depth of high water at ordinary Spring tides on the Sill.

- (1) 1904 S.C. Farnham, Boyd and Co. – previously belonged to S.C.Farnham. 1910,1920 and 1930 Shanghai Dock and Engineering Company, Ltd. 1938 disused property sold to Messrs Moller's Ltd. At Hongkou.
- (2) 1904 S. C Farnham, Boyd and Co. – previously belonged to S.C.Farnham. 1910,1920 and 1930 Shanghai Dock and Engineering Company, Ltd. 1936 transferred to Shanghai Dockyards, Ltd. In Pudong. Original name Muirhead's Dock.
- (3) 1904 S.C. Farnham, Boyd and Co. – previously belonged to S.C. Farnham. 1910 and 1920 Shanghai Dock and Engineering Company, Ltd. In Pudong adjoining International Dock. Disused site partly sold to Asiatic Petroleum in 1929. Remaining four fifths of land sold to Shanghai Dockyards, Ltd.
- (4) 1904 S.C. Farnham, Boyd and Co – previously the Oriental Dock of the Shanghai Engineering, Shipbuilding and Dock Co. 1910, 1920 and 1930 Shanghai Dock and Engineering Company, Ltd. In 1936 transferred to Shanghai Dockyards, Limited.
- (5) 1904 S.C. Farnham, Boyd and Co. – previously belonged to Boyd and Co. 1910 and 1920 Shanghai Dock and Engineering Company, Ltd. In Pudong. 1921 sold to Nippon Yusen Kaisha for exclusive use as wharves and warehouses.
- (6) Opened 1909 by New Engineering and Shipbuilding Works, Ltd. Expanded in 1916. 1936 transferred to Shanghai Dockyards, Ltd.
- (7) Opened February, 1930 by New Engineering and Shipbuilding Works, Ltd. 1936 transferred to Shanghai Dockyards, Ltd.

- 1880s Acum's Boat-Building Yard British ownership in doubt.
- 1892 The New Amoy Dock Company Floatation of company above (page 271) with issued capital of \$67,000 (£12,000).
- 1892 Shanghai Engineering, Shipbuilding and Dock Company. Authorised capital 770,000 taels – 511,000 taels were originally issued. Taken over by S.C. Farnham in 1900.
- 1893 Amoy Engineering Co. Capital \$30,000 (£4,000).
- 1900 S.C. Farnham, Boyd and Company, Limited Capital 4,830,000 taels (£425,000). The merged company on its inception "controls all the shipbuilding and docking business of the port" (i.e Shanghai).
- 1906 The Shanghai Dock and Engineering Co., Ltd. S.C. Farnham, Boyd and Company, Limited was wound up and all assets and liabilities were transferred to this new company. All shares were transferred on a one to one basis.
- 1900 The New Engineering and Shipbuilding Works, Ltd. Formed as a private company. In 1903 converted into a limited liability company with a capital of 102,000 taels (£12,000).
- 1905 Vulcan Ironworks, Ltd. Capital 311,000 taels (£40,000). Merged with The New Engineering and Shipbuilding Works, Ltd in 1912.
- 1936 Shanghai Dockyards, Ltd. A joint venture private company to which the New Engineering and Shipbuilding Works contributed virtually all its relevant assets and the Shanghai Dock and Engineering Company two thirds of its assets. By 1940 the balance of these assets (the Old Dock and the Cosmopolitan Dock –the last later sold to the joint venture) had been sold. Both the partners in Shanghai Dockyards went into voluntary liquidation in 1939 and 1940. At end 1940 Shanghai Dockyards, Limited became a public company. Its capital then amounted to \$11,250,000 (£179,000).
- 1937 Metal Industries of China, Limited Floated by Wheelock and Company (transport, warehousemen, removers, etc) the capital of this company was \$1,250,000 – £78,000 of which Wheelock and Co. accounted for 32%. The new company comprised two previous subsidiaries of Wheelock and Company – China Ship-Breakers, Limited (60% of the assets of Metal Industries of China, Ltd.) and China Rolling and Steel Works, Limited.
- 1938 Mollers' Engineering and Shipbuilding Works, Ltd. The British shipping concern of Messrs Mollers', Limited acquired the Old Dock property from the Shanghai Dock and Engineering Co., Ltd for £70,000 in September, 1938.

(II) GENERAL ENGINEERING.

- 1881-2 British firm in short - lived venture in Xiamen to make iron pans.
- 1882 G.A. Wood and Co. Capital 100,000 taels (£24,000). 100 workers.
- 1908 Tientsin Ironworks, Ltd. A short-lived venture. Capital 70,000 taels (£8,400).
- 1922 Eastern Engineering Works, Limited Formed in 1922 as a private concern in Tianjin. Public company in 1925 with capital of 240,000 taels (£36,000). In 1923 it had taken over another UK company – Adair, Graham and Company.
- 1925 Acme Foundry, Ltd. Part of B.A.T. (see above).
- ? The Ideal Foundry and Machine Works
- ? Linotype and Machinery, Ltd Printing machinery.
- ? McGregor Iron Works. Vitreous enamels.
- General Forge Products Company of China. Reorganised in 1929 as General Forge Products (1929), Limited and also took over China Amalgamated Nail Company. Capital of the Company thus became 500,000 taels (£40,000). However, the

Company went into voluntary liquidation in 1934.

? China Car and Foundry Company, Limited.
The China Brass and Iron Works, Limited.

Railway coaches and freight cars. One third American holding.

In 1926 the Shanghai Waterworks Company allotted to its shareholders shares in a new company – Shanghai Waterworks Fittings Company, Limited – formed from its Fittings Department. This company took a 50% interest in the China Brass and Iron Works, Limited – increased to 75% in 1933 and 100% in 1939. Employing 200 it produced mechanical stokers, boilers and other items for the water fittings business.

? Hope Crittall (China) Company, Limited.

The factory in Yangshupu produced metal windows and doors. It was owned by the two English companies of Henry Hope and Sons, Limited and Crittall Manufacturing Company Limited.

(A minority interest of UK investment was the Chinese Aluminium Rolling Mills, Limited. On stream in 1933 the plant produced aluminium foil and sheet. A joint British, Canadian and Swiss venture, the management was virtually all Swiss. Based on imported material, its production capacity was 3,000 tons per annum.)

(D) SOUND REPRODUCTION.

- 1928 Columbia Graphophone took over Pathé Frères which brought with it the Compagnie Pathé Orient with a factory in the French Concession in Shanghai.
- 1929 Columbia Graphophone liquidated Compagnie Pathé Orient and passed the assets to a commercial company (Pathé Orient, Ltd.) and a production company (China Record Co.) The capital of the former was \$490,000 (£42,000) and the latter \$1,470,000 (£125,000).
- 1931 The Columbia Graphophone Company, Ltd. and The Gramophone Company, Ltd. merged forming Electric and Musical Industries, Limited.
- 1934 Pathé Orient, Ltd. and China Record, Ltd. absorbed into a new company – Electric and Musical Industries (China), Limited. The mainstream business of the Company was records and gramophones. The initial capital of this new company was \$1,000,000 (£67,000).

(E) COTTON TEXTILES.

- (1888) (Shanghai Cotton Cleaning and Working Company) (Capital of 75,000 taels (£15,000) owned by British (Boyd and Co), Japanese, American and German interests. With 32 ginning machines, it processed 5.4 metric tons of cotton per day. There were 150 workers. This Japanese managed venture (Mitsui Bussan Kaisha) closed in 1902.)
- 1895 Ewo Cotton Spinning and Weaving Co., Ltd. Capital 1,000,000 taels (£140,000).
- 1895 Laou Kung Mow Cotton Spinning and Weaving Co., Ltd. Capital 500,000 taels (£84,000). Mill bought by Japanese in 1925.
- 1906 The Anglo-Chinese Cotton Manufacturing Co., Ltd. A small (11,678 spindles) spinning mill with a capital of 300,000 taels (£30,000). This Anglo-Chinese joint venture became wholly Chinese owned in 1909.
- 1910 Kung Yik Cotton Spinning and Weaving Co., Ltd. Capital 537,000 taels (£64,000).
- 1914 Yangtsepoo Cotton Mill, Limited. Formed by taking all moveable items from the Hong Kong Cotton Spinning, Weaving and Dyeing Company to combine with the 1913 established, Jardine Matheson owned, Yangtsepoo Cotton Mill. Capital 1,500,000 taels (£195,000).
- 1917 Oriental Cotton Spinning and Weaving Company, Ltd. Reformed as British company – originally German (1895 – The

- Soy Chee Cotton Spinning Company). Capital 600,000 taels (£120,000). Went into liquidation in 1928.
- 1921 Ewo Cotton Mills, Ltd. Formed to combine the above three units – all in the Jardine Matheson stable – of Ewo Cotton Spinning and Weaving, Kung Yik and Yangtsepoo. Capital 4,900,000 taels (£882,000).
- 1924 China Printing and Finishing Company, Limited. Subsidiary of Calico Printers' Association. Originally a finishing plant. Spinning and weaving added in 1936. Capital of \$15,000,000 (£900,000) at the latter date.
- 1937 New China Textile Company, Limited Capital \$2,500,000 (£155,000).

(F) NON-COTTON TEXTILES.

(I) SILK.

- 1861 The Silk Reeling Establishment Venture backed by Jardine Matheson. Closed in 1872.
- 1882 Ewo Filature Originally called The Shanghai Silk Manufacturing Company. Capital 500,000 taels (£130,000).
- 1882 Iveson and Company Capital 200,000 taels (£52,000).
- 1888 Ewo Silk Spinning, Weaving and Dyeing Company Capital 150,000 taels (£32,000). Spinning, etc of waste silk.
- 1891 Lun Chong Silk Filature Capital 200,000 taels (£44,000).

(II) WORSTED SPINNING AND WEAVING.

- 1932 Ewo Cotton Mills, Ltd. See above.
- 1933 Patons and Baldwins (Far East), Limited. Capital £750,000.
- 1935 Shanghai Worsted Mills, Limited Converted into public company in 1940. Capital \$5,000,000 (£67,000).

(III) JUTE TEXTILES.

- 1929 Ewo Cotton Mills, Ltd See above. Hessian cloth and gunny bags.

(G) CHEMICALS.

- Early 1860s Major's Acid Works / Kiangsu Chemical Works.
- 1875 Major Brothers became a private limited company.
- 1880 Sui Chong Match Factory Major Bros. 400 workers. Sold in 1894.
- 1889 Major Brothers, Limited formed with capital of 275,000 taels (£58,000).
- 1890 Major's Soap Factory Activity given up in 1896.
- 1900 Yue Kang Glue Factory Company Capital 79,000 taels (£10,000). Went out of business in June, 1902.
- 1911 Demovel, Limited Short lived venture making paint remover.
- ? Pao Tai Soap Factory Burtenshaw and Company. In Hankou.
- 1912 Price's (China) Limited. A subsidiary of Price's Patent Candle Company, Limited. A large candle factory, which also had a small production of soap, was erected in Shanghai.
- 1917 China Soap and Candle Company, Limited Capital £510,000. A three way venture of Price's Patent Candle Company, Limited and two UK soap companies which had been taken over by Brunner Mond and Company – Crosfields and Gossages. Price's transferred their Chinese interests to this new company.
- 1919 Lever Brothers took over Crosfields and Gossages. By also taking over Price's Patent Candle Company it took full control of the China Soap and Candle Company, Limited.
- 1922 Candles, Limited Lever Brothers and Shell agreed to transfer all their illuminants businesses to this company – in 1936 Lever Brothers sold their

- share in this joint venture to their partner.
- 1923 Shell became general managing agents for all the activities of Price's (China), Limited. By then this enterprise had over 250 employees.
- 1923 The China Soap Company, Limited Incorporated in China by Lever Brothers. It took over their 1911 established trading company of Lever Brothers (China), Limited and the China Soap and Candle Company, Limited which was wound up in 1925. The China Soap Company, Limited had a capital of \$8,000,000 (£700,000). The factory in Shanghai came on stream in 1925. 400 workers produced, in addition to soap, cold cream, glycerine, etc.
- 1934 The Orient Paint, Colour and Varnish Company, Ltd. A joint venture of John Swire & Sons, Limited and the UK paint company of Pinchin, Johnson and Company, Limited. Issued capital \$1,800,000 (£78,000) by mid-1938.
- (H) DRINK, FOOD AND CLEANING AND PACKAGING OF AGRICULTURAL PRODUCTS.
- (I) DRINK.
- (a) Brewing.
- ? The Empire Brewery and Aerated Mineral Water Works Part of Evans and Co. Established in 1855, this company was engaged in baking (the first Western bakery in China) and as shiphandlers. The brewing business was taken over by Hall and Holtz Co-operative Company in 1885 but it was sold in 1893.
- 1904 Anglo-German Brewing Co. Only at the margin can it be accounted as a British company albeit registered as such and with a British Chairman and some other Board members. Very substantial German participation and ownership. Capital \$400,000 (£39,000). Went into voluntary liquidation in 1916 with the brewery sold to Dai Nippon Brewery.
- 1935 Ewo Breweries, Ltd. Brewery completed in 1936 – one third owned by Jardine Matheson – balance local British stockbrokers. In 1940 converted into public company with above name. Capital of \$7,000,000 (£105,000). Jardine Matheson retained one seventh of the capital and were general managers.
- (b) Non-alcoholic drinks.
- 1853 J Llewellyn and Co. Public company in 1889 with capital of \$120,000 (£33,000) but even after installing a new aerated water plant in 1890 this business only accounted for 3% of total assets. Its main business was in selling medicines, toiletries, etc and dispensing.
- 1890 Farr Brothers and Company
- 1891 H. Peel and Company.
- ? J.Wells In Niuzhuang.
- ? Kyle and Company. In Fuzhou.
- ? Evans and Co. (see above).
- 1886 A.S. Watson and Co. Founded in Hong Kong in the 1850s and incorporated in 1884. In 1886 it extended its aerated water operations to Shanghai (50 workers). This activity only a small part of its business which was mainly retailing. Apart from Shanghai the Company also erected soft drinks plants in Guangzhou, Tianjin and Xiamen.
- 1892 The Aquarius Company Capital 100,000 taels (£25,000). Established by Caldbeck, MacGregor and Co. – wine and spirits merchants (1864).
- 1901 Crystal, Limited Capital 52,500 taels (£6,200). In Tianjin and Shanhaiguan. They were authorised bottlers of Coca Cola.
- ? Swatow Aerated Water Co. In Shantou. Bradley and Co.
- ? Hankow Dispensary Co., Ltd. Hankou. Capital \$157,000 (£19,000).
- ? Hankow Iceworks Hankou. Taken over by Chinese interests in 1925.
- ? A. Mackie and Co., Ltd. Tianjin.
- ? White Star Aerated Water Factory Tianjin.

7 Wilson and Company

Hankou. Bought by Burtenshaw and Co. in 1918.

(II) FOOD.

(a) Sugar refining.

1869

Jardine Matheson short lived venture with Chinese merchants near Guangzhou.

1878 Swatow Sugar Refinery

Jardine Matheson venture in Shantou. Closed 1886.

(b) Flour mills.

1863 Shanghai Steam Flour Mill

First machine run flour mill in China.

1896 China Flour Mill Co. Ltd.

Capital 150,000 taels (£22,500). In 1916 the Company was wound up and the mill was taken over by Mitsui Bussan Kaisha.

1905 Ho Feng Flour Mill

In Hankou. Capital 200,000 taels (£26,000).

(c) Oils and fats.

(i) Soya bean products.

1866 Thomas Platt and Co.

Founded in 1861 as a trading company in Niuzhuang. In 1866 it ordered machinery for a steam powered mill to process soya beans. The venture was taken over by Jardine Matheson and production commenced in 1868. Venture terminated in 1870.

1934 Nutro Products, Ltd.

“Soyogen” flour.

(Also, in 1896 Butterfield and Swire were involved in the erection of a steam powered mill, also in Niuzhuang, with a capacity of 11 tons of oil and 4,000 beancakes per day. However, according to Lord Charles Beresford (*The Break-up of China*, 1899) the mill was “worked by Chinese only, and is practically Chinese owned.” There was also British financial interest in two ventures in Harbin. The Anglo-Chinese Eastern Trading Company, Limited was founded in 1914 and had a utilisation capacity of 90 tons of soya beans per day. The second venture was Messrs. S. Soskin and Company’s Corn Mills and Bean-Oil Works.)

(ii) Other oils.

1892 Shanghai Oil Company

A small mill for cotton seed oil and cake. Part of Major Brothers, Limited. Sold in 1907.

1904 Scharff’s Oil and Bone Mills, Limited

Capital 107,000 taels (£14,000). Company went into liquidation in 1907.

1909 Lih Teh Oil Mill Company, Ltd.

Capital 260,000 taels (£31,000). Wound up in September, 1930.

(also tung oil refineries, particularly in Hankou, owned by Jardine Matheson, Arnhold and Co., Ltd and Liddell Brothers and Company.)

(iii) Margarine.

1933 Edible Products, Limited

Originally The United Margarine Company, Ltd. Name changed in 1935. Capital 300,000 (£19,000). Plant at the Unilever complex in Shanghai.

(d) Other foods.

This sector comprised three firms engaged in preserving eggs by freezing and other means and also freezing other foods.

1908 International Export Company, Limited.

100% owned by the Union Cold Storage, Limited – part of the Vestey family empire. Original capital \$351,000 (£30,000). The plant at Hankou was followed by others at Nanjing and Tianjin.

1911 S.Behr and Mathew, Limited

Plants in Shanghai, Hankou and Qingdao plus handling and freezing facilities in London and Hamburg. Capital in China of 700,000 taels (£84,000).

1920 Ewo Cold Storage, Company

Plants in Shanghai and Qingdao. The capital of this Jardine Matheson company was 790,000 taels (£130,000).

(III) CLEANING AND PACKAGING OF AGRICULTURAL PRODUCTS.

1876 Hankow Press Packing Company, Ltd.

1877 Collins and Co.

In Tianjin. A firm of merchants.

1881 Birt’s Wharf Hide-curing and

- Wool-cleaning, Co. Founded by W. Birt and Co. (1870) – silk inspectors and merchants. This Shanghai plant was sold in 1895 to Liddell Brothers and Co. 1894 capital of this packaging/cleaning plant was 105,000 taels (£14,700).
- 1888 Mackenzie and Co., Ltd. Founded in 1858, this firm of merchants established a plant in 1888 in Tianjin. Other plants were added in Shanghai (Pudong) and Hankou.
- 1895 Liddell Brothers and Company, Limited A substantial import/export company. Plants in Shanghai (see above), Hankou (1904) and Tianjin. These packing interests were supplemented by a plywood factory in Harbin.
- ? Hatch Carter and Co. An import/export company. Plant at Tianjin.
- ? William Forbes and Co. Merchants and commission agents. Plant at Tianjin.
- ? Wilson and Company. Merchants. Plant at Tianjin.
- 1907 Ewo Press Packing Co. Originally a joint venture of Jardine Matheson and a Chinese partner called Ewo Yuen Press Packing Company. In 1919 Jardine Matheson became sole proprietors and the name was changed. Plants in Shanghai and Tianjin.

(I) MISCELLANEOUS.

(1) BUILDING MATERIALS.

- 1866 Shanghai Brick and Saw Mill Company Capital 100,000 taels (£28,000). Closed 1870.
- 1891 Shanghai Concrete Co. Probably British. 50 workers. Capital 30,000 taels (£6,600).
- 1900 Chee Hsin Cement Co. In Tangshan. Apart from cement, flooring tiles also made. Founded in 1890, it became a satellite enterprise of the Chinese Engineering and Mining Company, Limited in 1901 (see above). This cement plant was sold to Chinese interests in 1907. The Chinese Engineering and Mining Company, Ltd. also produced bricks for internal use and outside sales.
- ? Yang Tsun Brickworks.
- 1904 A. Butler Cement Tile Works, Limited Capital 60,000 taels (£8,000). Liquidated in 1921.
- 1929 China Aerocrete Co, Ltd. Producer of artificial stone. Capital 200,000 taels (£24,000). Company dissolved in 1937.

(II) WOOD PROCESSING.

- 1885 Hall and Holtz Co-operative Company, Limited Primarily a retail concern but also possessing a furniture factory.
- ? A.H. Jaques and Co. As above. In Tianjin.
- ? Weeks and Co., Ltd. As above, mainly a retail business.
- ? Sims and Company In Tianjin.
- 1901 The China Import and Export Lumber Co., Ltd. Initial capital of 500,000 taels (£60,000). Majority British owned from 1908. Sawmills in Shanghai, Nanjing, Hankou, Qingdao, Tianjin and Fuzhou (this last closed in 1926). Also a plywood plant in Shanghai. The company supplied flooring, interior woodwork, etc via its subsidiary of China Woodworking and Dry Kiln Company, Limited.
- ? British sawmill in Fuzhou. Closed in 1904 with increased scarcity of indigenous timber.
- 1905 Ewo Timber Depot Capital \$150,000 (£13,000). 200 workers. Jardine Matheson venture.
- 1909 Arts and Crafts, Ltd. Capital 98,000 taels (£12,000). Founded in 1904 as a furnishing business. In 1909 it started producing furniture and interior woodwork.
- ? Woodcraft Works, Ltd. Furniture producers.
- ? Liddell Brothers and Company Limited (see above) A plywood factory in Harbin.

(III) MUSICAL INSTRUMENTS.

1895 S. Moutrie and Co., Ltd. Founded in 1889 as dealers in music. In 1895 it established a factory in Shanghai to make pianos. In 1899 it became a public company with an initial issued capital of \$104,000 (£9,000). It also introduced organ production in China.

(IV) OTHER.

(a) Glass.

1882 Shanghai Glass Works, Co. Capital 50,000 taels (£13,000). Closed 1893.
1932 Tsing Hwa Glass Co., Ltd. Specialised in glassware and bottles. Capital \$500,000 (£32,000). 200 workers.

(Yao Hua Mechanical Glass Company, Limited)

(Window glass output at Qinhuangdao. The British interest was via the joint venture of the Kailan Mining Administration.)

(b) Office furniture.

1932 The Office Appliance Company, Limited

Established in 1930 with its main business importing and repairing office furniture. It did, however, have a factory making steel office furniture from 1932 to 1935.

(c) Tanning.

1879
1881

British merchant established a tannery in Shanghai (Pudong). The above business acquired by The Shanghai Tannery Company. Wound up in 1883.

1904 Shanghai Tanning Factory

Capital \$210,000 (£27,000). Liquidated 1913.

(d) Electrical Industry.

? General Electric Company of China

The Shanghai factory was mainly engaged in installing and contracting of electrical machinery. Actual production of electrical articles was small.

? Marconi's Wireless Telegraph Company, Limited

A subsidiary of Cable and Wireless, Ltd. As a small part of their business in China – mainly dealing in and installing wireless, telegraph and telephone equipment – the Company had a small factory in Shanghai (50 employees). A part of its operations was making radios and wireless equipment. This factory was burnt out completely during the 1937 hostilities.

Notes :-

- (1) The figures for capital in Sterling terms are converted at the average exchange rates for the applicable year.
- (2) Unless otherwise stated in the above, the operations of the individual enterprises concerned were in Shanghai. Of the 180 enterprises listed, 59% confined their operations to Shanghai, 9% combined operations in Shanghai with other centres and 32% were centred in other locations. These last were particularly prominent in the sectors of the mining and drink industries.
- (3) These 180 enterprises were distributed by industrial sector as follows :-

Tobacco industry	32	All taken over or founded by B.A.T.
Extractive industries	18	
Textiles		
Cotton textiles	9	
Non-cotton textiles		
- Silk	5	
- Other	4	
Engineering		
- Marine	21	
- Other	11	
Chemicals	13	
Sound reproducton	4	All part of EMI or its constituent companies.
Drink	17	
Food	14	
Cleaning and packing of agricultural products	9	
Miscellaneous	<u>23</u>	
Total	<u>180</u>	

(4) By date of foundation the split was as follows :-

Before 1895	26%
1895-1914	40%
1915-1922	9%
1923-1929	11%
1930-1940	14%

Out of the 180 enterprises, 81 (45%) were extant in 1940 due to the consolidation of enterprises, liquidation of enterprises and transference of ownership from British hands.

(5) Distribution of British Industrial Enterprises by (a) Location of Operations (b) Date of Foundation.

(a) Location of Enterprises.

<u>Industrial Sector.</u>	<u>Shanghai.</u>	<u>Shanghai/Other.</u>	<u>Other Locations.</u>	<u>Total</u>
Tobacco industry	17	7	8	32
Extractive industries	-	1	17	18
Engineering				
-Marine	15	1	5	21
-Other	8	-	3	11
Sound reproduction	4	-	-	4
Cotton textiles	9	-	-	9
Non-cotton textiles				
-Silk	5	-	-	5
-Other	4	-	-	4
Chemicals	12	-	1	13
Drink	6	1	10	17
Food	7	2	5	14
Cleaning and packing of agricultural products	1	3	5	9
Miscellaneous	18	1	4	23
<u>Total</u>	<u>106</u>	<u>16</u>	<u>58</u>	<u>180</u>

(b) Date of Foundation.

<u>Industrial Sector.</u>	<u>Pre-1895</u>	<u>1895-1914</u>	<u>1915-22</u>	<u>1923-29</u>	<u>1930-40</u>	<u>Total*</u>
Tobacco industry	-	9	6	7	10	32 (28)
Extractive industries	-	17	1	-	-	18 (4)
Engineering						
-Marine	14	4	-	-	3	21 (3)
-Other	2	3	3	2	1	11 (4)
Sound reproduction	-	-	-	2	2	4 (1)
Cotton textiles	-	5	2	1	1	9 (3)
Non-cotton textiles						
-Silk	5	-	-	-	-	5 (-)
-Other	-	-	-	1	3	4 (4)
Chemicals	3	4	3	2	1	13 (3)
Drink	8	8	-	-	1	17 (10)
Food	5	6	1	-	2	14 (5)
Cleaning and packing of agricultural products	4	5	-	-	-	9 (8)
Miscellaneous	6	12	-	4	1	23 (8)
<u>Total</u>	<u>47</u>	<u>73</u>	<u>16</u>	<u>19</u>	<u>25</u>	<u>180 (81+)</u>

* The figures in brackets give those enterprises extant in 1940.

+ Of which 58 in Shanghai or Shanghai/Other.

APPENDIX TWO

ESTIMATED ** UK INDUSTRIAL INVESTMENT IN MAINLAND CHINA.

	1895		1896		1897		1898		1899	
	£mn*	%	£mn*	%	£mn*	%	£mn*	%	£mn*	%
<u>TOTAL</u>	<u>0.81</u>	<u>100.0</u>	<u>0.93</u>	<u>100.0</u>	<u>1.08</u>	<u>100.0</u>	<u>1.25</u>	<u>100.0</u>	<u>1.65</u>	<u>100.0</u>
(A) <u>TOBACCO INDUSTRY.</u>	-	-	-	-	-	-	-	-	-	-
(B) <u>MINING.</u>	-	-	-	-	<u>0.02</u>	<u>1.9</u>	<u>0.09</u>	<u>7.2</u>	<u>0.40</u>	<u>24.2</u>
(C) <u>COTTON TEXTILES.</u>	-	-	-	-	<u>0.21</u>	<u>19.4</u>	<u>0.24</u>	<u>19.2</u>	<u>0.30</u>	<u>18.2</u>
(D) <u>NON-COTTON TEXTILES.</u>	<u>0.20</u>	<u>24.7</u>	<u>0.22</u>	<u>23.7</u>	<u>0.15</u>	<u>13.9</u>	<u>0.12</u>	<u>9.6</u>	<u>0.12</u>	<u>7.3</u>
(a) Silk	0.20	24.7	0.22	23.7	0.15	13.9	0.12	9.6	0.12	7.3
(b) Worsted Spinning and Weaving	-	-	-	-	-	-	-	-	-	-
(E) <u>ENGINEERING.</u>	<u>0.41</u>	<u>50.6</u>	<u>0.47</u>	<u>50.4</u>	<u>0.43</u>	<u>39.7</u>	<u>0.47</u>	<u>37.6</u>	<u>0.50</u>	<u>30.4</u>
(a) Marine	0.39	48.1	0.45	48.2	0.41	37.8	0.45	36.0	0.48	29.2
(b) Other	0.02	2.5	0.02	2.2	0.02	1.9	0.02	1.6	0.02	1.2
(F) <u>INDUSTRIAL CHEMICALS.</u>	<u>0.04</u>	<u>4.9</u>	<u>0.04</u>	<u>4.3</u>	<u>0.04</u>	<u>3.7</u>	<u>0.04</u>	<u>3.2</u>	<u>0.04</u>	<u>2.4</u>
(a) Bulk Chemicals	0.04	4.9	0.04	4.3	0.04	3.7	0.04	3.2	0.04	2.4
(b) Adhesives	-	-	-	-	-	-	-	-	-	-
(c) Coatings, etc	-	-	-	-	-	-	-	-	-	-
(G) <u>CONSUMER CHEMICALS.</u>	-	-	-	-	-	-	-	-	-	-
(a) Soap and allied items	-	-	-	-	-	-	-	-	-	-
(b) Candles	-	-	-	-	-	-	-	-	-	-
(H) <u>SOUND REPRODUCTION.</u>	-	-	-	-	-	-	-	-	-	-
(I) <u>DRINK, FOOD, PACKING, etc</u> <u>OF AGRICULTURAL ITEMS.</u>	<u>0.14</u>	<u>17.3</u>	<u>0.18</u>	<u>19.4</u>	<u>0.21</u>	<u>19.5</u>	<u>0.27</u>	<u>21.6</u>	<u>0.27</u>	<u>16.3</u>
(a) Brewing	-	-	-	-	-	-	-	-	-	-
(b) Non-alcoholic drinks	0.04	4.9	0.04	4.3	0.04	3.7	0.04	3.2	0.04	2.4
(c) Flour mills	-	-	0.02	2.2	0.02	1.9	0.03	2.4	0.03	1.8
(d) Oils, fats	-	-	-	-	-	-	-	-	-	-
(e) Eggs, etc.	-	-	-	-	-	-	-	-	-	-
(f) Packing, etc of agricultural items	0.10	12.4	0.12	12.9	0.15	13.9	0.20	16.0	0.20	12.1
(J) <u>MISCELLANEOUS INDUSTRIES</u>	<u>0.02</u>	<u>2.5</u>	<u>0.02</u>	<u>2.2</u>	<u>0.02</u>	<u>1.9</u>	<u>0.02</u>	<u>1.6</u>	<u>0.02</u>	<u>1.2</u>
(a) Building materials	-	-	-	-	-	-	-	-	-	-
(b) Wood processing	0.01	1.3	0.01	1.1	0.01	1.0	0.01	0.8	0.01	0.6
(c) Musical instruments	0.01	1.2	0.01	1.1	0.01	0.9	0.01	0.8	0.01	0.6
(d) Glass	-	-	-	-	-	-	-	-	-	-
(e) Electrical industry	-	-	-	-	-	-	-	-	-	-
(f) Tanning	-	-	-	-	-	-	-	-	-	-

* Converted at average exchange rate for the year concerned.

** The sources and in a few cases the limitations of these figures that have been derived by the author are given in PART II above.

APPENDIX TWO – continued

ESTIMATED UK INDUSTRIAL INVESTMENT IN MAINLAND CHINA

	1900		1901		1902		1903		1904	
	£mn*	%	£mn*	%	£mn*	%	£mn*	%	£mn*	%
TOTAL	<u>2.09</u>	<u>100.0</u>	<u>3.95</u>	<u>100.0</u>	<u>4.02</u>	<u>100.0</u>	<u>4.46</u>	<u>100.0</u>	<u>4.79</u>	<u>100.0</u>
(A) <u>TOBACCO INDUSTRY.</u>	-	-	-	-	<u>0.02</u>	<u>0.5</u>	<u>0.03</u>	<u>0.7</u>	<u>0.10</u>	<u>2.1</u>
(B) <u>MINING.</u>	<u>0.86</u>	<u>41.1</u>	<u>2.42</u>	<u>61.3</u>	<u>2.42</u>	<u>60.3</u>	<u>2.79</u>	<u>62.7</u>	<u>2.82</u>	<u>58.9</u>
(C) <u>COTTON TEXTILES.</u>	<u>0.27</u>	<u>12.9</u>	<u>0.28</u>	<u>7.1</u>	<u>0.27</u>	<u>6.7</u>	<u>0.18</u>	<u>4.0</u>	<u>0.19</u>	<u>4.0</u>
(D) <u>NON-COTTON TEXTILES.</u>	<u>0.12</u>	<u>5.7</u>	<u>0.12</u>	<u>3.0</u>	<u>0.10</u>	<u>2.5</u>	<u>0.10</u>	<u>2.2</u>	<u>0.09</u>	<u>1.9</u>
(a) Silk	0.12	5.7	0.12	3.0	0.10	2.5	0.10	2.2	0.09	1.9
(b) Worsted Spinning and Weaving	-	-	-	-	-	-	-	-	-	-
(E) <u>ENGINEERING.</u>	<u>0.45</u>	<u>21.6</u>	<u>0.68</u>	<u>17.0</u>	<u>0.72</u>	<u>17.9</u>	<u>0.82</u>	<u>18.3</u>	<u>0.90</u>	<u>18.8</u>
(a) Marine	0.43	20.6	0.65	16.2	0.69	17.2	0.78	17.4	0.86	18.0
(b) Other	0.02	1.0	0.03	0.8	0.03	0.7	0.04	0.9	0.04	0.8
(F) <u>INDUSTRIAL CHEMICALS.</u>	<u>0.05</u>	<u>2.4</u>	<u>0.05</u>	<u>1.3</u>	<u>0.04</u>	<u>1.0</u>	<u>0.04</u>	<u>0.9</u>	<u>0.04</u>	<u>0.8</u>
(a) Bulk Chemicals	0.04	1.9	0.04	1.0	0.04	1.0	0.04	0.9	0.04	0.8
(b) Adhesives	0.01	0.5	0.01	0.3	-	-	-	-	-	-
(c) Coatings, etc	-	-	-	-	-	-	-	-	-	-
(G) <u>CONSUMER CHEMICALS.</u>	-	-	-	-	-	-	-	-	-	-
(a) Soap and allied items	-	-	-	-	-	-	-	-	-	-
(b) Candles	-	-	-	-	-	-	-	-	-	-
(H) <u>SOUND REPRODUCTION.</u>	-	-	-	-	-	-	-	-	-	-
(I) <u>DRINK, FOOD AND PACKING, etc</u>										
<u>OF AGRICULTURAL ITEMS.</u>	<u>0.32</u>	<u>15.3</u>	<u>0.38</u>	<u>9.7</u>	<u>0.42</u>	<u>10.4</u>	<u>0.44</u>	<u>9.8</u>	<u>0.54</u>	<u>11.3</u>
(a) Brewing	-	-	-	-	-	-	-	-	0.04	0.8
(b) Non-alcoholic drinks	0.04	1.9	0.05	1.3	0.05	1.2	0.05	1.1	0.06	1.3
(c) Flour mills	0.03	1.4	0.03	0.8	0.02	0.5	0.04	0.9	0.04	0.8
(d) Oils, fats	-	-	-	-	-	-	-	-	-	-
(e) Eggs, etc	-	-	-	-	-	-	-	-	-	-
(f) Packing, etc of agricultural items	0.25	12.0	0.30	7.6	0.35	8.7	0.35	7.8	0.40	8.4
(J) <u>MISCELLANEOUS INDUSTRIES.</u>	<u>0.02</u>	<u>1.0</u>	<u>0.02</u>	<u>0.6</u>	<u>0.03</u>	<u>0.7</u>	<u>0.06</u>	<u>1.3</u>	<u>0.11</u>	<u>2.2</u>
(a) Building materials	-	-	-	-	-	-	-	-	0.01	0.2
(b) Wood processing	0.01	0.5	0.01	0.3	0.02	0.5	0.04	0.9	0.05	1.0
(c) Musical instruments	0.01	0.5	0.01	0.3	0.01	0.2	0.02	0.4	0.02	0.4
(d) Glass	-	-	-	-	-	-	-	-	-	-
(e) Electrical industry	-	-	-	-	-	-	-	-	-	-
(f) Tanning	-	-	-	-	-	-	-	-	0.03	0.6

*Converted at average exchange rate for the year concerned.

APPENDIX TWO – continued.

ESTIMATED UK INDUSTRIAL INVESTMENT IN MAINLAND CHINA.

	1905		1906		1907		1908		1909	
	£mn*	%	£mn*	%	£mn*	%	£mn*	%	£mn*	%
TOTAL	5.40	100.0	5.88	100.0	6.40	100.0	7.83	100.0	8.32	100.0
(A) <u>TOBACCO INDUSTRY.</u>	0.18	3.3	0.58	9.9	0.61	9.5	2.00+	25.5	2.20+	26.4
(B) <u>MINING.</u>	3.27	60.6	3.12	53.0	3.28	51.3	3.35	43.0	3.60	43.2
(C) <u>COTTON TEXTILES.</u>	0.20	3.7	0.29	4.9	0.32	5.0	0.27	3.4	0.23	2.8
(D) <u>NON-COTTON TEXTILES.</u>	0.09	1.7	0.09	1.5	0.08	1.3	0.08	1.0	0.08	1.0
(a) Silk	0.09	1.7	0.09	1.5	0.08	1.3	0.08	1.0	0.08	1.0
(b) Worsted Spinning and Weaving	-	-	-	-	-	-	-	-	-	-
(E) <u>ENGINEERING.</u>	0.95	17.6	1.04	17.7	1.04	16.2	0.96	12.2	0.96	11.5
(a) Marine	0.91	16.8	1.00	17.0	1.00	15.6	0.91	11.6	0.90	10.8
(b) Other	0.04	0.8	0.04	0.7	0.04	0.6	0.05	0.6	0.06	0.7
(F) <u>INDUSTRIAL CHEMICALS</u>	0.04	0.8	0.04	0.7	0.04	0.6	0.04	0.5	0.04	0.5
(a) Bulk chemicals	0.04	0.8	0.04	0.7	0.04	0.6	0.04	0.5	0.04	0.5
(b) Adhesives	-	-	-	-	-	-	-	-	-	-
(c) Coatings, etc	-	-	-	-	-	-	-	-	-	-
(G) <u>CONSUMER CHEMICALS.</u>	-	-	-	-	-	-	-	-	-	-
(a) Soap and allied items	-	-	-	-	-	-	-	-	-	-
(b) Candles	-	-	-	-	-	-	-	-	-	-
(H) <u>SOUND REPRODUCTION.</u>	-	-	-	-	-	-	-	-	-	-
(I) <u>DRINK, FOOD, PACKING, etc of</u>										
<u>AGRICULTURAL ITEMS.</u>	0.55	10.1	0.58	9.9	0.88	13.7	0.99	12.6	1.05	12.6
(a) Brewing	0.04	0.7	0.04	0.7	0.04	0.6	0.04	0.5	0.04	0.5
(b) Non-alcoholic drinks	0.07	1.3	0.07	1.2	0.07	1.1	0.07	0.9	0.07	0.8
(c) Flour mills	0.04	0.7	0.05	0.9	0.05	0.8	0.04	0.5	0.04	0.5
(d) Oils, fats	-	-	0.02	0.3	0.02	0.3	0.01	0.1	0.04	0.5
(e) Eggs, etc	-	-	-	-	-	-	0.03	0.4	0.06	0.7
(f) Packing, etc of agricultural items	0.40	7.4	0.40	6.8	0.70	10.9	0.80	10.2	0.80	9.6
(J) <u>MISCELLANEOUS INDUSTRIES.</u>	0.12	2.2	0.14	2.4	0.15	2.4	0.14	1.8	0.16	2.0
(a) Building materials	0.01	0.2	0.01	0.2	0.01	0.2	0.01	0.1	0.01	0.1
(b) Wood processing	0.06	1.1	0.07	1.2	0.08	1.2	0.07	0.9	0.09	1.1
(c) Musical instruments	0.02	0.4	0.03	0.5	0.03	0.5	0.03	0.4	0.03	0.4
(d) Glass	-	-	-	-	-	-	-	-	-	-
(e) Electrical industry	-	-	-	-	-	-	-	-	-	-
(f) Tanning	0.03	0.5	0.03	0.5	0.03	0.5	0.03	0.4	0.03	0.4

* Converted at the average exchange rate for the year concerned.

+ Estimated – see text in chapter on the tobacco industry.

APPENDIX TWO – continued.

ESTIMATED UK INDUSTRIAL INVESTMENT IN MAINLAND CHINA.

	1910		1911		1912		1913		1914	
	£mn*	%	£mn*	%	£mn*	%	£mn*	%	£mn*	%
TOTAL	9.03	100.0	9.32	100.0	12.35	100.0	13.07	100.0	14.47	100.0
(A) <u>TOBACCO INDUSTRY.</u>	<u>2.50+</u>	<u>27.6</u>	<u>2.50+</u>	<u>26.8</u>	<u>5.50+</u>	<u>44.4</u>	<u>6.00+</u>	<u>45.8</u>	<u>6.20+</u>	<u>42.7</u>
(B) <u>MINING.</u>	<u>3.55</u>	<u>39.5</u>	<u>3.59</u>	<u>38.4</u>	<u>3.27</u>	<u>26.6</u>	<u>3.33</u>	<u>25.6</u>	<u>3.34</u>	<u>23.2</u>
(C) <u>COTTON TEXTILES.</u>	<u>0.26</u>	<u>2.9</u>	<u>0.38</u>	<u>4.1</u>	<u>0.42</u>	<u>3.4</u>	<u>0.45</u>	<u>3.4</u>	<u>0.48</u>	<u>3.3</u>
(D) <u>NON-COTTON TEXTILES.</u>	<u>0.08</u>	<u>0.9</u>	<u>0.07</u>	<u>0.8</u>	<u>0.07</u>	<u>0.6</u>	<u>0.08</u>	<u>0.6</u>	<u>0.08</u>	<u>0.6</u>
(a) Silk	0.08	0.9	0.07	0.8	0.07	0.6	0.08	0.6	0.08	0.6
(b) Worsted Spinning and Weaving	-	-	-	-	-	-	-	-	-	-
(E) <u>ENGINEERING.</u>	<u>0.96</u>	<u>10.7</u>	<u>0.96</u>	<u>10.4</u>	<u>1.05</u>	<u>8.5</u>	<u>0.95</u>	<u>7.3</u>	<u>0.97</u>	<u>6.7</u>
(a) Marine	0.90	10.0	0.90	9.8	0.98	7.9	0.88	6.8	0.90	6.2
(b) Other	0.06	0.7	0.06	0.6	0.07	0.6	0.07	0.5	0.07	0.5
(F) <u>INDUSTRIAL CHEMICALS.</u>	<u>0.04</u>	<u>0.4</u>	<u>0.03</u>	<u>0.3</u>	<u>0.04</u>	<u>0.3</u>	<u>0.03</u>	<u>0.2</u>	<u>0.02</u>	<u>0.1</u>
(a) Bulk Chemicals	0.04	0.4	0.03	0.3	0.04	0.3	0.03	0.2	0.02	0.1
(b) Adhesives	-	-	-	-	-	-	-	-	-	-
(c) Coatings, etc.	-	-	neg.	neg.	-	-	-	-	-	-
(G) <u>CONSUMER CHEMICALS.</u>	<u>0.30</u>	<u>3.3</u>	<u>0.30</u>	<u>3.2</u>	<u>0.30</u>	<u>2.4</u>	<u>0.38</u>	<u>2.9</u>	<u>0.43</u>	<u>3.0</u>
(a) Soap and allied items	-	-	-	-	-	-	0.08	0.6	0.13	0.9
(b) Candles	0.30	3.3	0.30	3.2	0.30	2.4	0.30	2.3	0.30	2.1
(H) <u>SOUND REPRODUCTION.</u>	-	-	-	-	-	-	-	-	-	-
(I) <u>DRINK, FOOD AND PACKING, etc OF AGRICULTURAL ITEMS.</u>	<u>1.18</u>	<u>13.0</u>	<u>1.33</u>	<u>14.3</u>	<u>1.53</u>	<u>12.5</u>	<u>1.68</u>	<u>12.9</u>	<u>2.77</u>	<u>19.1</u>
(a) Brewing	0.04	0.4	0.04	0.4	0.05	0.4	0.05	0.4	0.05	0.2
(b) Non-alcoholic drinks	0.07	0.8	0.08	0.9	0.08	0.7	0.08	0.6	0.08	0.6
(c) Flour mills	0.03	0.3	0.03	0.3	0.02	0.2	0.02	0.2	0.01	0.1
(d) Oils, fats	0.04	0.4	0.03	0.3	0.03	0.2	0.03	0.2	0.03	0.2
(e) Eggs, etc	0.15	1.7	0.25	2.7	0.45	3.7	0.50	3.8	1.60	11.1
(f) Packing, etc of agricultural items	0.85	9.4	0.90	9.7	0.90	7.3	1.00	7.7	1.00	6.9
(J) <u>MISCELLANEOUS INDUSTRIES.</u>	<u>0.16</u>	<u>1.7</u>	<u>0.16</u>	<u>1.7</u>	<u>0.17</u>	<u>1.3</u>	<u>0.17</u>	<u>1.3</u>	<u>0.18</u>	<u>1.3</u>
(a) Building materials	0.01	0.1	0.01	0.1	0.01	0.1	0.01	0.1	0.01	0.1
(b) Wood processing	0.09	1.0	0.09	1.0	0.10	0.8	0.10	0.8	0.11	0.8
(c) Musical instruments	0.03	0.3	0.03	0.3	0.03	0.2	0.03	0.2	0.03	0.2
(d) Glass	-	-	-	-	-	-	-	-	-	-
(e) Electrical industry	-	-	-	-	-	-	-	-	-	-
(f) Tanning	0.03	0.3	0.03	0.3	0.03	0.2	0.03	0.2	0.03	0.2

* Converted at average exchange rate for the year concerned.

+ Estimated – see text in chapter on the tobacco industry.

APPENDIX TWO – continued.

ESTIMATED UK INDUSTRIAL INVESTMENT IN MAINLAND CHINA.

	1915		1916		1917		1918		1919	
	£mn*	%	£mn*	%	£mn*	%	£mn*	%	£mn*	%
TOTAL	15.31	100.0	18.58	100.0	21.30	100.0	25.12	100.0	41.05	100.0
(A) <u>TOBACCO INDUSTRY.</u>	<u>6.50+</u>	<u>42.4</u>	<u>9.00+</u>	<u>48.3</u>	<u>10.00+</u>	<u>47.1</u>	<u>12.50+</u>	<u>49.7</u>	<u>26.42</u>	<u>64.4</u>
(B) <u>MINING.</u>	<u>3.41</u>	<u>22.3</u>	<u>3.48</u>	<u>18.8</u>	<u>3.60</u>	<u>16.9</u>	<u>3.59</u>	<u>14.3</u>	<u>4.05</u>	<u>9.9</u>
(C) <u>COTTON TEXTILES.</u>	<u>0.64</u>	<u>4.1</u>	<u>0.80</u>	<u>4.3</u>	<u>1.18</u>	<u>5.5</u>	<u>1.53</u>	<u>6.1</u>	<u>2.01</u>	<u>4.9</u>
(D) <u>NON-COTTON TEXTILES.</u>	<u>0.08</u>	<u>0.5</u>	<u>0.11</u>	<u>0.6</u>	<u>0.16</u>	<u>0.8</u>	<u>0.18</u>	<u>0.7</u>	<u>0.23</u>	<u>0.6</u>
(a) Silk	0.08	0.5	0.11	0.6	0.16	0.8	0.18	0.7	0.23	0.6
(b) Worsted Spinning and Weaving	-	-	-	-	-	-	-	-	-	-
(E) <u>ENGINEERING.</u>	<u>0.90</u>	<u>5.9</u>	<u>1.16</u>	<u>6.2</u>	<u>1.48</u>	<u>7.0</u>	<u>1.78</u>	<u>7.1</u>	<u>2.38</u>	<u>5.8</u>
(a) Marine	0.84	5.5	1.10	5.9	1.42	6.7	1.71	6.8	2.30	5.6
(b) Other	0.06	0.4	0.06	0.3	0.06	0.3	0.07	0.3	0.08	0.2
(F) <u>INDUSTRIAL CHEMICALS</u>	<u>0.02</u>	<u>0.1</u>	<u>0.02</u>	<u>0.1</u>	<u>0.03</u>	<u>0.1</u>	<u>0.03</u>	<u>0.1</u>	<u>0.05</u>	<u>0.1</u>
(a) Bulk chemicals	0.02	0.1	0.02	0.1	0.03	0.1	0.03	0.1	0.05	0.1
(b) Adhesives	-	-	-	-	-	-	-	-	-	-
(c) Coatings, etc.	-	-	-	-	-	-	-	-	-	-
(G) <u>CONSUMER CHEMICALS.</u>	<u>0.52</u>	<u>3.4</u>	<u>0.52</u>	<u>2.9</u>	<u>0.52</u>	<u>2.4</u>	<u>0.60</u>	<u>2.4</u>	<u>0.60</u>	<u>1.4</u>
(a) Soap and allied items	0.13	0.9	0.13	0.7	0.13	0.6	0.13	0.5	0.13	0.3
(b) Candles	0.39	2.5	0.39	2.2	0.39	1.8	0.47	1.9	0.47	1.1
(H) <u>SOUND REPRODUCTION.</u>	-	-	-	-	-	-	-	-	-	-
(I) <u>DRINK, FOOD, PACKING, etc., of AGRICULTURAL ITEMS.</u>	<u>3.09</u>	<u>20.3</u>	<u>3.30</u>	<u>17.8</u>	<u>4.08</u>	<u>19.1</u>	<u>4.20</u>	<u>16.8</u>	<u>4.42</u>	<u>10.8</u>
(a) Brewing	0.05	0.3	-	-	-	-	-	-	-	-
(b) Non-alcoholic drinks	0.09	0.6	0.10	0.5	0.12	0.6	0.13	0.5	0.17	0.4
(c) Flour mills	0.01	0.1	-	-	-	-	-	-	-	-
(d) Oils, fats	0.04	0.3	0.05	0.3	0.06	0.3	0.07	0.3	0.10	0.2
(e) Eggs, etc.	1.80	11.8	1.95	10.5	2.40	11.2	2.40	9.6	2.45	6.0
(f) Packing, etc of agricultural items	1.10	7.2	1.20	6.5	1.50	7.0	1.60	6.4	1.70	4.2
(J) <u>MISCELLANEOUS INDUSTRIES.</u>	<u>0.15</u>	<u>1.0</u>	<u>0.19</u>	<u>1.0</u>	<u>0.25</u>	<u>1.1</u>	<u>0.71</u>	<u>2.8</u>	<u>0.89</u>	<u>2.1</u>
(a) Building materials	0.01	0.1	0.01	-	0.01	-	0.01	-	0.02	-
(b) Wood processing	0.11	0.7	0.14	0.8	0.19	0.9	0.63	2.5	0.78	1.9
(c) Musical instruments	0.03	0.2	0.04	0.2	0.05	0.2	0.07	0.3	0.09	0.2
(d) Glass	-	-	-	-	-	-	-	-	-	-
(e) Electrical industry	-	-	-	-	-	-	-	-	-	-
(f) Tanning	-	-	-	-	-	-	-	-	-	-

*Converted at the average exchange rate for the year concerned.

+ Estimated – see text in chapter on the tobacco industry.

APPENDIX TWO – continued.

ESTIMATED UK INDUSTRIAL INVESTMENT IN MAINLAND CHINA.

	1920		1921		1922		1923		1924	
	£mn*	%	£mn*	%	£mn*	%	£mn*	%	£mn*	%
TOTAL	53.56	100.0	35.94	100.0	38.94	100.0	34.01	100.0	36.85	100.0
(A) <u>TOBACCO INDUSTRY.</u>	<u>37.41</u>	<u>69.8</u>	<u>22.68</u>	<u>63.1</u>	<u>25.55</u>	<u>65.6</u>	<u>20.60</u>	<u>60.6</u>	<u>22.45</u>	<u>61.0</u>
(B) <u>MINING.</u>	<u>4.14</u>	<u>7.7</u>	<u>3.57</u>	<u>9.9</u>	<u>3.61</u>	<u>9.3</u>	<u>3.86</u>	<u>11.3</u>	<u>4.21</u>	<u>11.4</u>
(C) <u>COTTON TEXTILES.</u>	<u>2.74</u>	<u>5.1</u>	<u>2.04</u>	<u>5.7</u>	<u>2.01</u>	<u>5.2</u>	<u>1.85</u>	<u>5.4</u>	<u>2.02</u>	<u>5.5</u>
(D) <u>NON-COTTON TEXTILES</u>	<u>0.24</u>	<u>0.5</u>	<u>0.14</u>	<u>0.4</u>	<u>0.13</u>	<u>0.3</u>	<u>0.12</u>	<u>0.4</u>	<u>0.12</u>	<u>0.3</u>
(a) Silk	0.24	0.5	0.14	0.4	0.13	0.3	0.12	0.4	0.12	0.3
(b) Worsted Spinning and Weaving	-	-	-	-	-	-	-	-	-	-
(E) <u>ENGINEERING.</u>	<u>2.76</u>	<u>5.2</u>	<u>1.96</u>	<u>5.5</u>	<u>1.88</u>	<u>4.9</u>	<u>1.48</u>	<u>4.4</u>	<u>1.57</u>	<u>4.3</u>
(a) Marine	2.67	5.0	1.87	5.2	1.78	4.6	1.38	4.1	1.47	4.0
(b) Other	0.09	0.2	0.09	0.3	0.10	0.3	0.10	0.3	0.10	0.3
(F) <u>INDUSTRIAL CHEMICALS</u>	<u>0.05</u>	<u>0.1</u>	<u>0.03</u>	<u>0.1</u>	<u>0.03</u>	<u>0.1</u>	<u>0.02</u>	<u>0.1</u>	<u>0.03</u>	<u>0.1</u>
(a) Bulk chemicals	0.05	0.1	0.03	0.1	0.03	0.1	0.02	0.1	0.03	0.1
(b) Adhesives	-	-	-	-	-	-	-	-	-	-
(c) Coatings etc.	-	-	-	-	-	-	-	-	-	-
(G) <u>CONSUMER CHEMICALS</u>	<u>0.60</u>	<u>1.1</u>	<u>0.60</u>	<u>1.7</u>	<u>0.60</u>	<u>1.5</u>	<u>1.42</u>	<u>4.2</u>	<u>1.50</u>	<u>4.1</u>
(a) Soap and allied items	0.13	0.2	0.13	0.4	0.13	0.3	0.95	2.8	1.00	2.7
(b) Candles	0.47	0.9	0.47	1.3	0.47	1.2	0.47	1.4	0.50	1.4
(H) <u>SOUND REPRODUCTION.</u>	-	-	-	-	-	-	-	-	-	-
(I) <u>DRINK, FOOD, PACKING, etc. of</u>										
<u>AGRICULTURAL ITEMS.</u>	<u>4.60</u>	<u>8.6</u>	<u>4.32</u>	<u>11.9</u>	<u>4.57</u>	<u>11.7</u>	<u>4.06</u>	<u>11.8</u>	<u>4.31</u>	<u>11.6</u>
(a) Brewing	-	-	-	-	-	-	-	-	-	-
(b) Non-alcoholic drinks	0.18	0.3	0.12	0.3	0.12	0.3	0.11	0.3	0.12	0.3
(c) Flour mills	-	-	-	-	-	-	-	-	-	-
(d) Oils, fats	0.12	0.2	0.05	0.1	0.05	0.1	0.05	0.1	0.04	0.1
(e) Eggs, etc	2.50	4.7	2.70	7.5	3.00	7.7	2.65	7.8	2.85	7.7
(f) Packing, etc. of agricultural items	1.80	3.4	1.45	4.0	1.40	3.6	1.25	3.6	1.30	3.5
(J) <u>MISCELLANEOUS INDUSTRIES.</u>	<u>1.02</u>	<u>1.9</u>	<u>0.60</u>	<u>1.7</u>	<u>0.56</u>	<u>1.4</u>	<u>0.60</u>	<u>1.8</u>	<u>0.64</u>	<u>1.7</u>
(a) Building materials	0.02	-	-	-	-	-	-	-	-	-
(b) Wood processing	0.89	1.7	0.53	1.5	0.48	1.2	0.53	1.6	0.55	1.5
(c) Musical instruments	0.10	0.2	0.06	0.2	0.07	0.2	0.06	0.2	0.08	0.2
(d) Glass	-	-	-	-	-	-	-	-	-	-
(e) Electrical industry	0.01	-	0.01	-	0.01	-	0.01	-	0.01	-
(f) Tanning	-	-	-	-	-	-	-	-	-	-

*Converted at the average exchange rate for the year concerned.

APPENDIX TWO – continued.
ESTIMATED UK INDUSTRIAL INVESTMENT IN MAINLAND CHINA.

	1925		1926		1927		1928		1929	
	£mn*	%	£mn*	%	£mn*	%	£mn*	%	£mn*	%
TOTAL	<u>37.30</u>	<u>100.0</u>	<u>35.15</u>	<u>100.0</u>	<u>33.35</u>	<u>100.0</u>	<u>35.62</u>	<u>100.0</u>	<u>32.55</u>	<u>100.0</u>
(A) <u>TOBACCO INDUSTRY.</u>	<u>23.80</u>	<u>63.8</u>	<u>22.29</u>	<u>63.5</u>	<u>21.20</u>	<u>63.8</u>	<u>23.50</u>	<u>65.9</u>	<u>20.75</u>	<u>63.6</u>
(B) <u>MINING.</u>	<u>4.10</u>	<u>11.0</u>	<u>4.07</u>	<u>11.6</u>	<u>4.02</u>	<u>12.1</u>	<u>3.95</u>	<u>11.1</u>	<u>3.90</u>	<u>12.0</u>
(C) <u>COTTON TEXTILES.</u>	<u>1.69</u>	<u>4.5</u>	<u>1.59</u>	<u>4.5</u>	<u>1.48</u>	<u>4.4</u>	<u>1.49</u>	<u>4.2</u>	<u>1.46</u>	<u>4.5</u>
(D) <u>NON-COTTON TEXTILES</u>	<u>0.12</u>	<u>0.3</u>	<u>0.11</u>	<u>0.3</u>	<u>0.09</u>	<u>0.3</u>	<u>0.10</u>	<u>0.3</u>	<u>0.09</u>	<u>0.3</u>
(a) Silk	0.12	0.3	0.11	0.3	0.09	0.3	0.10	0.3	0.09	0.3
(b) Worsted Spinning and Weaving	-	-	-	-	-	-	-	-	-	-
(E) <u>ENGINEERING.</u>	<u>1.53</u>	<u>4.1</u>	<u>1.46</u>	<u>4.1</u>	<u>1.36</u>	<u>4.0</u>	<u>1.35</u>	<u>3.8</u>	<u>1.24</u>	<u>3.8</u>
(a) Marine	1.38	3.7	1.27	3.6	1.18	3.5	1.18	3.3	1.09	3.3
(b) Other	0.15	0.4	0.19	0.5	0.18	0.5	0.17	0.5	0.15	0.5
(F) <u>INDUSTRIAL CHEMICALS</u>	<u>0.02</u>	<u>0.1</u>	<u>0.02</u>	<u>0.1</u>	<u>0.02</u>	<u>0.1</u>	<u>0.02</u>	<u>0.1</u>	<u>0.02</u>	<u>0.1</u>
(a) Bulk chemicals	0.02	0.1	0.02	0.1	0.02	0.1	0.02	0.1	0.02	0.1
(b) Adhesives	-	-	-	-	-	-	-	-	-	-
(c) Coatings, etc	-	-	-	-	-	-	-	-	-	-
(G) <u>CONSUMER CHEMICALS</u>	<u>1.42</u>	<u>3.8</u>	<u>1.28</u>	<u>3.6</u>	<u>1.14</u>	<u>3.4</u>	<u>1.17</u>	<u>3.3</u>	<u>1.06</u>	<u>3.3</u>
(a) Soap and allied items	0.94	2.5	0.85	2.4	0.76	2.3	0.78	2.2	0.71	2.2
(b) Candles	0.48	1.3	0.43	1.2	0.38	1.1	0.39	1.1	0.35	1.1
(H) <u>SOUND REPRODUCTION.</u>	-	-	-	-	-	-	-	-	-	-
(I) <u>DRINK, FOOD, PACKING, etc. of</u>										
<u>AGRICULTURAL ITEMS.</u>	<u>4.02</u>	<u>10.8</u>	<u>3.76</u>	<u>10.7</u>	<u>3.51</u>	<u>10.4</u>	<u>3.51</u>	<u>9.8</u>	<u>3.51</u>	<u>10.8</u>
(a) Brewing	-	-	-	-	-	-	-	-	-	-
(b) Non-alcoholic drinks	0.12	0.3	0.11	0.3	0.11	0.3	0.11	0.3	0.11	0.3
(c) Flour mills	-	-	-	-	-	-	-	-	-	-
(d) Oils, fats	-	-	-	-	-	-	-	-	-	-
(e) Eggs, etc.	2.65	7.1	2.45	7.0	2.25	6.7	2.25	6.3	2.30	7.1
(f) Packing, etc of agricultural items	1.25	3.4	1.20	3.4	1.15	3.4	1.15	3.2	1.10	3.4
(J) <u>MISCELLANEOUS INDUSTRIES.</u>	<u>0.60</u>	<u>1.6</u>	<u>0.57</u>	<u>1.6</u>	<u>0.53</u>	<u>1.5</u>	<u>0.53</u>	<u>1.5</u>	<u>0.52</u>	<u>1.6</u>
(a) Building materials	-	-	-	-	-	-	-	-	0.02	0.1
(b) Wood processing	0.51	1.4	0.49	1.4	0.45	1.3	0.45	1.3	0.42	1.3
(c) Musical instruments	0.08	0.2	0.07	0.2	0.07	0.2	0.07	0.2	0.07	0.2
(d) Glass	-	-	-	-	-	-	-	-	-	-
(e) Electrical industry	0.01	-	0.01	-	0.01	-	0.01	-	0.01	-
(f) Tanning	-	-	-	-	-	-	-	-	-	-

*Converted at the average exchange rate for the year concerned.

APPENDIX TWO – continued.

ESTIMATED UK INDUSTRIAL INVESTMENT IN MAINLAND CHINA.

	1930		1931		1932		1933		1934	
	£mn*	%	£mn*	%	£mn*	%	£mn*	%	£mn*	%
TOTAL.	24.79	100.0	21.40	100.0	26.78	100.0	27.26	100.0	30.30	100.0
(A) TOBACCO INDUSTRY	15.00	60.5	12.31	57.5	16.50	61.7	16.60	60.8	18.10	59.7
(B) MINING.	4.06	16.4	3.97	18.6	3.95	14.7	3.93	14.4	4.01	13.2
(C) COTTON TEXTILES.	1.23	5.0	1.11	5.2	1.39	5.2	1.35	5.0	1.47	4.9
(D) NON – COTTON TEXTILES.	0.06	0.2	0.05	0.2	0.07	0.3	-	-	0.75	2.5
(a) Silk	0.06	0.2	0.05	0.2	0.07	0.3	-	-	-	-
(b) Worsted Spinning and Weaving	-	-	-	-	-	-	-	-	0.75	2.5
(E) ENGINEERING.	0.79	3.2	0.72	3.4	0.90	3.4	0.82	3.0	0.95	3.1
(a) Marine	0.66	2.7	0.61	2.9	0.77	2.9	0.68	2.5	0.80	2.6
(b) Other	0.13	0.5	0.11	0.5	0.13	0.5	0.14	0.5	0.15	0.5
(F) INDUSTRIAL CHEMICALS.	0.01	-	0.01	-	0.01	-	0.01	-	0.10	0.4
(a) Bulk chemicals	0.01	-	0.01	-	0.01	-	0.01	-	0.02	0.1
(b) Adhesives	-	-	-	-	-	-	-	-	-	-
(c) Coatings. etc.	-	-	-	-	-	-	-	-	0.08	0.3
(G) CONSUMER CHEMICALS.	0.76	3.1	0.63	2.9	0.76	2.8	0.76	2.8	0.83	2.7
(a) Soap and allied items	0.51	2.1	0.43	2.0	0.51	1.9	0.51	1.9	0.56	1.8
(b) Candles	0.25	1.0	0.20	0.9	0.25	0.9	0.25	0.9	0.27	0.9
(H) SOUND REPRODUCTION	0.11	0.4	0.10	0.5	0.11	0.4	0.10	0.4	0.07	0.2
(I) DRINK, FOOD, PACKING, etc of AGRICULTURAL ITEMS	2.38	9.6	2.13	10.0	2.64	9.8	3.20	11.8	3.46	11.4
(a) Brewing	-	-	-	-	-	-	-	-	-	-
(b) Non-alcoholic drinks	0.08	0.3	0.08	0.4	0.09	0.3	0.08	0.3	0.09	0.3
(c) Flour mills	-	-	-	-	-	-	-	-	-	-
(d) Oils, fats	-	-	-	-	-	-	0.02	0.1	0.02	0.1
(e) Eggs, etc.	1.55	6.3	1.35	6.3	1.75	6.5	2.10	7.7	2.25	7.4
(f) Packing, etc. of agricultural items	0.75	3.0	0.70	3.3	0.80	3.0	1.00	3.7	1.10	3.6
(J) MISCELLANEOUS INDUSTRIES.	0.39	1.6	0.37	1.7	0.45	1.7	0.49	1.8	0.56	1.9
(a) Building materials	0.02	0.1	0.01	-	0.02	0.1	0.02	0.1	0.02	0.1
(b) Wood processing	0.30	1.2	0.30	1.4	0.33	1.2	0.36	1.3	0.42	1.4
(c) Musical instruments	0.05	0.2	0.04	0.2	0.05	0.2	0.05	0.2	0.05	0.2
(d) Glass	-	-	-	-	0.03	0.1	0.03	0.1	0.03	0.1
(e) Electrical industry	0.02	0.1	0.02	0.1	0.02	0.1	0.03	0.1	0.04	0.1
(f) Tanning	-	-	-	-	-	-	-	-	-	-

*Converted at the average exchange rate for the year concerned.

APPENDIX TWO – continued.

ESTIMATED UK INDUSTRIAL INVESTMENT IN MAINLAND CHINA.

	1935		1936		1937		1938		1939	
	£mn*	%	£mn*	%	£mn*	%	£mn*	%	£mn*	%
TOTAL	33.49	100.0	26.36	100.0	27.78	100.0	22.27	100.0	17.76	100.0
(A) <u>TOBACCO INDUSTRY</u>	19.75	58.9	13.74	52.0	15.41	55.4	11.67	52.7	9.49	53.4
(B) <u>MINING</u>	4.00	11.9	4.08	15.5	3.20	11.5	3.23	14.5	3.18	17.9
(C) <u>COTTON TEXTILES</u>	2.26	6.7	1.84	7.0	2.02	7.3	1.67	7.5	1.03	5.8
(D) <u>NON-COTTON TEXTILES</u>	0.77	2.3	0.97	3.7	1.00	3.6	1.20	5.4	1.30	7.3
(a) Silk	-	-	-	-	-	-	-	-	-	-
(b) Worsted Spinning and Weaving	0.77	2.3	0.97	3.7	1.00	3.6	1.20	5.4	1.30	7.3
(E) <u>ENGINEERING</u>	1.00	3.0	0.81	3.1	0.94	3.4	0.76	3.4	0.47	2.7
(a) Marine	0.84	2.5	0.68	2.6	0.80	2.9	0.64	2.9	0.37	2.1
(b) Other	0.16	0.5	0.13	0.5	0.14	0.5	0.12	0.5	0.10	0.6
(F) <u>INDUSTRIAL CHEMICALS</u>	0.12	0.4	0.09	0.3	0.10	0.3	0.11	0.4	0.09	0.5
(a) Bulk chemicals	0.02	0.1	0.01	-	0.01	-	0.01	-	0.01	0.1
(b) Adhesives	-	-	-	-	-	-	-	-	-	-
(c) Coatings, etc.	0.10	0.3	0.08	0.3	0.09	0.3	0.10	0.4	0.08	0.4
(G) <u>CONSUMER CHEMICALS</u>	0.90	2.7	0.74	2.8	0.77	2.8	0.53	2.4	0.31	1.8
(a) Soap and allied items	0.61	1.8	0.50	1.9	0.52	1.9	0.36	1.6	0.21	1.2
(b) Candles	0.29	0.9	0.24	0.9	0.25	0.9	0.17	0.8	0.10	0.6
(H) <u>SOUND REPRODUCTION</u>	0.05	0.1	0.04	0.2	0.06	0.2	0.03	0.1	0.02	0.1
(I) <u>DRINK, FOOD, PACKING, etc of AGRICULTURAL ITEMS</u>	4.02	12.1	3.52	13.3	3.72	13.4	2.63	11.7	1.58	8.9
(a) Brewing	-	-	0.37	1.4	0.41	1.5	0.30	1.3	0.18	1.0
(b) Non-alcoholic drinks	0.10	0.3	0.08	0.3	0.09	0.3	0.07	0.3	0.04	0.2
(c) Flour mills	-	-	-	-	-	-	-	-	-	-
(d) Oils, fats	0.02	0.1	0.02	0.1	0.02	0.1	0.01	-	0.01	0.1
(e) Eggs, etc.	2.70	8.1	2.05	7.7	2.15	7.7	1.50	6.7	0.90	5.1
(f) Packing, etc of agricultural items	1.20	3.6	1.00	3.8	1.05	3.8	0.75	3.4	0.45	2.5
(J) <u>MISCELLANEOUS INDUSTRIES</u>	0.62	1.9	0.53	2.1	0.56	2.1	0.44	1.9	0.29	1.6
(a) Building materials	0.02	0.1	0.02	0.1	-	-	-	-	-	-
(b) Wood processing	0.48	1.4	0.42	1.6	0.46	1.7	0.36	1.6	0.23	1.3
(c) Musical instruments	0.06	0.2	0.04	0.2	0.05	0.2	0.03	0.1	0.02	0.1
(d) Glass	0.03	0.1	0.02	0.1	0.03	0.1	0.03	0.1	0.02	0.1
(e) Electrical industry	0.03	0.1	0.03	0.1	0.02	0.1	0.02	0.1	0.02	0.1
(f) Tanning	-	-	-	-	-	-	-	-	-	-

*Converted at the average exchange rate for the year concerned.

STATISTICAL ANNEX – INDEXTABLE

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H	Wing Tai Vo Tobacco Corporation – Sales of Cigarettes.
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J	B.A.T. – Purchases of American Breed (“Bright”) Tobacco Leaves.
K	Consumption and Imports from USA of Tobacco Leaves by B.A.T. and Other Companies in China.
L	Development of Net Income in Relation to Sales and Issued Capital of Main B.A.T. Companies in China.
M	Development of Issued Capital and Dividends of Main B.A.T. Companies in China.
N	Yee Tsoong (Yizhong) Tobacco Distributors Company, Limited.
O	Yee Tsoong (Yizhong) Tobacco Company, Limited.
P	Monthly Net Income of British American Tobacco Company (China), Limited.
Q	UK Investment in Mining in Mainland China.
R	Output of Coal by Enterprises in which UK Interests had 49% or more Share.
S	Shanghai Exploration and Development Company, Limited.
T	Shanghai Exploration and Development Company, Limited – Output and Deliveries of Coal by Mentougou Coal Mining Company.
U	Pekin Syndicate – Output and Sales of Coal.
V	Pekin Syndicate – Profit and Loss Account.
W	Chinese Engineering and Mining Company, Limited / Kailan Mining Administration – Coal Sales and Production.
X	Oriental Syndicate – Owners of First Issue of Ordinary Shares.
Y	Oriental Syndicate – Shareholders Register as at 17 th , September, 1901.
Z	Chinese Engineering and Mining Company, Limited – Initial Allotment of One Million £1 Shares.
AA	The Chinese Engineering and Mining Company, Limited – Profit and Loss Account.
BB	The Chinese Engineering and Mining Company, Limited – Expenditure on Fixed Assets.
CC	Chinese Engineering and Mining Company, Limited (1912 company) – Proportion of Distributed Net Profits of the Kailan Mining Administration.
DD	Shares of the Chinese Engineering and Mining Company, Limited and the Luanzhou Mining Company in the Distributed Net Profit of the Kailan Mining Administration.
EE	The Chinese Engineering and Mining Company, Limited (1912 company) – Profit and Loss Account.
FF	Kailuan Mines – Ratio of Labour Costs to Value of Output.
GG	Kailuan Mines – Ratio of Total Labour Costs at the Mines to Profits of the Whole Enterprise.
HH	Estimated Real Wages of Workers at Kailuan Mines.
II	UK Investment in Cotton Textiles in Mainland China.
JJ	Number of Spindles in British Mills.
KK	Number of Looms in British Mills.
LL	Comparative Position of British Cotton Spinning Mills with those of Other Nationalities.
MM	Comparative Position of Power Looms at British Spinner-weavers with those of Other Nationalities.
NN	The Ewo Cotton Spinning and Weaving Company, Limited (1895).
OO	The Kung Yik Cotton Spinning and Weaving Company, Limited.
PP	The Yangtsepoo Cotton Mill, Limited.
QQ	The Ewo Cotton Mills, Limited.
RR	The Laou Kung Mow Cotton Spinning and Weaving Company, Limited.
SS	The Oriental Cotton Spinning and Weaving Company, Limited.
TT	The China Printing and Finishing Company, Limited – Net Profit after Depreciation, Interest and Transfers to Reserves.
UU	The China Printing and Finishing Company, Limited – Operations in the First Twelve Weeks of 1939 and 1940.

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- VV Boyd and Company, Limited.
- WW S.C. Farnham and Company, Limited.
- XX Shanghai Engineering, Shipbuilding and Dock Company, Limited.
- YY S.C. Farnham, Boyd and Company, Limited.
- ZZ The Shanghai Dock and Engineering Company, Limited.
- AAA The New Engineering and Shipbuilding Works, Limited.
- BBB Vulcan Iron Works, Limited.
- CCC Shanghai Dockyards, Limited.
- DDD Major Brothers, Limited.
- EEE The Orient Paint, Colour and Varnish Company, Limited. Distribution of Sales.
- FFF The Orient Paint, Colour and Varnish Company, Limited. Production, Sales and Profit / Loss.
- GGG The Orient Paint, Colour and Varnish Company, Limited. Total Sales.
- HHH Electric and Musical Industries (China), Ltd. (Profit and Loss Account).
- III Electric and Musical Industries (China), Ltd. (Conversion of earnings into Sterling).
- JJJ Electric and Musical Industries (China), Ltd. Pattern of Sales.
- KKK The Anglo -German Brewery Company, Limited.
- LLL The China Flour Mill Company, Limited.
- MMM The Lih Teh Oil Mill Company
- NNN A. Butler Cement Tile Works, Ltd.
- OOO The China Import and Export Lumber Co., Ltd.
- PPP S. Moutrie and Company, Limited.
- QQQ Comparison of (Ordinary) Dividends of B.A.T. Flagship Companies in China with those of Leading UK and Chinese Tobacco Firms.
- RRR Comparison of Dividends of UK Cotton Mills in the UK and China with those in Japan.
- SSS Comparison of (Ordinary) Dividends of British Marine Engineering Companies in Shanghai with those of UK companies in the same sector.
- TTT Comparison of Profits and Royalties per Ton of Coal Raised. (Between UK mines and the Chinese Engineering and Mining Co. Ltd / Kailan Mining Administration).
- UUU Ratio of Labour Costs to Value of Coal Output (For UK mines and the Kailan Mining Administration).

STATISTICAL ANNEX.

The tables below buttress the conclusions of various sections of this study and also, in many cases, are the raw material used in compiling the graphic illustrations.

(1) BACKUP TABLES TO PART III - CHAPTER ONE - THE TOBACCO INDUSTRY.

TABLE A
B.A.T. - SALES OF TOBACCO PRODUCTS IN CHINA.

	<u>Cigarettes</u>	<u>Tobacco plug</u>	<u>Chewing tobacco</u>	<u>Snuff</u>	<u>Cigars</u>
	<u>Million</u>	<u>Thous.lb.</u>	<u>Thous.lb.</u>	<u>Thous.lb.</u>	<u>Thous.</u>
1909	4,468	31	49	-	252
1910	5,277	39	49	15	545
1911	6,497	35	57	21	115
1912	7,147	61	48	1	122
1914	9,398	54	55	275	113
1915	8,956	54	47	-	191
1916	9,649	47	41	300	342
1918	13,360	63	50	4,779	954
1919	15,451	53	34	5,405	865
1920	17,021	44	34	5,061	1,044
1921	17,781	43	23	5,518	658
1922	20,285	45	15	4,644	510
1923	25,474	48	19	2,742	539
1924	31,731	55	19	4,496	494
1925	29,398	54	20	4,123	422
1926	29,021	52	14	2,900	298
1927	28,135	47	12	2,380	291
1928	25,821	37	13	2,740	234
1929	41,022	35	9	1,500	395
1930	43,895	31	8	3,000	220
1931	41,188	21	7	1,200	123
1932	39,857	21	3	n.a.	94
1933	39,598	18	1	240	103

Source: *Ying Mei Yan Gongsi zai Hua qiye ziliao huibian* - page 1641.

TABLE B.
DEVELOPMENT OF ISSUED CAPITAL AND DIVIDENDS OF BRITISH AMERICAN
TOBACCO COMPANY (CHINA) LTD. - Thous. \$ - Financial years to end September.

	Ordinary			Preference			Total	
	Capital	Dividends		Capital	Dividends		Capital	Dividends
		%	Thous. \$		%	Thous. \$		
1919	125,000	3.25	4,062	38,800	4.67	1,812	163,800	5,874
1920	125,000	7	8,750	38,800	8	3,104	163,800	11,854
1921	125,000	2.5	3,125	38,000	8	3,104	163,800	6,229
1922	125,000	6.5	8,125	50,000	8	4,000	175,000	12,125
1923	125,000	10	12,500	50,000	8	4,000	175,000	16,500
1924	125,000	11	13,750	50,000	8	4,000	175,000	17,750
1925	125,000	5	6,250)	50,000	8	4,000	175,000)	16,652
	128,040	5	6,402)				178,040)	
1926	128,040	10	12,804	50,000	8	4,000	178,040	16,804
1927	130,540	6	7,832	50,000	4	2,000	180,540)	12,352
				63,000	4	2,520	193,540)	
1928	130,540	7.5	9,791	63,000	8	5,040	193,540	14,831
1929	130,540	7.5	9,791	63,000	8	5,040	193,540	14,831
1930	130,540	5	6,527	63,000	8	5,040	193,540	11,567
1931	130,540	5.5	7,180	63,000	8	5,040	193,540	12,220
1932	130,540	3.25	4,243	63,000	4	2,520	193,540)	10,163
				85,000	4	3,400	215,540)	
1933	130,540	6.5	8,485	85,000	8	6,800	215,540	15,285
1934	130,540	6.25	8,159	85,000	8	6,800	215,540	14,959
1935	130,540	1	1,305	85,000	8	6,800	215,540	8,105
1936	130,540	5	6,527	85,000	8	6,800	215,540	13,327
1937	130,540	8	10,443	85,000	8	6,800	215,540	17,243
1938	130,540	9	11,749	85,000	8	6,800	215,540	18,549
1939	130,540	20	26,108	85,000	8	6,800	215,540	32,908
1940	130,540	48	62,659	85,000	8	6,800	215,540	69,459
1941	130,540	76	99,210	85,000	8	6,800	215,540	106,010

Source :- *Ying Mei Yan Gongsi zai Hua qiye ziliao huibian* - pages 1602-1603.

TABLE C.
B.A.T. - NUMBER OF CIGARETTE MACHINES INSTALLED.

	<u>1928</u>	<u>1930</u>	<u>1935</u>	<u>1936</u>	<u>1937</u>	<u>1938</u>	<u>1939</u>	<u>1940</u>	<u>1941</u>
<u>Shanghai</u>	<u>184</u>	<u>184</u>	<u>150</u>	<u>150</u>	<u>170</u>	<u>175</u>	<u>180</u>	<u>175</u>	<u>175</u>
Pudong	154	154	70	70	73	74	74	74	74
Thorburn Rd.	30	30	80	80	80	80	80	80	80
No. 3 factory	-	-	-	-	17	21	26	21	21
Hankou	64	66	36	36	39	43	44	44	44
Hanshui	-	25	26	26	26	28	28	-	-
Tianjin	100	100	58	68	67	68	72	87	87
Qingdao	55	67	51	51	54	58	62	62	62
<u>Manchuria</u>	<u>50</u>	<u>63</u>	<u>86</u>	<u>86</u>	<u>86</u>	<u>87</u>	<u>101</u>	<u>101</u>	<u>101</u>
-Shenyang	50	50	50	50	50	51	51	51	51
-Liaoyang	-	-	6	6	6	6	-	-	-
-Harbin	-	13	30	30	30	30	30	30	30
-Yingkou	-	-	-	-	-	-	20	20	20
<u>TOTAL</u>	<u>453</u>	<u>505</u>	<u>407</u>	<u>417</u>	<u>442</u>	<u>459</u>	<u>487</u>	<u>469</u>	<u>469</u>
(Hong Kong)	(-)	(-)	(8)	(8)	(20)	(20)	(20)	(20)	(20)

Source: *Ying Mei Yan Gonsi zai Hua qiye ziliao huibian* – pages 178 and 185.

TABLE D.
1940 – PRODUCTIVITY OF B.A.T. CIGARETTE FACTORIES.

	<u>Labour</u> <u>Force</u>	<u>Working</u> <u>Hours</u>	<u>Production of cigarettes</u> <u>per worker per hour</u>
<u>Shanghai</u>			
Pudong factory	3,008	1,998	1,131
Thorburn Rd. factory	2,503	2,031	1,479
No. 3 factory	760	2,029	1,901
Hankou factory	529	2,247	1,562
Tianjin factory	2,135	2,198	1,532
Qingdao factory	1,852	2,276	1,408
<u>Manchuria</u>			
Shenyang factory	2,797	2,591	706
Harbin factory	1,725	2,519	691
Yingkou factory	651	2,576	667

Source: *Ying Mei Gongsu zai Hua qiye ziliao huibian* – pages 1637 – 1640.

TABLE E
1937 - CAPACITY, LABOUR FORCE AND PRODUCTION OF B.A.T. CIGARETTE
FACTORIES IN MAINLAND CHINA.

	<u>- Cigarette Machines -</u>			<u>Cigarette</u>	<u>Number of</u>
	<u>Installed*</u>	<u>Operating</u>	<u>Percentage</u> <u>Utilisation</u>	<u>Production</u> <u>-Million-</u>	<u>Workers</u>
<u>Shanghai</u>	<u>170</u>	<u>164.18</u>	<u>96.6</u>	<u>18,449</u>	<u>6,313</u>
- Pudong factory	73 (74)	71.62	98.1	8,930	3,073
- Thorburn Rd. factory	80 (80)	78.55	98.2	9,180	2,631
- No. 3 factory	17 (21)	14.01	82.4	339	609
Hankou factory	39 (44)	38.20	97.9	5,761	1,797
Hanshui factory	26 (-)	26.12	100.4	3,776	1,038
Tianjin factory	67 (87)	63.71	95.1	8,871	1,783
Qingdao factory	54 (62)	49.95	92.5	6,736	1,647
<u>Manchuria</u>	<u>86</u>	<u>81.67</u>	<u>95.0</u>	<u>11,618</u>	<u>4,469</u>
- Shenyang factory	50 (51)	46.85	93.7	6,217	2,137
- Liaoyang factory	6 (-)	5.49	90.1	1,503	687
- Yingkou factory	- (20)	-	-	-	-
- Harbin factory	30 (30)	29.33	97.8	3,898	1,645
<u>TOTAL</u>	<u>442 (469)</u>	<u>423.83</u>	<u>95.9</u>	<u>55,211</u>	<u>17,047</u>
(Hong Kong factory)	(20)			(1,017)	

*Mainland capacity in 1940 in brackets. In addition, in 1940 there were 651 employees at Yingkou.
Source: *Ying Mei Yan Gongsi zai Hua qiye ziliao huibian* - pages 1637 to 1640.

TABLE F
B.A.T. - SALES BY AREA OF CIGARETTES IN MAINLAND CHINA* - MILLION.
- Financial Years Ending September 30th -

	<u>1936</u>	<u>1937</u>	<u>1938</u>	<u>1939</u>	<u>1940</u>	<u>1941</u>
Shanghai	8,900	9,749	10,400	11,500	7,500	10,300
Nanjing	5,400	7,344	700	2,600	8,000	4,750
Hankou	7,800	11,185	8,100	2,500	2,350	2,800
Tianjin	9,600	12,099	10,050	12,700	13,450	14,000
South China	2,150	3,283	3,500	3,850	1,850	2,350
Manchuria	<u>9,300</u>	<u>11,551</u>	<u>11,700</u>	<u>9,750</u>	<u>9,700</u>	<u>8,800</u>
- North	n.a.	4,480	4,380	3,720	3,660	3,220
- South	n.a.	6,543	6,530	5,430	5,440	5,130
- Dalian region	n.a.	528	790	600	600	450
<u>Total of above.</u>	<u>43,150</u>	<u>55,211</u>	<u>44,450</u>	<u>42,900</u>	<u>42,850</u>	<u>43,000</u>

*Including sales via Wing Tai Vo Tobacco Corporation.
Source: *Ying Mei Yan Gongsi zai Hua qiye ziliao huibian* - page 513.

TABLE G
WING TAI (Yongtaihe) VO TOBACCO CORPORATION.

<u>Years to end Sept.</u>	<u>Sales of Cigarettes*</u> - Million -	<u>Sales of Cigarettes</u> - Thous. \$ -	<u>Profits</u> - Thous. \$ -	<u>As Percentage of Sales</u>
1922	n.a.	n.a.	722	n.a.
1923	9,045 (35.5)	36,595	1,202	3.3
1924	10,772 (33.9)	39,916	1,146	2.9
1925	9,282 (31.6)	34,299	907	2.6
1926	7,710 (26.6)	26,745	442	1.7
1927	7,740 (27.5)	26,242	287	1.1
1928	8,281 (32.1)	29,406	782	2.7
1929	13,488 (32.9)	40,236	793	2.0
1930	13,965 (31.8)	41,808	557	1.3
1931	11,661 (28.3)	36,598	461	1.3
1932	8,933 (22.4)	27,424	340	1.2
1933	7,755 (19.5)	23,003	245	1.1
1934	6,562 (18.5)	18,033	115	0.6
1935	10,400 (27.6)	23,740	488	2.1
1936	12,773 (29.1)	31,588	1,204	3.8
1937	15,755 (28.2)	42,898	942	2.2
1938	12,031 (26.7)	45,278	n.a.	n.a.
1939	14,982 (34.4)	74,810	n.a.	n.a.
1940	13,448 (30.3)	119,001	n.a.	n.a.
1941	17,097 (38.2)	223,781	n.a.	n.a.

*The figures in brackets give the percentage share of B. A. T. sales.

Commissions of (a) The Chinese concern (b) Their general manager - Zheng Bozhao were as follows (\$ thous.) :-

	(a)	(b)
1937	2,509	486
1938	1,925	1,022
1939	1,476	2,455
1940	2,152	4,100
1941	3,338	7,795

Source:- *Ying Mei Yan Gongsi zai Hua qiye ziliao huibian* - pages 630, 634 and 1529.

TABLE H
WING TAI VO TOBACCO CORPORATION - SALES OF CIGARETTES - MILLION.

	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941
TOTAL	11,661	8,933	7,755	6,562	10,400	12,773	15,755	12,031	14,982	13,448	17,097
Manchuria	53	35	49	76	-	-	-	-	-	-	-
Border Region	143	97	84	114	165	160	179	79	192	162	60
Northern Region	539	373	348	523	460	482	501	704	829	832	997
Luhan Region	468	369	352	261	408	316	337	115	226	272	338
Beijing Region	255	260	216	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Shandong Region	1,493	1,010	659	339	224	391	574	193	320	398	831
Henan Region	715	753	445	337	259	290	494	267	28	90	n.a.
Hubei Region	1,326	903	810	561	529	638	1,018	525	324	212	259
Hunan Region	56	29	25	11	5	10	25	22	144	741	n.a.
Jiangxi Region	250	207	120	158	148	160	411	63	46	31	7
Shanghai Region	2,589	1,836	1,745	1,420	1,858	2,456	2,608	6,253	6,863	3,124	6,641
Eastern Region	2,102	1,996	2,040	2,117	2,827	3,987	4,072	1,591	2,018	2,213	1,900
Nanjing Region	933	636	572	396	606	1,268	2,215	108	1,172	3,677	3,230
Sichuan Region	281	347	270	249	100	122	236	122	108	82	192
Guangdong Region	-	-	-	-	-	-	-	128	87	38	116
Guangxi Region	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-	-	-	n.a.
S. China Region	1	6	-	-	-	-	-	-	26	4	-
Yunnan Region	80	57	20	-	5	-	50	26	113	3	n.a.
Hong Kong	-	-	-	-	-	-	-	-	3	-	-
Other	377	19	-	-	2,806	2,493	3,035	1,835	2,483	1,569	2,526

Source:- *Ying Mei Yan Gongsi zai Hua qiye ziliao huibian* - pages 734-746.

TABLE I
COMPARISON OF B.A.T. IN CHINA AND NANYANG BROTHERS TOBACCO CO., LTD.
(1) CIGARETTE SALES – Million

	Nanyang Brothers			(1) Total	B.A.T.			(1) as % (2)
	Sales from Hong Kong output	Sales from Shanghai output	Other*		Sales from Hong Kong output	Sales from other plants and imports	(2) Total	
1912	238	-	-	238	-	7,147	7,147	3.5%
1913	348	-	-	348	-	n.a.	n.a.	n.a.
1914	527	-	-	527	-	9,398	9,398	5.6%
1915	930	-	-	930	-	8,956	8,956	10.4%
1916	1,311	-	-	1,311	-	9,649	9,649	13.6%
1917	1,691	n.a.	-	n.a.	-	n.a.	n.a.	n.a.
1918	1,850	c.2,800	-	c.4,700	-	13,360	13,360	c.35%
1919	1,948	n.a.	-	n.a.	-	15,451	15,451	n.a.
1926	c.3,600	5,343	-	c.8,900	-	29,021	29,021	c.31%
1927	c.2,100	6,051	-	c.8,200	-	28,135	28,135	c.29%
1928	c.2,500	4,250	-	c.6,800	-	25,821	25,821	c.26%
1937	1,075	3,154	389	4,618	1,385	55,144	56,529	8.2%
1938	1,408	2,324	106	3,838	1,508	44,254	45,762	8.4%
1939	1,171	1,429	123	2,723	1,491	42,810	44,301	6.1%
1940	832	1,023	278	2,133	2,529	42,842	45,371	4.7%

*Production in Chongqing, Hankou and Guangzhou.

(2) NANYANG BROTHERS TOBACCO CO., LTD. – DEVELOPMENT OF SALES AND NET PROFITS – Thous. \$.

Years to end October	SALES			Total	NET PROFITS		Net Profits as % of Sales	
	Total operation	Shanghai operation	Hong Kong operation		Shanghai operation	Hong Kong operation	Total	Shanghai
1918	n.a.	8,377	n.a.	n.a.	800	n.a.	n.a.	9.5
1919	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1920	25,013	9,516	15,497	4,858	2,519	2,339	19.4	26.5
1921	28,012	12,175	15,837	4,042	2,185	1,857	14.4	17.9
1922	28,235	12,069	16,166	4,085	1,814	2,271	14.5	15.0
1923	31,919	15,670	16,249	3,095	705	2,390	9.7	4.5
1924	25,211	12,024	13,187	480	-707	1,187	1.9	-5.9
1925	36,456	20,200	16,256	1,220	572	648	3.3	2.8
1926	28,721	17,052	11,669	2,301	1,197	1,104	8.0	7.0
1927	27,278	20,525	7,203	287	238	49	1.0	1.2
1928	17,543	11,033	6,510	-2,247	-1,961	-286	-12.8	-17.8
1929	13,447	8,314	5,133	-3,202	-2,452	-750	-23.8	-29.5
1930	14,150	6,457	7,693	-305	-858	553	-2.2	-13.3
1931	23,780	14,452	9,328	762	224	538	3.2	1.5
1932	28,533	18,372	10,161	1,055	490	565	3.7	2.7
1933	30,254	19,555	10,699	1,360	1,047	313	4.5	5.4
1934	28,650	19,227	9,423	1,205	635	570	4.2	3.3
1935	26,572	22,033	4,539	601	103	498	2.3	0.5
1936	27,828	23,483	4,345	302	131	171	1.1	0.6
1937	24,547	19,417	5,130	1,034	844	190	4.2	4.3
1938	24,784	17,960	6,824	1,032	689	343	4.2	3.8
1939	22,728	15,763	6,965	2,315	1,532	783	10.2	9.7
1940	30,567	24,949	5,618	5,090	4,186	904	16.7	16.8

Source:- Wang Shijan: *Nanyang xiongdì yancao gongsi shiliao*. (Source material for the history of the Nanyang Brothers Tobacco Company). Shanghai: Renmin chubanshe, 1958. Pages 263-266, 275, 586.

CONTINUED

TABLE I - continued.

(3) SALES AND PROFITS BEFORE ALLOCATIONS TO RESERVES, PROVISIONS, etc.-Thous.\$

	<u>Nanyang Brothers</u>			<u>B.A.T. (China), Ltd.</u>		
	<u>Sales</u>	<u>Profits</u>	<u>As % sales</u>	<u>Sales</u>	<u>Profits</u>	<u>As % sales</u>
1921 - 25	149,833	12,922	8.6	488,075	153,876	31.5
1926 - 30	101,589	-3,166	-3.1	541,515	178,167	32.9
1931 - 35	137,789	4,983	3.6	542,938	187,500	34.5
1936 - 41	140,044	21,016	15.0	1,702,600	851,084	50.0

(4) COMPARISON OF DIVIDEND RATES (Percentage) ON ORDINARY SHARES OF BRITISH AMERICAN TOBACCO CO.(CHINA), LTD. AND NANYANG BROTHERS

	<u>B.A.T. (China)</u>	<u>Nanyang Brothers</u>		<u>B.A.T. (China)</u>	<u>Nanyang Brothers</u>
1920	7	17	1928	7.5	-
1921	2.5	17	1929	7.5	-
1922	6.5	17	1930	5	-
1923	10	12	1931	5.5	3
1924	11	4	1932	3.25	5
1925	10	8	1933	6.5	6
1926	10	8	1934	6.25	5
1927	6	2	1935	1	3
			1936	5	1

TABLE J
B.A.T. – PURCHASES OF AMERICAN- BREED (“Bright”) TOBACCO LEAVES.
- METRIC TONS -

	<u>Shandong</u>	<u>Anhui</u>	<u>Henan</u>	<u>Hankou</u>	<u>Shanghai</u>	<u>Tianjin</u>	<u>Total</u>
1915	222	-	-	-	-	-	222
1916	1,054	-	-	-	-	-	1,054
1917	3,910	96	-	117	-	-	4,123
1918	11,287	283	880	422	-	-	12,872
1919	10,185	3,875	3,438	49	-	-	17,547
1920	12,524	3,227	6,500	99	-	-	22,350
1921	6,185	13	3,768	26	-	-	9,992
1922	3,058	1,525	2,539	-	-	-	7,122
1923	9,058	2,607	4,295	-	-	-	15,960
1924	9,960	5,593	10,663	-	-	-	26,216
1925	9,439	4,585	3,464	-	-	-	17,488
1926	2,683	1,392	-	-	-	-	4,075
1927	2,356	-	-	-	-	-	2,356
1928	7,397	212	-	-	-	-	7,609
1929	7,859	1,779	-	-	-	-	9,638
1930	9,333	1,315	-	-	-	-	10,648
1931	8,098	73	-	-	-	-	8,171
1932	12,218	2,004	-	-	-	-	14,222
1933	20,882	5,213	-	-	-	-	26,095
1934	17,009	7,259	20	-	-	-	24,288
1935	26,314	6,840	7,890	-	-	-	41,044
1936	21,553	9,080	3,091	-	-	-	33,724
1937	8,232	-	-	-	-	-	8,232
1938	7,144	-	-	n.a.	n.a.	n.a.	n.a.
1939	973	-	-	338	1,256	13	2,580
1940	13,489	-	-	1,016	5,053	152	19,710
1941	5,924	-	-	343	1,558	362	8,187

Source:- *Ying Mei Yan Gongsi zai Hua qiye ziliao huibian* – pages 369 and 370.

TABLE K
CONSUMPTION AND IMPORTS FROM USA OF TOBACCO LEAVES BY
B.A.T. AND OTHER COMPANIES IN CHINA – METRIC TONS.

	<u>B.A.T.</u>			<u>OTHER COMPANIES</u>		
	<u>Consumption</u>	<u>Imported</u>	<u>% Imported</u>	<u>Consumption</u>	<u>Imported</u>	<u>% Imported</u>
1931	39,794	47,854	..	27,915	25,124	90.0
1932	39,195	14,161	36.1	24,598	21,541	87.5
1933	36,818	10,328	28.1	26,272	13,853	52.7
1934	30,840	9,789	31.7	27,978	17,563	62.8
1935	32,128	186	0.1	25,619	6,477	25.3
1936	38,415	7,879	20.4	23,033	2,263	9.8
1937	49,473	9,072	18.3	25,115	6,128	24.4
1938	36,922	15,245	41.3	11,281	2,835	25.1
1939	37,512	10,179	27.1	16,257	9,385	57.7
1940	37,571	16,792	44.7	22,634	10,206	45.1
1941	<u>38,714</u>	<u>7,058</u>	<u>18.2</u>	<u>20,425</u>	<u>4,028</u>	<u>19.7</u>
Cumulative	417,382	148,543	35.6	251,127	119,403	47.5

Source :- *Ying Mei Yan Gongsi zai Hua qiye ziliao huibian* – page 1634.

TABLE I
DEVELOPMENT OF NET INCOME (I) IN RELATION TO SALES AND ISSUED
CAPITAL OF MAIN B.A.T. COMPANIES IN CHINA - Thousand \$.

	<u>NET INCOME</u> (A)	<u>SALES</u> (B)	<u>(A) as</u> <u>% (B)</u>	<u>ISSUED</u> <u>CAPITAL(C)</u>	<u>(A) as</u> <u>% (C)</u>
<u>The American Cigarette Company, Ltd.</u>					
1902)				210)	
1903)	1,091	5,712	19.1	250)	224.0.
1904)				1,000)	
<u>British Cigarette Company, Ltd</u>					
1905	409	2,249	18.2	1,500	27.3
1906	712	2,882	24.7	5,500	12.9
1907	668	3,662	18.2	5,500	12.1
1908	246)			5,500	4.4
1909	627)	46,150	3.2	5,500	11.4
1910	616)			5,500	11.2
1911	767)			5,500	13.9
1912	1,327)			11,000	12.1
1913	1,843)	110,312	n.a.	11,000	16.8
1914	720)			11,000	6.5
1915	n.a.)			11,000	n.a.
1916	n.a.	n.a.	n.a.	11,000	n.a.
1917	1,841	9,472	19.4	11,000	16.7
1918	3,373	11,739	28.7	11,000	30.7
<u>British- American Tobacco Co. (China), Ltd.</u>					
1919	n.a.	n.a.	n.a.	163,800	n.a.
1920	19,023*	n.a.	n.a.	163,800	11.6
1921)		)		163,800)	
1922)		)		175,000)	
1923)	90,027	) 488,075	24.2	175,000)	13.1
1924)		)		175,000)	
1925	28,313	)		178,040	15.9
1926	30,003	)		178,040	16.9
1927	23,754	)		193,540	12.3
1928	26,368	) 541,515	23.5	193,540	13.6
1929	24,633	)		193,540	12.7
1930	22,504	)		193,540	11.6
1931)		)		193,540)	
1932)		)		193,540)	
1933)	125,000	) 542,938	23.0	215,540)	11.6
1934)		)		215,540)	
1935)		)		215,540)	
1936	26,804	)		215,540	12.4
1937(2)	28,341	)		215,540	13.1
1938(2)	32,988	) 1,702,600	25.0	215,540	15.3
1939(2)	56,150	)		215,540	26.1
1940(2)	99,802	)		215,540	46.3
1941(2)	181,457	)		215,540	84.2

-The figures above relate to financial years to end September -

-CONTINUED

TABLE L (Continued)

* This was split :-

	<u>Thous \$</u>	<u>%</u>
Parent company	9,517	50.0
Union Trading Co. Ltd.	76	0.4
Enterprise Tobacco Co. Ltd.	137	0.7
Mustard and Co. Ltd.	97	0.5
British Cigarette Co. Ltd.	<u>9,196</u>	<u>48.4</u>
Total	19,023	100.0

Note (1) Income after allocations to reserves and provisions. Before these deductions the position was as follows :-

	<u>Net Income Before Transfers To Reserves, Provisions, etc.</u>	
	<u>As % of Sales</u>	<u>As % Issued Capital</u>
1902-1905	26.3	70.9
1906-1910	15.0	28.2
1911-1915	36.9	82.3
1916-1920	24.2	n.a.
1921-1925	31.5	17.8
1926-1930	32.9	18.7
1931-1935	34.5	18.1
1936-1941	50.0	65.8

Note (2) Profits were split as follows :-

	<u>Thous \$</u>				
	<u>1937</u>	<u>1938</u>	<u>1939</u>	<u>1940</u>	<u>1941</u>
Chi Tung Tobacco Co. Ltd.	1,698	4,173	7,515	6,768	3,787
Yee Tsoong Tobacco Co. Ltd.	6,906	8,380	5,929	18,720	43,863
Yee Tsoong Tobacco Distributors Co. Ltd.	17,692	22,874	38,477	70,827	123,726
China Packers Supply Co. Ltd	567	647	2,373	1,136	8,422
Tobacco Development Co. Ltd.	11	280	261	456	774
Capital Lithographers Ltd.	204	1,159	850	2,285	4,044
British American Tobacco (China) Co. Ltd.	<u>1,263</u>	<u>-4,525</u>	<u>745</u>	<u>-390</u>	<u>-2705</u>
TOTAL	28,341	32,988	56,150	99,802	181,457

Source:- *Ying Mei Yan Gongsai zai Hua qiye ziliao huibian* – pages 1470,1525,1527,1533, 1,534,1536 and 1537.

TABLE M

DEVELOPMENT OF ISSUED CAPITAL AND DIVIDENDS OF MAIN B.A.T. COMPANIES
IN CHINA - Thous \$ - Financial years to end September.

	ISSUED CAPITAL	DIVIDENDS	PERCENT
<u>The American Cigarette</u>			
<u>Company, Limited (1).</u>			
1902	210	n.a.	n.a.
1903	250	n.a.	n.a.
1904	1,000	n.a.	n.a.
<u>British Cigarette</u>			
<u>Company, Limited (2).</u>			
1905	1,500	150	10.0
1906	5,500	450	8.2
1907	5,500	660	12.0
1908	5,500	n.a.	n.a.
1909	5,500	n.a.	n.a.
1910	5,500	n.a.	n.a.
1911	5,500	825	15.0
1912	11,000	1,132	10.3
1913	11,000	723	6.6
1914	11,000	n.a.	n.a.
1915	11,000	n.a.	n.a.
1916	11,000	n.a.	n.a.
1917	11,000	1,705	15.5
1918	11,000	1,760	16.0
<u>British American Tobacco</u>			
<u>Company (China), Limited (3)</u>			
1919	163,800	5,874	3.6
1920	163,800	11,854	7.2
1921	163,800	6,229	3.8
1922	175,000	12,125	6.9
1923	175,000	16,500	9.4
1924	175,000	17,750	10.1
1925	178,040	16,652	9.4
1926	178,040	16,804	9.4
1927	193,540	12,352	6.4
1928	193,540	14,831	7.7
1929	193,540	14,831	7.7
1930	193,540	11,567	6.0
1931	193,540	12,220	6.3
1932	215,540	10,163	4.7
1933	215,540	15,285	7.1
1934	215,540	14,959	6.9
1935	215,540	8,105	3.8
1936	215,540	13,327	6.2
1937	215,540	17,243	8.0
1938	215,540	18,549	8.6
1939	215,540	32,908	15.3
1940	215,540	69,459	32.2
1941	215,540	106,010	49.2

Sources :-

- (1) *Ying Mei Yan Gongszi zai Hua qiye ziliao huibian*. Page 1486.
- (2) *Ying Mei Yan Gongszi zai Hua qiye ziliao huibian*. Pages 1486 and 1605.
- (3) *Ying Mei Yan Gongszi zai Hua qiye ziliao huibian*. Pages 1602-3. See also Table B.

TABLE N
YEE TSOONG (Yizhong) TOBACCO DISTRIBUTORS COMPANY, LIMITED – Thous. \$.

- Financial years to end September -

Years	Capital	Profits	- Percent of Capital	Dividends	- Percent of Capital
1935*	60,700	308	0.5	304	0.5
1936	60,700	8,664	14.3	8,012	13.2
1937	60,700	17,692	29.1	68,500	112.9
1938	60,700	22,874	37.7	18,210	30.0
1939	60,700	38,477	63.4	26,798	44.2
1940	60,700	70,827	116.7	63,735	105.0
1941	60,700	123,276	203.1	114,116	188.0

* November, 1934 to end September, 1935.

Source:- *Ying Mei Yan Gongsi zai Hua qiye ziliao huibian* – page 1532.

TABLE O
YEE TSOONG (Yizhong) TOBACCO COMPANY, LIMITED – Thous. \$.

- Financial years to end September -

Years	Capital	Profits**	- Percent of Capital	Dividends	- Percent of Capital
1935*	180,000	3,873	2.2	3,869	2.1
1936	180,000	13,383	7.4	13,090	7.3
1937	180,000	6,906	3.8	15,803	8.8
1938	180,000	8,380	4.7	n.a.	n.a.
1939	180,000	5,929	3.3	4,960	2.8
1940	180,000	18,720	10.4	16,130	9.0
1941	180,000	43,863	24.4	59,561	33.1

*November, 1934 to end September, 1935.

** Interest on stocks of tobacco leaves accounted for the following percentage of profits :-

1935	38.3%
1936	14.0%
1937	16.3%
1938	16.8%
1939	52.9%
1940	29.6%
1941	33.2%

Source:- *Ying Mei Yan Gongsi zai Hua qiye ziliao huibian* – pages 1530 and 1599.

TABLE P
MONTHLY NET INCOME OF BRITISH AMERICAN TOBACCO COMPANY (CHINA), LIMITED.

	1936/7		1937/8		1938/9		1939/40		1940/41	
	Thous.\$	Th.£*	Thous.\$	Th.£*	Thous.\$	Th.£*	Thous.\$	Th.£*	Thous.\$	Th.£*
October	2,118	128	2,457	148	5,202	175	5,982	102	11,677	176
November	2,170	131	2,270	137	4,495	150	7,870	154	9,359	145
December	3,247	196	3,870	234	5,585	186	10,227	182	17,037	255
January	2,459	149	3,462	205	6,402	213	14,191	265	17,005	239
February	2,535	153	4,258	252	6,003	200	10,822	185	17,917	249
March	3,885	234	4,783	278	5,920	197	19,128	319	17,592	239
April	2,487	150	3,388	183	4,312	144	11,562	193	18,998	251
May	1,361	82	3,179	176	4,438	148	7,846	118	16,794	221
June	1,676	101	5,357	200	6,949	191	5,823	91	10,986	149
July	1,828	110	4,301	158	3,652	82	6,749	105	18,096	240
August	1,599	97	4,501	147	5,744	84	9,419	143	10,090	128
September	2,976	180	8,838	298	2,552	39	1,829	26	15,906	209
TOTAL FINANCIAL										
YEAR	28,341	1,711	32,988	2,416	56,150	1,809	99,802	1,883	181,457	2,501

Source:- *Ying Mei Yan Gongsi zai Hua qiye ziliao Huibian* – page 1534.

*Conversions into Sterling made at monthly rates.

(2) BACKUP TABLES TO PART III – CHAPTER TWO – MINING.

TABLE Q.
UK INVESTMENT IN MINING IN MAINLAND CHINA - £ MILLION.

	<u>Chinese Engineering and Mining Company</u>	<u>Pekin Syndicate</u>	<u>Shanghai Exploration and Development Co.</u>	<u>Other</u>	<u>Total</u>
1897	-	0.02	-	-	0.02
1898	-	0.07	-	0.02	0.09
1899	-	0.07	-	0.33	0.40
1900	-	0.47	-	0.39	0.86
1901	1.09	0.94	-	0.39	2.42
1902	1.07	0.94	-	0.41	2.42
1903	1.07	0.94	-	0.78	2.79
1904	1.11	0.93	-	0.78	2.82
1905	1.20	1.24	-	0.83	3.27
1906	1.25	1.27	-	0.60	3.12
1907	1.30	1.41	-	0.57	3.28
1908	1.31	1.52	-	0.52	3.35
1909	1.31	1.68	-	0.61	3.60
1910	1.25	1.68	-	0.62	3.55
1911	1.35	1.71	-	0.53	3.59
1912	1.01	1.73	-	0.53	3.27
1913	1.05	1.75	-	0.53	3.33
1914	1.10	1.77	-	0.47	3.34
1915	1.18	1.82	-	0.41	3.41
1916	1.21	1.88	-	0.39	3.48
1917	1.24	1.94	-	0.42	3.60
1918	1.31	1.94	-	0.34	3.59
1919	1.46	1.88	0.36	0.35	4.05
1920	1.54	1.87	0.39	0.34	4.14
1921	1.38	1.80	0.22	0.17	3.57
1922	1.39	1.84	0.21	0.17	3.61
1923	1.56	1.95	0.18	0.17	3.86
1924	1.61	1.98	0.45	0.17	4.21
1925	1.60	1.94	0.39	0.17	4.10
1926	1.61	1.90	0.39	0.17	4.07
1927	1.66	1.83	0.37	0.16	4.02
1928	1.65	1.79	0.36	0.15	3.95
1929	1.62	1.78	0.35	0.15	3.90
1930	1.95	1.77	0.19	0.15	4.06
1931	1.97	1.69	0.17	0.14	3.97
1932	1.94	1.72	0.15	0.14	3.95
1933	1.94	1.72	0.13	0.14	3.93
1934	1.97	1.74	0.16	0.14	4.01
1935	1.95	1.72	0.19	0.14	4.00
1936	2.02	1.76	0.16	0.14	4.08
1937	2.06	0.83	0.17	0.14	3.20
1938	2.14	0.83	0.12	0.14	3.23
1939	2.12	0.83	0.09	0.14	3.18
1940	2.38	0.86	0.07	0.14	3.45

Source : own estimates. The figures relate to shareholders' equity i.e. issued, paid capital plus retentions.

TABLE R.

OUTPUT OF COAL BY ENTERPRISES IN WHICH UK INTERESTS HAD 49% OR MORE SHARE.*

<u>Mn. metric tons</u>	<u>Chinese Engineering and Mining/ Kailan Mining Administration</u>	<u>Pekin Syndicate/ Zhongfu Mining Co.</u>	<u>Mentougou</u>	<u>TOTAL</u>	<u>-%total output</u>
1901	0.3	-	-	0.3	n.a.
1902	0.7	-	-	0.7	n.a.
1903	0.7	-	-	0.7	n.a.
1904	0.9	-	-	0.9	n.a.
1905	0.9	-	-	0.9	n.a.
1906	1.0	-	-	1.0	n.a.
1907	1.1	-	-	1.1	n.a.
1908	1.2	neg.	-	1.2	n.a.
1909	1.4	0.2	-	1.6	n.a.
1910	1.2	0.4	-	1.6	n.a.
1911	1.5	0.4	-	1.9	n.a.
1912	1.7	0.6	-	2.3	25
1913	2.1	0.3	-	2.4	19
1914	2.8	0.4	-	3.2	23
1915	3.0	0.4	-	3.4	25
1916	2.9	0.5	-	3.4	22
1917	3.2	0.5	-	3.7	22
1918	3.3	0.6	-	3.9	21
1919	3.8	0.5	-	4.3	21
1920	4.4	0.6	-	5.0	23
1921	4.3	0.6	-	4.9	24
1922	3.7	0.5	-	4.2	20
1923	4.5	0.7	0.1	5.3	22
1924	4.3	0.7	0.2	5.2	20
1925	4.0	0.3	0.1	4.4	18
1926	3.0	0.2	0.2	3.4	15
1927	3.7	-	0.1	3.8	16
1928	5.0	-	neg.	5.0	20
1929	5.0	-	neg.	5.0	20
1930	5.3	-	0.2	5.5	21
1931	5.4	-	0.1	5.5	20
1932	5.2	neg.	0.2	5.4	20
1933	4.3	0.5	0.3	5.1	18
1934	4.8	0.9	0.5	6.2	19
1935	4.1	1.1	0.3	5.5	15
1936	4.0	1.3	0.3	5.6	14
1937	4.2	1.1	0.2	5.5	n.a.
1938	5.5	-	0.1	5.6	n.a.
1939	5.2	-	0.2	5.4	n.a.

* Excluding very small output up to 1909 by the Kiangpei Ting Coal and Iron Mining Company (e.g. 28 thous. tons in the 11 months to end Jan. 1908 - *North China Herald*, 6.6.08) and 1896-1917 by the Tung Hsing Coalmining Company.

Figures in Columns 1-3 are from TABLES W, U and T respectively. National output figures used in calculating the final column originate from Yan Zhongping: *Zhongguo jindai jingjishi tongji ziliao xuanji*. Beijing, 1955. Pages 102-103. As noted in Tim Wright: *Coal Mining in China's Economy and Society, 1895 - 1937* (pages 9-10) this series can only be a very rough approximation as it attempts to include the multitudinous small mines, on which reliable data is missing, in its total.

TABLE S.

SHANGHAI EXPLORATION AND DEVELOPMENT COMPANY, LIMITED.

	<u>Balance of Profit and</u>	<u>Net Profits</u>		<u>Dividends</u>	<u>Transfer to</u>
	<u>Loss at January 1st</u>	<u>Thous. taels</u>	<u>(£ thous.)*</u>	<u>Thous. taels</u>	<u>Reserves</u>
	<u>Thous. taels</u>				<u>Thous. taels</u>
1920	-	-25	(-8)	-	-
1921	-25	-10	(-2)	-	-
1922	-35	-28	(-5)	-	-
1923	-63	-112	(-17)	-	-
1924	-175	-195(a)	(-31) (a)	-	-
1925	-370	150	(23)	-	-
1926	-220	105	(15)	-	-
1927	-115	-68	(-9)	-	-
1928	-183	-314	(-41)	-	-
1929	-497	-126	(-15)	-	-
1930	-623	31	(2)	-	-
1931	-592	-419	(-29)	-	-
	<u>\$ thous.</u>	<u>\$ thous.</u>		<u>\$ thous.</u>	<u>\$ thous.</u>
1932	-1,011	94	(5)	-	-
1933	-917	229	(14)	167	25
1934	37	403 (b)	(27) (b)	125	260
1935	55	197	(14)	84	100
1936	68	116	(7)	-	175
1937	9	138	(9)	131	7
1938	16	1,126	(49)	1,015 (c)	96
1939	31	1,392	(35)	860	475
1940	88	2,746	(44)	2,222 (d)	n.a.

* Converted at average rate of the year.

(a) Of which 123 thous. taels (£20 thous.) actual loss on working the Mentougou mine.

(b) Actual profit on working the mine was \$ 451 thous. (£ 30 thous.).

(c) Including \$418 thous. in bonus shares (1 in 5).

(d) Including \$502 thous. in bonus shares (1 in 5).

Note : The Company included in its profit and loss figures development expenditure. Thus, for example, the losses in the early years were not nearly as bad as apparent. The figures net of development work are only available for two years.

Sources :-

1920 and 1921	<i>China Stock and Share Handbook, 1925.</i>
1922	<i>North China Herald (NCH), 22.5.1922.</i>
1923	<i>NCH, 7.4.1923.</i>
1924	<i>NCH, 28.6.1924.</i>
1925	<i>NCH, 23.5.1925.</i>
1926	<i>NCH, 3.5.1926.</i>
1927	<i>NCH, 19.3.1927.</i>
1928	<i>China Stock and Share Handbook, 1929.</i>
1929	<i>NCH, 22.6.1929.</i>
1930 and 1931	<i>NCH, 12.5.1931.</i>
1932	<i>NCH, 27.6.1932.</i>
1933	<i>NCH, 10.5.1933.</i>
1934	<i>NCH, 9.5.1934.</i>
1935	<i>NCH, 19.6.1935.</i>
1936	<i>NCH, 5.8.1936.</i>
1937	<i>NCH, 11.8.1937.</i>
1938	<i>NCH, 3.8.1938.</i>
1939	<i>NCH, 31.5.1939.</i>
1940	<i>Finance and Commerce, 4.9.1940 and 18.12.40</i>

TABLE T.
SHANGHAI EXPLORATION AND DEVELOPMENT COMPANY, LIMITED – OUTPUT AND
DELIVERIES OF COAL BY MENTOUGOU COAL MINING COMPANY – Thousand (metric) Tons.

	<u>Output</u>	<u>Deliveries</u>	<u>Recorded stocks</u>
1925	149	n.a.	n.a.
1926	164	n.a.	120
1927	81	63	178
1928	7	72	n.a.
1929	21	88	n.a.
1930	163	102	n.a.
1931	108	105	n.a.
1932	225	240	36
1933	325	278	64
1934	463	346	159
1935	321	210	252
1936	313	287	278
1937	194	277	372*
1938	80	373	79
1939	201**	n.a.	n.a.
1940	n.a.	n.a.	n.a.

*Including 177 thous. tons previously unrecorded stocks.

**I. I. 39 to 16.7.39 when production stopped. Resumed 26.2.40.

Sources :-

1925 <i>North China Herald</i> (NCH) 14.5.27	1933 NCH 9.5.34
1926 NCH 14.5.27	1934 <i>Finance and Commerce</i> 19.6.35
1927 NCH 22.6.29	1935 <i>Finance and Commerce</i> 5.8.36
1928 NCH 22.6.29	1936 <i>Finance and Commerce</i> 4.8.37
1929 NCH 12.5.31	1937 <i>Finance and Commerce</i> 3.8.38
1930 NCH 12.5.31	1938 NCH 31.5.39
1931 NCH 27.5.32	1939 <i>Finance and Commerce</i> 6.3.40
1932 NCH 10.5.33	

TABLE U.
PEKIN SYNDICATE - OUTPUT AND SALES OF COAL - THOUSAND METRIC TONS.

	<u>Financial Years</u>			<u>Calendar Years</u>	
	<u>Output</u>	<u>Sales</u>		<u>Output</u>	<u>Sales</u>
18 months to 31.12.09	248	101	1908	13 (4 months)	n.a.
18 months to 30.6.11	592	561	1909	235	n.a.
12 months to 30.6.12	478	381	1910	363	n.a.
12 months to 30.6.13	409	n.a.	1911	424	n.a.
12 months to 30.6.14	467	n.a.	1912	559	n.a.
12 months to 30.6.15	265	341	1913	288	n.a.
12 months to 30.6.16	489	419	1914	412	n.a.
12 months to 30.6.17	506	n.a.	1915	433	n.a.
12 months to 30.6.18	602	480	1916	456	n.a.
12 months to 30.6.19	559	468	1917	514	n.a.
12 months to 30.6.20	476	434	1918	628	n.a.
12 months to 30.6.21	709	417	1919	495	n.a.
12 months to 30.6.22	574	486	1920	562	n.a.
12 months to 30.6.23	593	674	1921	649	n.a.
12 months to 30.6.24	666	671	1922	505	n.a.
12 months to 30.6.25	621	427	1923	694	n.a.
12 months to 30.6.26	50	n.a.	1924	671	n.a.
12 months to 30.6.27	neg.	-	1925	256	n.a.
12 months to 30.6.28	neg.	-	1926	118	n.a.
12 months to 30.6.29	neg.	-	1927	-	-
12 months to 30.6.30	neg.	-	1928	-	-
12 months to 30.6.31	neg.	-	1929	-	-
12 months to 30.6.32	neg.	-	1930	-	-
14.10.32 to 25.5.33	152	n.a.	1931	-	-
			1932	n.a.	n.a.
		26.5.33-31.12.33		513+	372+
			1934	910+	769+
			1935	1,111+	998+
			1936	1,270+	1,536+
			1937*	- not available -	

+ Zhongfu Mining Company.

* Producing at rate of 1,500 thous. tons per annum before curtailment end of August followed by closure in October.

Sources for Financial Years.

18 months to 31.12.09 *Economist* 13.8.10
 18 months to 30.6.11 *North China Herald* 25.1.13
 1911/12 *Statist* 21.12.12
 1912/13 *Colliery Guardian* 24.12.13
 1913/14 *Colliery Guardian* 24.12.14
 1914/15 *Statist* 18.12.15
 1915/16 *Statist* 9.12.16
 1916/17 *Statist* 22.12.17
 1917/18 *Colliery Guardian* 18.9.20
 1918/19 *Colliery Guardian* 18.9.20
 1919/20 *Colliery Guardian* 22.1.21
 1920/21 *Colliery Guardian* 3.2.22
 1921/22 *Colliery Guardian* 16.2.23
 1922/23 *Colliery Guardian* 11.4.24
 1923/24 *Colliery Guardian* 12.12.24
 1924/25 *Colliery Guardian* 16.4.26
 1925/26 *Colliery Guardian* 10.12.26
 14.10.32 to 25.5.33 *Colliery Guardian* 16.6.33

Sources for Calendar Years.

1908-10 *China Year Book, 1912.* Page 51.
 1911-17 *China Year Book, 1921-22.* Page 167.
 1918-24 *China Year Book, 1924-25.* Page 110.
 1925-26 *China Year Book, 1929-30.* Page 50.
 26.5.33-31.12.33 *Colliery Guardian* 15.6.34
 1934 *Finance and Commerce* 19.6.35
 1935 *Finance and Commerce* 5.8.36
 1936 *Finance and Commerce* 4.8.37
 1937 *Finance and Commerce* 10.8.38

TABLE V.

PEKIN SYNDICATE – PROFIT AND LOSS ACCOUNT - £. THOUSAND.

- Financial Years Ending 30th, June -

	<u>1922/3</u>	<u>1923/4</u>	<u>1924/5</u>	<u>1925/6</u>	<u>1926/7</u>	<u>1927/8</u>
Receipts – interest, dividends, etc.	28.9	42.1	43.6	29.9	55.8	29.1
Profit/loss on collieries	100.6	114.0	56.3	-31.3	-50.7	-75.0
Expenditure London, Paris and China	25.5	26.4	30.1	28.4	25.8	22.1
Balance of above	<u>104.0</u>	<u>129.7</u>	<u>69.8</u>	<u>-29.8</u>	<u>-20.7</u>	<u>-68.0</u>
Less : transfer to reserve against shares in other companies, investments	-	6.0	1.1	3.9	-	-
: reserve against debtors	-	7.5	-	-	9.0	-
: reserve account for redemption of capital expenditure on the collieries	25.0	25.0	25.0	-	-	-
Exchange losses / gains	-33.8	+18.3	-15.8	-8.3	-11.8	+3.9
<u>Net Income</u>	<u>45.2</u>	<u>109.5</u>	<u>27.9</u>	<u>-42.0</u>	<u>-41.5</u>	<u>-64.1</u>

(Accrued interest and repayment of principal of
railway and provincial loans in China placed to credit
of a suspense account pending receipt)

(-) (-) (-) (-) (30.3) (-)

	<u>1928/9</u>	<u>1929/30</u>	<u>1930/1</u>	<u>1931/2</u>
Receipts – interest, dividends, etc.	32.3	32.1	n.a.	36.3
Profit/loss on collieries	-45.5	-23.6	-12.6	-24.6
Expenditure London, Paris and China	21.8	18.7	n.a.	26.2
Balance of above	<u>-35.0</u>	<u>-10.2</u>	<u>8.0</u>	<u>-14.5</u>
Less : transfer to reserve against shares in other companies, investments	-	(3.3)	22.7	71.6
Exchange losses / gains	-4.5	-7.0	+3.1	+5.7
<u>Net Income</u>	<u>-39.5</u>	<u>-13.9</u>	<u>-11.6</u>	<u>-80.4</u>

(Accrued interest and repayment of principal of
railway and provincial loans in China placed to credit
of a suspense account pending receipt)

(74.4) (90.4) (108.0) (135.9)

- Calendar Years -

	<u>18 months to 31. 12. 33</u>	<u>1934</u>	<u>1935</u>	<u>1936</u>	<u>1937</u>	<u>1938</u>	<u>1939</u>	<u>1940</u>
Receipts – interest, dividends, etc.	43.3	32.1	28.1	n.a.	43.9	28.6	24.6	43.9
Profit/loss on collieries	-26.1	-20.0	18.5	n.a.	11.8	-	-	-
Expenditure London, Paris and China	34.2	17.5	41.3	n.a.	31.0	24.6	25.2	24.2
Balance of above	<u>-17.0</u>	<u>-5.4</u>	<u>5.3</u>	<u>34.5</u>	<u>24.7</u>	<u>4.0</u>	<u>-0.6</u>	<u>19.7</u>
Appreciation in and profit on investments	49.0	29.3	(6.0)	-	(17.9)	-	-	11.1
Exchange losses / gains	+1.8	-7.0	-16.1	-	-1.5	-4.1	-1.3	-2.8
<u>Net Income</u>	<u>33.8</u>	<u>16.9</u>	<u>-16.8</u>	<u>34.5*</u>	<u>5.3</u>	<u>-0.1</u>	<u>-1.9</u>	<u>28.0</u>
(Interest and commission accrued but not received)	(173.8)	(173.8)	(179.0)	(-)	(-)	(-)	(-)	(-)

* Dividends absorbed £27.3 thous.

Sources :-

1922/23	<i>China Express and Telegraph</i>	17.4.24	1931/32	<i>Colliery Guardian</i>	10.6.33
1923/24	<i>Colliery Guardian</i>	12.12.24	18 months to 31.12.33	<i>Colliery Guardian</i>	15.6.34
1924/25	<i>Colliery Guardian</i>	16.4.26	1934	<i>Finance and Commerce</i>	19.6.35
1925/26	<i>Colliery Guardian</i>	10.12.26	1935	<i>Finance and Commerce</i>	5.8.36
1926/27	<i>Colliery Guardian</i>	3.3.28	1936	<i>Finance and Commerce</i>	4.8.37 / 1.9.37
1927/28	<i>China Express and Telegraph</i>	30.3.29	1937	<i>Finance and Commerce</i>	10.8.38
1928/29	<i>Colliery Guardian</i>	10.1.30	1938	<i>Finance and Commerce</i>	9.8.39
1929/30	<i>Colliery Guardian</i>	27.3.31	1939	<i>Finance and Commerce</i>	23.10.40
1930/31	<i>Colliery Guardian</i>	6.5.32	1940	<i>Colliery Guardian</i>	5.9.41

TABLE W.

**CHINESE ENGINEERING AND MINING COMPANY, LIMITED / KAILAN MINING
ADMINISTRATION - COAL SALES AND PRODUCTION - THOUSAND METRIC TONS.**

	<u>SALES</u>	<u>PRODUCTION</u>	- (Calendar Year)
<u>Twelve Months to end February</u>			
1902	441	336	(733)
1903	585	784	(722)
1904	822*	727*	(880)
1905	848*	891*	(865)
1906	838*	847*	(974)
1907	930*	1,016*	(1,135)
1908	975*	1,135*	(1,246)
1909	1,168*	1,246*	(1,381)
1910	1,251*	1,381*	(1,193)
1911	1,235*	1,189*	(1,456)
1912	1,463*	1,513*	(n.a.)
<u>Twelve Months to end June</u>			
1912	<u>1,433</u>	<u>1,484</u>	<u>(1,734-both firms)</u>
----- KAILAN MINING ADMINISTRATION -----			
1913	1,756*	1,720*	(2,070)
1914	2,450*	2,573*	(2,844)
1915	2,733*	2,924*	(3,019)
1916	2,711*	2,931*	(2,890)
1917	2,811*	2,979*	(3,227)
1918	3,045*	3,306*	(3,263)
1919	3,179*	3,453*	(3,763)
1920	4,075*	4,269+	(4,416)
1921	3,836*	4,434+	(4,320)
1922	3,593*	4,151+	(3,657)
1923	3,772*	3,937+	(4,496)
1924	4,353*	4,536+	(4,347)
1925	3,283*	4,089+	(3,950)
1926	3,279*	3,639+	(3,039)
1927	4,058*	3,742+	(3,683)
1928	4,288*	5,038+	(4,958)
1929	4,164*	4,485+	(5,000)
1930	4,558*	4,890+	(5,327)
1931	4,237*	5,631+	(5,356)
1932	4,647*	5,347+	(5,205)
1933	3,795*	4,953+	(4,284)
1934	3,732*	4,291+	(4,755)
1935	3,714*	4,774+	n.a.
1936	3,660*	3,961+	n.a.
1937	3,795*	4,664+	n.a.
1938	4,213	4,458+	n.a.
1939	5,466	5,967+	n.a.
1940	5,803	6,629+	n.a.
1941	6,140	6,546+	n.a.
1942 1.7 to 30.11	2,346	n.a.	n.a.

Sources for Financial Years.

* See reference to Wang Yuru in TABLE FF.
 + See source for TABLES GG AND HH.
 Both series tie up with the original data.
 1902. *Mining Yearbook, 1903.*
 1903. *London and China Express*, 16.3.04.
 1.7.11-30.6.12. *Statist*, 6.2.13.
 1938/1939. *Finance and Commerce*, 20.3.40.
 1940-41, 1942 1.7-30 11. *Mining Yearbook, 1943.*

Sources for Calendar Years

1902-1906. Ellsworth C. Carlson: *The Kailan Mines (1877-1912)*. Page 146.
 1907-11. *China Year Book, 1912*. Page 51.
 1912. *China Year Book, 1916*. Page 67.
 1913-17. *China Year Book, 1921-2*. Page 167.
 1918/19. *China Year Book, 1924-5*. Page 110.
 1920-26. *China Year Book, 1929-30*. Page 50.
 1927. *China Year Book, 1931*. Page 325.
 1928-1930. *China Year Book, 1931/2*. p. 181.
 1931-34. *China Year Book, 1936*. Page 332.

TABLE X.

ORIENTAL SYNDICATE - OWNERS OF FIRST ISSUE OF ORDINARY SHARES (£1) HAVING
25 PENCE PER SHARE PAID UP AT 18th FEBRUARY, 1901 (1).

Edmund Davis (3) (5) (7)	Merchant	220
Walton Fitzjames Turner (2) (5) (7)	Chartered Accountant	120
Robert Parry Nisbet (2)	Colonel	120
William Wright	Shipowner	50
Cecil Henry Arthur Le Bas	Gentleman	25
Edward Fuchsbalg	Gentleman	50
William Bell Crichton	Master Mariner	25
Burke Pardoe Thomas	Shipbroker	25
Edwin Arthur Cade	Merchant	50
Frederick Vervious Marment	Gentleman	75
Humphrey Charles Wabrand	Gentleman	100
George William Neville	Gentleman	400
George Todd Symons (3)	Shipowner	400
Anglo - Continental Gold Syndicate (1899), Ltd.		2,507
Ernest Frederick Schiff	Gentleman	500
Hetherington White (4)	Merchant	100
Other UK shareholders		<u>150</u>
		4,917-50.1%
Compagnie Internationale d' Orient		1,800
Banque d' Outremer		983
Albert Nyssens	Director of Cie. Int. d' Orient	100
Georges de Laveleye	Consul General	100
George Paget Walford	Steamship owner	100
Émile Francqui	Agent General of Cie Int. d' Orient	100
Felicien Cattier	Lawyer	100
Donat Hovine	Engineer	100
Auguste Beernaert	President Cie. Int. d' Orient	100
Daniel Führmann	Businessman	100
Albert Thys (3)	Lt. Colonel	<u>100</u>
		3,683-37.7%
Albert Ballin (6)	General Director	300
Julius Scharlach (3)	Lawyer	300
Siegmund Hinrichsen	Banker	300
Adolph Woermann	Merchant	<u>300</u>
		1,700-12.2%
<u>TOTAL</u>		<u>9,800</u>

(1) Companies' Registration Office Cert. No. 64511/1. Public Record Office BT/8800.

(2) Original directors of the Oriental Syndicate.

(3) Directors of the Oriental Syndicate w.e.f. 6.2.1901

(4) Director of the Oriental Syndicate w.e.f. 1.5.1901

(5) Directors of Anglo - Continental Gold Syndicate (1899), Ltd.

(6) The very influential director of the Hamburg - Amerika shipping line.

(7) Davis and Turner were directors of the London and Hamburg Gold Recovery Company for which Bewick, Moreing served as consulting engineers. This probably explains the German connection.

TABLE Y.

ORIENTAL SYNDICATE - SHAREHOLDERS REGISTER AS AT 17th SEPTEMBER, 1901.*

		<u>Ordinary (£)</u>	<u>Deferred (5p.)</u>
Charles Algernon Moreing (4)	Civil engineer	37,600	5,000
Anglo-Continental Gold Syndicate (1899), Ltd.		14,554	1,115
Ernest Frederick Schiff	Gentleman	2,750	200
George William Neville	Gentleman	1,650	120
George Todd Symons (2) (4)	Shipowner	3,600	320
Edmund Davis (2) (4) (6)	Merchant	2,835	338
Robert Parry Nisbet (1)	Colonel	440	20
Walton Fitzjames Turner (1) (4) (6)	Chartered Accountant	4,660	588
Chinese Development Syndicate, Ltd.		1,000	-
Alfred William Berry (5)	Company Secretary	1	-
Hetherington White (3)	Merchant	100	-
Other (13) UK shareholders		1,354	40
<u>Subtotal</u>		<u>70,544</u> (70.9%)	<u>7,741</u> (77.4%)
Compagnie Internationale d' Orient		9,350	680
Banque d' Outremer		3,440	-
Albert Thys (2) (4)	Lt. Colonel	2,751	683
Albert Nyssens	Director of Cie. Int. d' Orient	550	-
Auguste Beernaert	President of Cie. Int. d' Orient	550	40
Donat Hovine	Engineer	550	40
Daniel Führmann (7)	Businessman	550	40
George Paget Walford (4)	Steamship owner	550	40
Émile Francqui (4)	Agent General of Cie. Int. d' Orient	550	40
Felicien Cattier	Lawyer	550	40
Leon Kyex	Barrister	138	10
Leon Trouet (4)	Engineer (civil)	55	4
Charles Noel de Vaux	Count	27	2
Alphonse Jules Wauters	"Man of letters"	55	4
Joseph Neve	Lawyer	55	4
Henri Le Boeuf	Doctor of Law	55	4
Gaston Perier	Lawyer	55	4
Georges de Laveleye (4)	Consul General	550	40
Auguste Deppe	Artillery Major	55	-
Charles Balsler (2) (4)	Banker	200	-
Jules Urban	Vice President, Banque d' Outremer	250	-
Georges Systemans	Lawyer	55	4
<u>Subtotal</u>		<u>20,981</u> (21.1%)	<u>1,679</u> (16.8%)

- Continued.

Table Y (continued).

		<u>Ordinary (£)</u>	<u>Deferred (5p.)</u>
Albert Ballin	General Director	1,650	120
Julius Scharlach (2)	Lawyer	1,650	120
Siegmund Hinrichsen	Banker	1,650	120
Adolf Woermann	Merchant	1,650	120
<u>Subtotal</u>		<u>6,600</u> (6.6%)	<u>480</u> (4.8%)
Banque Russo-Chinoise (Shanghai)		<u>1,375</u> (1.4%)	<u>100</u> (1.0%)
<u>TOTAL</u>		<u>99,500</u>	<u>10,000</u>

*Companies' Registration Office Cert. No. 64511/13. Public Record Office BT/8800.

- (1) Original directors of Oriental Syndicate, Limited.
- (2) Directors of Oriental Syndicate w.e.f. 6.2.1901.
- (3) Director of Oriental Syndicate w.e.f. 1.5.1901.
- (4) Served as director of Chinese Engineering and Mining Company, Limited.
- (5) Company secretary of Oriental Syndicate, Limited, Chinese Engineering and Mining Company, Limited and Anglo-Continental Gold Syndicate (1899), Limited.
- (6) Directors of Anglo-Continental Gold Syndicate (1899), Limited
- (7) German businessman resident in Antwerp.

TABLE Z.
CHINESE ENGINEERING AND MINING COMPANY, LIMITED
- INITIAL ALLOTMENT OF ONE MILLION £1 SHARES.

	<u>Number of Shares</u>
<u>Share numbers 1-7.</u> The original shares on registration of the company on 21.12.1900. These were originally held by 7 secretaries and clerks of Anglo-Continental Gold Syndicate (1899), Ltd. (4 of them were also £1 shareholders of the Oriental Syndicate). At the first Board meeting held on 26.2.1901 these shares were transferred to the following Belgians :-	7
Charles Balsler - 1	
G. Touchard - 1	
A.J.Wauters - 1	
G. Périer - 1	
H. Le Boeuf - 1	
É. Francqui -1 (28.3.1901 G. de Laveleye)	
H. Radermaiker -1	
<u>Share numbers 8-375007</u> To nominees of the Chinese Engineering and Mining Company of Tianjin.	375,000
<u>Share numbers 375008-425007</u> To Charles Algernon Moreing	50,000
<u>Share numbers 425008-575007</u> To the Oriental Syndicate, Ltd	150,000
<u>Share numbers 575008-1000000</u> To nominees of the Oriental Syndicate, Ltd	424,993
<u>TOTAL</u>	1,000,000
- of which issued as fully paid up otherwise than for cash	999,993

The split by individuals and organisations was as follows :-

	<u>Connected with</u> <u>issue of debentures</u>	<u>Other</u>	<u>Total</u>
<u>(1) To shareholders of the Chinese company</u>	=	375,000	375,000
<u>(2) To Charles Algernon Moreing for transfer to Zhang Yanmou / Gustav Detring</u>	=	50,000	50,000
<u>(3) To the Oriental Syndicate, Ltd.</u>	=	150,000	150,000
<u>(4) Other</u>	250,000	175,000	425,000
Anglo-Continental Gold Syndicate (1899), Ltd	-	25,075	25,075
Mrs Helena Marian Moreing	-	25,100	25,100
Charles A. Moreing	12,500	-	12,500
George Todd Symons	6,250	4,375	10,625
Edmund Davis	5,000	3,500	8,500
Walton Fitzjames Turner	5,000	3,500	8,500
Coates, Son and Co. (stockbrokers)	5,000	1,500	6,500
A.J.Bott	5,000	-	5,000
Carl Wichmann (22, Austin Friars)	2,500	500	3,000
Alfred Angeli	1,500	1,150	2,650
Ludwig Ehrlich	2,500	-	2,500
Benjamin Newgass	2,500	-	2,500
George Henderson)	1,700	-	1,700
James S.Fraser) Same address	1,650	-	1,650
James Steel)	1,650	-	1,650
Frederick Anderson	1,500	-	1,500
Reuben T. Barrow	1,250	-	1,250

Table Z Continued).

	<u>Connected with issue of debentures</u>	<u>Other</u>	<u>Total</u>
Chinese Development Syndicate	-	1,000	1,000
Benjamin A. Posford	1,000	-	1,000
Arthur J. White	1,000	-	1,000
William F. Courthope	1,000	-	1,000
Marcus van Raalte (22, Austin Friars)	1,000	-	1,000
Mrs Emily West	850	-	850
David Pember McEwan	750	-	750
Hetherington White	750	-	750
Aldorf Rosendorff	500	200	700
Thomas J.W.Sargant	500	-	500
Joseph G.Smith	500	-	500
William Thomas Madge	500	-	500
George W. Neville	500	-	500
Hugo Loewy	500	-	500
Helbert, Wagg and Russell (Stockbrokers)	-	500	500
Henry Melville Woodhouse	250	-	250
William James Procter	250	-	250
Hemance Bernheim	250	-	250
Patrick Paget Pease	250	-	250
Alfred W.Berry	150	-	150
Sir Vincent Caillard	-	210	210
Frederick Bradbury Winter (Solicitor to the Company)	125	-	125
Miss Eleanor Turner	125	-	125
Henry C. Truman	-	10	10
<u>Subtotal UK addresses</u>	<u>66,250</u>	<u>66,620</u>	<u>132,870</u>
 Mrs Ida Sanders – Amsterdam	 <u>500</u>	 =	 <u>500</u>
 Banque de Paris et des Pays Bas	 -	 7,110	 7,110
Phillippe Bona Varilla (banker)	-	5,000	5,000
Banque d' Indo-Chine	-	3,000	3,000
Victor Defalque	-	2,500	2,500
Viscomte Adolphe de Westheimer	2,500	-	2,500
Benard et Jarislowsky (bankers)	-	1,500	1,500
Other French Shareholders (12)	-	3,575	3,575
<u>Subtotal French addresses</u>	<u>2,500</u>	<u>22,685</u>	<u>25,185</u>
 Syndicate Sino Italien	 -	 1,720	 1,720
Banque Franzi	-	335	335
<u>Subtotal Italian addresses</u>	<u>=</u>	<u>2,055</u>	<u>2,055</u>
 Union Financiere de Geneve	 =	 <u>280</u>	 <u>280</u>
 Julius Scharlach – Hamburg	 5,000	 1,000	 6,000
Von der Heydt – Berlin	2,000	-	2,000
<u>Subtotal German addresses</u>	<u>7,000</u>	<u>1,000</u>	<u>8,000</u>
 General von Hanneken – Tianjin	 11,250	 -	 11,250
Herbert C. Hoover – Tianjin	7,500	-	7,500
Jules Jado (engineer) – Shanghai	-	1,000	1,000
Maurice Joostens (Belgian Minister at Beijing)	-	40	40

Table Z. (Continued).

	<u>Connected with issue of debentures</u>	<u>Other</u>	<u>Total</u>
<u>Subtotal Chinese addresses</u>	<u>18,750</u>	<u>1,040</u>	<u>19,790</u>
<u>Balance equals Belgian Shareholders</u>	<u>155,000</u>	<u>81,320</u>	<u>236,320</u>
The Original 7 Shareholders	-	7	7
Compagnie Internationale d' Orient	n.a.	n.a.	88,261
Banque d' Outremer	4,840	29,417	34,257
Baron Constant de Goffinet	-	9,100	9,100
Baron Auguste de Goffinet	-	100	100
Raoul Waroque (industrialist)	n.a.	n.a.	6,525
Émile Franqui	n.a.	n.a.	5,500
Société General pour favoriser l' Industrie Nationale	5,200	-	5,200
Albert Thys	n.a.	n.a.	5,000
Madame Thys	n.a.	n.a.	100
William Thys (student)	n.a.	n.a.	10
Edouard Thys	n.a.	n.a.	500
Société Reserches Minieres	n.a.	n.a.	5,000
Société Coloniale Anversoise	n.a.	n.a.	3,335
Banque Internationale de Bruxelles	n.a.	n.a.	2,835
Chevalier Raphael de Bauer	n.a.	n.a.	2,340
Edouard Empain (banker)	n.a.	n.a.	2,500
Senateur Joseph Devolder	n.a.	n.a.	2,500
Charles Balser	n.a.	n.a.	2,170
Balser et Cie	n.a.	n.a.	1,575
Banque de Bruxelles	n.a.	n.a.	2,000
Daniel Führmann	n.a.	n.a.	1,840
Georges Paget Walford	n.a.	n.a.	1,360
Victor Stoclet	n.a.	n.a.	1,000
Donat Hovine	n.a.	n.a.	1,000
La Coloniale Industriell	n.a.	n.a.	1,000
Emmanuel Wouters d' Oplinter	n.a.	n.a.	1,000
Georges de Laveleye	n.a.	n.a.	750
Baron Leon Lambert	n.a.	n.a.	835
Auguste Beernaert (Minister of State)	n.a.	n.a.	835
Prof. Albert Nyssens	n.a.	n.a.	670
Alphonse Jules Wauters	n.a.	n.a.	625
Leon Trouet	n.a.	n.a.	570
Henri Le Boeuf	n.a.	n.a.	500
Other Belgian Shareholders (183)	n.a.	n.a.	45,520

These shares were issued in the following tranches :-

	<u>Number of shares (£)</u>
- 21.12.1900. On formation of the new company.	7
- 25.5.1901 – 20.6.1901. 150,000 to the Oriental Syndicate, 50,000 to Moreing (for Detring / Zhang Yanmou). Balance of 83,750 to debenture holders in UK, Netherlands, Germany and China.	283,750

Table Z (Continued).

-21.6.1901 – 16.7.1901. 11,250 to debenture holders in UK and China. Balance of 66,500 to shareholders in UK and France.	77,750
-8.8.1901 – 8.9.1901. To shareholders in Belgium, France, UK, Italy, Switzerland and China.	142,315
-8.10.1901 – 31.10 1901. To shareholders in Belgium. 88,261 to Compagnie Internationale d' Orient, 29,417 to Banque d' Outremer and 3,500 to Baron Constant de Goffinet..	121,178
-15.11.1901 – 11.12.1901. To the Oriental Syndicate – for transmission to the original shareholders in China.	375,000
<u>TOTAL</u>	<u>1,000,000</u>

Sources : Chinese Engineering and Mining Co. Ltd. – Minute Book No. I,
Guildhall MS 28378/1.
Public Record Office – BT 31/9233/68532.

TABLE AA.
THE CHINESE ENGINEERING AND MINING COMPANY, LIMITED* - PROFIT AND LOSS
ACCOUNT - £ THOUSAND - TWELVE MONTHS TO END FEBRUARY.

	<u>19.2.01</u>	<u>1903</u>	<u>1904</u>	<u>1905</u>	<u>1906</u>	<u>1907</u>	<u>1908</u>	<u>1909</u>	<u>1910</u>	<u>1911</u>	<u>1.3.11</u>
	<u>-28.2.02</u>										<u>-27.6.12</u>
Profit after all											
charges in China	<u>114.4</u>	<u>113.4</u>	<u>151.7</u>	<u>210.1</u>	<u>178.6</u>	<u>241.2</u>	<u>223.3</u>	<u>244.0</u>	<u>243.3</u>	<u>192.6</u>	<u>n.a.</u>
Plus interest and fees received	1.5	4.4	2.8	4.1	4.3	6.1	4.0	1.0	0.9	0.6	n.a.
Less :-											
Expenses for salaries, stores, etc in Europe	4.3	3.0	5.9	6.1	6.4	3.3	3.1	4.0	8.8	10.8	n.a.
Interest on debentures and Kaiping bonds	21.6	29.1	29.9	29.3	25.8	25.2	24.6	24.0	23.4	25.2	n.a.
Transfer to reserve for redemption of debentures	-	1.7	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	n.a.
Remuneration of directors	2.2	2.7	3.3	3.2	3.2	6.8	5.5	6.1	7.1	1.2	n.a.
Write off of preliminary expenses	4.3	4.6	4.7	-	-	-	-	-	-	-	-
Legal costs	-	-	-	11.0	3.0	-	3.5	-	-	-	n.a.
Depreciation	-	-	20.0	40.0	30.0	40.0	25.0	40.0	30.0	35.0	35.0
Tax	-	5.0	4.6	6.4	1.8	6.0	7.0	7.3	9.9	9.8	n.a.
NET INCOME	<u>83.5</u>	<u>71.7</u>	<u>76.1</u>	<u>108.2</u>	<u>102.7</u>	<u>156.0</u>	<u>148.6</u>	<u>153.6</u>	<u>155.0</u>	<u>101.2</u>	<u>n.a.</u>
- Dividends	75.0	50.0	75.0	100.0	100.0	150.0	150.0	150.0	150.0	100.0	75.0
- (%)	(7.5)	(5)	(7.5)	(10)	(10)	(15)	(15)	(15)	(15)	(10)	(7.5)
- Retained	8.5	21.7	1.1	8.2	2.7	6.0	-1.4	3.6	5.0	1.2	n.a.

* The original UK registered company.

Sources :-

19.2.01 to 28.2.02 - Minute Book No.1 of the Company. Reference MS 28378/1, Guildhall Library.
- *North China Herald*, 12.11.02.

1903 *North China Herald*, 16.10.03 and 27.11.03.

1904 *Statist*, 17.9.04.

1905 *Statist*, 28.10.05.

1906 *Statist*, 3.11.06.

1907 *Statist*, 2.11.07.

1908 *Economist*, 31.10.08.

1909 *Statist*, 30.10.09.

1910 *Statist*, 29.10.10.

1911 *Statist*, 28.10.11.

1.3.11- 27.6.12 - Journal No.1 of the new company. Reference 28386, Guildhall Library.

- Minute Book No 4 of the Company. Reference 28378/4, Guildhall Library.

TABLE BB.

THE CHINESE ENGINEERING AND MINING COMPANY, LIMITED* - EXPENDITURE ON
FIXED ASSETS - £ THOUSAND. - Twelve months to end February.

	TOTAL +		(Compare depreciation during period)	- DISTRIBUTION DURING PERIOD -		
	Cumulative	During period		Harbour works at Qinhuangdao, etc.	New Electrical Installations	Mines and depots
19.2.01- 28.2.02	55.8	55.8	(-)	54.8	-----	1.0 ----
1903	165.6	109.8	(-)	83.8	-	26.0
1904	189.8	24.2	(20.0)	15.9	-	8.3
1905	214.7	24.9	(40.0)	20.0	-	4.9
1906	282.7	68.0	(30.0)	20.0	28.7	19.3**
1907	444.1	161.4	(40.0)	21.0	110.0	30.4
1908	585.9	141.8	(25.0)	6.5	107.0	28.3
1909	633.2	47.3	(40.0)	n.a.	35.0	n.a.
1910	659.8	26.6	(30.0)	n.a.	n.a.	n.a.
1911	671.9	12.1	(35.0)	0.3	2.3	9.5
1.3.11- 28.6.12	679.6	7.7	(35.0)	n.a.	n.a.	n.a.

* The original UK registered company.

+ Excluding spending on steamers - 58.9 in 1904/5 and 36.0 in 1905/6. This brings total up to 28.6.1912 at 774.5 - very nearly 2 times depreciation during the same period.

** 7.0 Shanghai wharf, 12.3 Tangshan and Linxi.

Sources :-

19.2.01 - 28.2.02	Guildhall - Minute Book No.1 - MS 28378/1
1903	Guildhall - Minute Book No.1 - MS 28378/1
1904	Guildhall - Minute Book No.1 - MS 28378/1
1905	Guildhall - Minute Book No.2 - MS 28378/2
1906	Guildhall - Minute Book No.2 - MS 28378/2
1907	Guildhall - Minute Book No.2 - MS 28378/2
1908	Guildhall - Minute Book No.2 - MS 28378/2
1909	Guildhall - Minute Book No.3 - MS 28378/3
1910	Guildhall - Minute Book No.3 - MS 28378/3
1911	PRO BT 31/ 9233
1.3.11- 28.6.12	Guildhall - Minute Book No.4 - MS 28378/4
	Guildhall - Journal No.1 of the new company - MS 23386/1

TABLE CC.

CHINESE ENGINEERING AND MINING COMPANY, LIMITED (1912 company) – PROPORTION*
OF DISTRIBUTED NET PROFITS OF THE KAILAN MINING ADMINISTRATION (After debenture
interest, debenture redemption reserve, depreciation, share of Chihli Provincial Government, etc.).

<u>Years to June 30th</u>	<u>\$ thous.</u>	<u>Pence (new) per dollar</u>	<u>£ thous.</u>
1913	993	10.2	101
1914	1,757	9.4	165
1915	1,972	7.9	156
1916	1,907	9.6	186
1917	2,147	12.3	264
1918	3,299	15.9	524
1919	3,163	19.1	603
1920	4,582	24.4	1,118
1921	3,850	13.7	527
1922	2,529	12.3	311
1923	3,313	11.4	377
1924	3,927	11.5	450
1925	1,816	11.4	206
1926	1,663	10.9	181
1927	3,323	9.2	305
1928	4,503	9.5	427
1929	3,323	9.2	298
1930	3,232	6.9	224
1931	2,363	4.7	112
1932	3,407	6.2	212
1933	298	6.1	18
1934	133	6.4	9
1935	-1	7.9	-
1936	-9	6.0	-1
1937	2,116	6.0	128
1938	3,733	5.6	208
1939	11,283	2.8	314
1940	9,429	2.1	199
1941	10,042	2.7	272
1.7.41 – 7.12.41	8,269	1.0	82
20.11.45 – 31.12. 46	2,282,046	neg.	-143**
1.1.47 – 31.12.47	2,292,590	neg.	10
1.1.48 – 31.12.48	n.a.	n.a.	-159
1.1.49 - 31.12.49.	n.a.	n.a.	-910

* Until 30th, June, 1934, c.60% of the profits up to £300 thous. – after this 50%. Thereafter all profits equally divided.

** Subsequently assessed as loss of £10 thous.

Sources :-

1913-1920	Guildhall - Journal No. 1 - MS 23386/1
1921	Guildhall - Journal No. 2 - MS 23386/2
1922-1924	Guildhall - Journal No. 3 - MS 23386/3
1925-1928	Guildhall - Journal No. 4 - MS 23386/4
1929-1933	Guildhall - Journal No. 5 - MS 23386/5
1934 -1937	Guildhall - Journal No. 6 - MS 23386/6
1938 - 1941	Guildhall - Journal No. 7 - MS 23386/7
1.7.41 -	
31.12.47	Guildhall - Journal No. 8 - MS 23386/8
1.1.48 -	
31.12.48	Guildhall - Ledger No. 26 - MS 28381/6
1.1.49 -	
31.12.49	<i>The Stock Exchange Official Year-Book, 1950. Page 1896.</i>

TABLE DD.
SHARES OF THE CHINESE ENGINEERING AND MINING COMPANY, LIMITED AND THE
LUANZHOU MINING COMPANY IN THE DISTRIBUTED NET PROFIT OF THE KAILAN MINING
ADMINISTRATION - \$ THOUSAND.

<u>Years to June 30th</u>	<u>Total Distributed Profits</u>	<u>Percentage of Capital</u>	<u>CEMC</u>	<u>- %</u>	<u>Luanzhou</u>	<u>- %</u>
1913	1,656	6.7	993	60.0	663	40.0
1914	2,928	11.8	1,757	60.0	1,171	40.0
1915	3,286	13.2	1,972	60.0	1,314	40.0
1916	3,178	12.8	1,907	60.0	1,271	40.0
1917	3,806	15.3	2,147	56.4	1,659	43.6
1918	6,881	27.9	3,299	47.9	3,582	52.1
1919	5,996	24.1	3,163	52.8	2,833	47.2
1920	8,917	35.9	4,582	51.4	4,335	48.6
1921	7,313	29.5	3,850	52.6	3,463	47.4
1922	4,594	18.5	2,529	55.1	2,065	44.9
1923	6,110	24.6	3,313	54.2	2,797	45.8
1924	7,330	29.5	3,927	53.6	3,403	46.4
1925	3,116	12.5	1,816	58.3	1,300	41.7
1926	2,839	11.4	1,663	58.6	1,176	41.4
1927	6,004	24.2	3,323	55.3	2,681	44.7
1928	8,369	33.7	4,503	53.8	3,866	46.2
1929	5,813	23.4	3,323	57.2	2,490	42.8
1930	5,655	22.8	3,232	57.2	2,423	42.8
1931	4,064	16.4	2,363	58.1	1,701	41.9
1932	5,924	23.9	3,407	57.5	2,517	42.5
1933	519	2.1	298	57.4	221	42.6
1934	265	1.1	133	50.2	132	49.8
1935	-2	-	-1	50.0	-1	50.0
1936	-18	-	-9	50.0	-9	50.0
1937	4,232	17.1	2,116	50.0	2,116	50.0
1938	7,466	30.1	3,733	50.0	3,733	50.0
1939	22,566	91.0	11,283	50.0	11,283	50.0
1940	18,858	76.0	9,429	50.0	9,429	50.0
1941	20,084	81.0	10,042	50.0	10,042	50.0

Sources :-

- Total Distributed Profits. A useful compilation for the figures up to 1934 is given in Chen Zhen: *Zhongguo jindai gongye shi ziliao* (Source material for history of modern industry of China). Volume Two. Pages 874-875.

- Figures for the CEMC from TABLE CC.

TABLE EE.
THE CHINESE ENGINEERING AND MINING COMPANY, LIMITED (1912 company) – PROFIT AND LOSS ACCOUNT - £ thous. - Twelve months to end June.

	<u>1913</u>	<u>1914</u>	<u>1915</u>	<u>1916</u>	<u>1917</u>	<u>1918</u>	<u>1919</u>	<u>1920</u>	<u>1921</u>	<u>1922</u>	<u>1923</u>
Proportion of Net Income of K.M.A.	101.2	165.1	156.1	186.2	263.9	524.1	602.9	1,118.0	527.4	310.8	376.6
Plus :-											
Interest in China less											
sundry expenses	3.5	4.3	5.3	9.0	14.2	22.4	33.9	51.8	37.3	41.5	45.5
Interest in Europe	-	4.4	6.0	10.6	18.8	37.0	34.0	41.9	72.2	25.7	5.0
Fee for agency for K.M.A. in Europe	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Sundry receipts	1.1	0.1	0.1	0.1	0.1	0.2	0.3	0.6	0.6	13.2	2.1
Less :-											
Expenses in Europe	6.9	6.3	6.0	3.5	5.2	5.1	10.0	19.0	9.1	20.4	23.4
Board remuneration	3.8	3.7	4.2	4.2	4.2	4.2	4.2	23.2	13.3	6.0	4.7
Write-off of preliminary expenses	6.0	11.9	-	-	-	-	-	-	-	-	-
Tax	7.1	9.2	12.2	25.5	132.0	404.0	374.4	636.7	261.2	176.6	164.2
Sundry expenses	-	-	-	-	-	2.0	3.0	86.3	42.6	1.4	-
Exchange losses/gains	-	-	-	-	-	-	-5.4	-	-16.3	-19.4	-12.4
NET INCOME	86.0	146.8	149.1	176.7	159.6	172.4	278.1	451.1	299.0	171.4	228.5
- Dividends	80.0	100.0	100.0	100.0	125.0	150.0	200.0	300.0	220.0	189.0	224.0
- (%)	(8)	(10)	(10)	(10)	(12.5)	(15)	(20)	(30)	(22)	(13.5)	(16)
- Retained	6.0	46.8	49.1	76.7	34.6	22.4	78.1	151.1	79.0	-17.6	4.5

	<u>1924</u>	<u>1925</u>	<u>1926</u>	<u>1927</u>	<u>1928</u>	<u>1929</u>	<u>1930</u>	<u>1931</u>	<u>1932</u>	<u>1933</u>	<u>1934</u>
Proportion of Net Income of K.M.A.	461.1	206.5	180.6	305.5	427.5	298.3	224.1	111.7	212.1	18.1	8.6
Plus :-											
Interest in China less											
sundry expenses	33.5	49.5	50.1	44.6	50.1	53.9	43.5	30.9	44.1	45.8	49.6
Interest in Europe	)	)	)	)	)	)	)	)	)	8.4	4.7
Fee for agency for K.M.A. in Europe	) 27.0	) 30.5	) 25.8	) 21.5	) 21.2	) 39.1	) 39.8	) n.a.	) n.a.))
Sundry receipts	)	)	)	)	)	)	)	)	)	) 6.1	) 6.2
Less :-											
Expenses in Europe	21.4	19.8	19.8	20.0	20.4	20.7	20.8	n.a.	n.a.	15.5	14.6
Board remuneration	20.8	7.7	7.7	9.3	18.7	12.0	6.3	4.2	4.2	4.2	4.2
Tax (net)	27.1	68.0	93.9	84.1	59.4	83.4	109.1	98.1	71.8	49.2	57.3
Sundry expenses	0.6	-	1.8	1.0	1.0	3.0	1.0	1.0	0.2	1.1	-
Exchange losses/gains	n.a.	n.a.	-1.1	-36.7	-0.1	-	-21.1	n.a.	n.a.	+10.6	+4.3
NET INCOME	451.7	191.0	132.2	220.5	399.2	272.2	149.1	43.1	167.4	18.9	-2.7
- Dividends	280.0	140.0	140.0	210.0	350.0	280.0	176.4	49.0	147.0	49.0	-
- (%)	(20)	(10)	(10)	(15)	(25)	(20)	(9)	(2.5)	(7.5)	(2.5)	(-)
- Retained	171.7	51.0	-7.8	10.5	49.2	-7.8	-27.3	-5.9	20.4	-30.1	-2.7

Continued.

	<u>TABLE EE (continued).</u>							
	<u>1935</u>	<u>1936</u>	<u>1937</u>	<u>1938</u>	<u>1939</u>	<u>1940</u>	<u>1941</u>	<u>1942</u>
Proportion of Net Income of K.M.A.	-0.1	-0.5	127.7	208.0	314.4	198.9	272.0	.*
Plus:-								
Interest in China less sundry expenses	52.4	56.0	47.4	44.9	23.5	19.5	26.9	-
Interest in Europe	5.8	4.5	14.2	13.5	13.9	n.a.	12.1	8.1
Agency fee / sundry receipts	6.0	6.1	6.2	6.1	6.3	n.a.	6.0	2.6
Less :-								
Expenses in Europe	13.9	11.4	10.6	11.2	12.6	n.a.	13.2	10.3
Board remuneration	4.2	4.2	4.2	4.2	13.0	6.4	4.2	4.2
Tax (net)	16.3	9.9	12.6	30.7	106.5	165.3	134.6	144.3
Sundry expenses	-	2.4	0.3	0.5	-	n.a.	0.8	2.9
Exchange losses/gains	-	-13.5	-	-41.4	-2.2	n.a.	+93.1	-
NET INCOME	<u>29.7</u>	<u>24.7</u>	<u>167.8</u>	<u>184.5</u>	<u>223.8</u>	<u>54.0</u>	<u>257.3</u>	<u>-151.0*</u>
- Dividends	-	49.0	98.0	147.0	147.0	73.5	-	-
- (%)	(-)	(2.5)	(5)	(7.5)	(7.5)	(3.75)	(-)	(-)
- Retained	29.7	-24.3	69.8	37.5	76.8	-19.5	257.3	-

* Excluding share of profits of K.M.A. 1.7.41 to 7.12.41 - £81.9 thous. – included in accounts for calendar year 1946.

Sources :-

- | | |
|--|---|
| 1913 - Minute Book No. 1. Reference MS28378/3, Guildhall Library. | 1930 <i>Colliery Guardian</i> , 12.12.30. |
| - <i>Colliery Guardian</i> , 5.12.13. | 1931 <i>Colliery Guardian</i> , 18.12.31. |
| 1914 <i>Colliery Guardian</i> , 18.12.14. | 1932 <i>Colliery Guardian</i> , 16.12.32. |
| 1915 <i>Colliery Guardian</i> , 17.12.15. | 1933 <i>Colliery Guardian</i> , 8.12.33. |
| 1916 <i>London and China Express</i> , 20.12.16. | 1934 <i>Colliery Guardian</i> , 28.12.34. |
| 1917 <i>Colliery Guardian</i> , 26.4.18. | 1935 <i>Colliery Guardian</i> , 20.12.35. |
| 1918 <i>Colliery Guardian</i> , 13.12.18. | 1936 <i>Colliery Guardian</i> , 11.12.36. |
| 1919 Minute Book No.4. Reference MS28378/6, Guildhall Library. | 1937 <i>Finance and</i> |
| 1920 <i>Colliery Guardian</i> , 10.12.20. | <i>Commerce</i> , 2.2.38. |
| 1921 <i>Colliery Guardian</i> , 9.12.21. | 1938 <i>Colliery Guardian</i> , 22.12.38. |
| 1922 <i>Colliery Guardian</i> , 8.12.22. | 1939 <i>Finance and</i> |
| 1923 <i>Colliery Guardian</i> , 30.12.23. | <i>Commerce</i> , 20.3.40. |
| 1924 <i>Colliery Guardian</i> , 5.12.24. | 1940 <i>Colliery Guardian</i> , 9.5.41. |
| 1925 <i>Colliery Guardian</i> , 27.11.25. | 1941 <i>Colliery Guardian</i> , 27.4.42. |
| 1926 <i>The China Express and Telegraph</i> , 9.12.26. | 1942 <i>Colliery Guardian</i> , 11.12.42. |
| 1927 <i>The China Express and Telegraph</i> , 8.12.27. | |
| 1928 <i>The China Express and Telegraph</i> , 20.12.28. | |
| 1929 <i>The China Express and Telegraph</i> , 12.12.29 and 19.12.29. | |

TABLE FF.

KAILUAN MINES - RATIO OF LABOUR COSTS TO VALUE OF OUTPUT - 12 months to end June.

	Average annual earnings per mine worker - \$	Number Employed	Total Labour Costs - \$ thous. (A)	Output Th. tons	Price per ton** - \$	Value of Output \$ thous. (B)	(A) as % of (B)
1905*	96.12	8,943	859.6	891	4.861	4,331.0	19.9
1914	99.96	11,428	1,142.3	2,573	3.454	8,887.9	12.9
1920	99.96	22,295	2,228.6	4,269	4.304	18,374.9	12.1
1921	110.88	24,083	2,670.3	4,434	4.467	19,807.7	13.5
1922	110.88	25,899	2,871.7	4,151	3.946	16,378.8	17.5
1923	122.04	26,091	3,184.1	3,937	4.337	17,863.6	17.8
1924	133.32	30,804	4,106.8	4,536	4.615	20,935.5	19.6
1925	144.24	28,674	4,135.9	4,089	5.258	21,500.7	19.2
1926	149.76	22,084	3,307.3	3,639	4.561	16,597.7	19.9
1927	149.04	26,481	3,946.7	3,742	5.270	19,720.4	20.0
1928	152.16	31,084	4,729.7	5,038	5.496	27,687.5	17.1
1929	150.12	29,359	4,407.4	4,485	4.908	22,011.2	20.0
1930	176.40	30,935	5,456.9	4,890	5.061	24,747.0	22.1
1931	176.16	33,581	5,915.6	5,631	5.374	30,258.2	19.6
1932	206.40	33,844	6,985.4	5,347	5.342	28,563.8	24.5
1933	202.92	37,357	7,580.5	4,953	4.889	24,216.7	31.3
1934	164.28	33,934	5,574.7	4,291	4.320	18,539.1	30.1
1935	215.52	33,410	7,200.5	4,774	4.169	19,905.0	36.2
1936	217.80	26,504	5,772.6	3,961	4.388	17,381.2	33.2
1937	217.32	25,354	5,509.9	4,664	5.111	23,835.9	23.1
1938	211.68	34,563	7,316.3	4,458	6.465	28,820.4	25.4
1939	280.44	37,651	10,558.8	5,967	9.064	54,096.2	19.5
1940	471.00	41,535	19,563.0	6,629	11.287	74,823.8	26.2
1941	675.96	44,037	29,767.3	6,546	14.544	95,208.2	31.3

Source : *Jiu Zhongguo Kailuan meikuang de gongzi zhidu he baogong zhidu* (The wage and contract system for workers in the Kailan coal mines in Pre-Communist China) - Tianjin, 1983. Page 142.

* Twelve months to end February. Refers to Chinese Engineering and Mining Company, Ltd. data.

** Prices per ton in the early years of the Kailan Mining Administration developed as follows :-

\$	
1912/13	3.53
1913/14	3.45
1914/15	3.51
1915/16	3.39
1916/17	3.32
1917/18	3.43
1918/19	3.92

Prices per ton for the original British company were as follows :-

\$	
1903/04	4.91
1904/05	4.86
1905/06	4.83
1906/07	5.18
1907/08	4.87
1908/09	4.82
1909/10	4.45
1910/11	4.20
1911/12	3.02

Source : Capital Formation and Operating Profits of the Kailuan Mining Administration (1903-1937). Wang Yuru: *Modern Asian Studies* 28.1 - 1994. Page 122.

TABLE GG.
KAILUAN MINES – RATIO OF TOTAL LABOUR COSTS AT THE MINES TO PROFITS
OF THE WHOLE ENTERPRISE – Twelve months to end June.

	<u>Output of coal</u> Th. tons	<u>Profit</u> per ton \$	(A)		(B)	
			<u>Profits of the</u> <u>whole enterprise</u> Th. \$	<u>as % of value</u> <u>of output</u>	<u>Total labour costs</u> <u>at the mines</u> Th. \$	<u>Ratio of (A)</u> <u>to (B)</u>
1905*	891	2.499	2,226.9	51.4	859.6	2.59
1914	2,573	1.838	4,730.1	53.2	1,142.3	4.14
1920	4,269	2.701	11,530.0	62.7	2,228.6	5.17
1921	4,434	2.489	11,036.3	55.7	2,670.3	4.13
1922	4,151	1.594	6,614.4	40.4	2,871.7	2.30
1923	3,937	1.103	4,343.8	24.3	3,184.1	1.36
1924	4,536	1.947	8,831.4	42.2	4,106.8	2.15
1925	4,089	2.894	11,833.1	55.0	4,135.9	2.86
1926	3,639	2.175	7,915.6	47.7	3,307.3	2.39
1927	3,742	2.608	9,760.7	49.5	3,946.7	2.47
1928	5,038	3.090	15,569.3	56.2	4,729.7	3.29
1929	4,485	2.244	10,065.3	45.7	4,407.4	2.28
1930	4,890	2.106	10,299.2	41.6	5,456.9	1.89
1931	5,631	2.431	13,688.3	45.2	5,915.6	2.31
1932	5,347	1.949	10,419.4	36.5	6,985.4	1.49
1933	4,953	1.545	7,653.0	31.6	7,580.5	1.01
1934	4,291	1.063	4,560.9	24.6	5,574.7	0.82
1935	4,774	0.965	4,605.0	23.1	7,200.5	0.64
1936	3,961	1.132	4,482.7	25.8	5,772.6	0.78
1937	4,664	2.263	10,557.0	44.3	5,609.9	1.92
1938	4,458	3.051	13,602.8	47.2	7,316.3	1.86
1939	5,967	4.646	27,720.6	51.2	10,558.8	2.63
1940	6,629	5.501	36,469.2	48.7	19,563.0	1.86
1941	6,546	6.427	42,072.8	44.2	29,767.3	1.41

* Twelve months to end February. Refers to Chinese Engineering and Mining Company, Limited data.

Source :- *Jui Zhongguo Kailuan meikuang de gongzi zhidu he baogong zhidu*. (The wage and contract system for workers in the Kailuan coal mines in pre-Communist China). Tianjin, 1983. Pages 144 and 145.

TABLE HH.

ESTIMATED REAL WAGES OF WORKERS AT KAILUAN MINES - Ch. 3.

	Price of flour per bag	Unskilled underground labourers		Underground coalworkers		Skilled Machine workers	
		Monthly earnings	Equivalent in bags of flour (1920 = 100)	Monthly earnings	Equivalent in bags of flour (1920 = 100)	Monthly earnings	Equivalent in bags of flour (1920 = 100)
(1905)*	(1.63)	(5.34)	(3.28) (160)	(7.48)	(4.59) (168)	(14.15)	(8.68) (175)
1920	3.12	6.41	2.05 (100)	8.54	2.74 (100)	15.49	4.96 (100)
1922	3.21	6.94	2.16 (105)	9.35	2.91 (106)	17.09	5.32 (107)
1924	3.15	7.74	2.46 (120)	10.15	3.22 (118)	23.32	7.40 (149)
1927	3.91	8.54	2.18 (106)	11.21	2.87 (105)	25.91	6.63 (134)
1929	3.72	10.68	2.87 (140)	13.35	3.59 (131)	28.04	7.54 (152)
1931	3.36	14.40	4.29 (209)	17.40	5.18 (189)	30.80	9.17 (185)
1935	2.93	14.40	4.91 (240)	17.40	5.94 (217)	29.88	10.20 (206)
1936	4.99	14.52	2.91 (142)	18.91	3.79 (138)	38.17	7.65 (154)
1938	5.39	18.39	3.41 (166)	23.02	4.27 (156)	43.44	8.06 (163)
1939	8.60	27.50	3.20 (156)	34.74	4.04 (147)	55.90	6.50 (131)
1941	22.40	80.28	3.58 (175)	87.58	3.91 (143)	112.67	5.03 (101)

* Refers to Chinese Engineering and Mining Company, Limited data.

Source :- *Jiu-Zhongguo-Kailuan-meikuang-de-gongzi-zhidu-he-baogong-zhidu*. (The wage and contract system for workers in the Kailuan coal mines in pre-Communist China). Tianjin, 1983. Pages 123, 126 and 127.

(3) BACKUP TABLES TO PART III – CHAPTER THREE – TEXTILES.

TABLE II.
UK INVESTMENT IN COTTON TEXTILES IN MAINLAND CHINA.
£ MILLION

	<u>TOTAL</u>	<u>JARDINE MATHESON CONCERNS</u>	<u>OTHER</u>
1897	0.21	0.13	0.08
1898	0.24	0.15	0.09
1899	0.30	0.20	0.10
1900	0.27	0.18	0.09
1901	0.28	0.19	0.09
1902	0.27	0.18	0.09
1903	0.18	0.09	0.09
1904	0.19	0.10	0.09
1905	0.20	0.10	0.10
1906	0.29	0.13	0.16
1907	0.32	0.15	0.17
1908	0.27	0.13	0.14
1909	0.23	0.13	0.10
1910	0.26	0.16	0.10
1911	0.38	0.28	0.10
1912	0.42	0.32	0.10
1913	0.45	0.34	0.11
1914	0.48	0.37	0.11
1915	0.64	0.54	0.10
1916	0.80	0.70	0.10
1917	1.18	0.90	0.28
1918	1.53	1.18	0.35
1919	2.01	1.56	0.45
1920	2.74	1.98	0.76
1921	2.04	1.55	0.49
1922	2.01	1.59	0.42
1923	1.85	1.40	0.45
1924	2.02	1.50	0.52
1925	1.69	1.33	0.36
1926	1.59	1.22	0.37
1927	1.48	1.16	0.32
1928	1.49	1.17	0.32
1929	1.46	1.11	0.35
1930	1.23	0.84	0.39
1931	1.11	0.72	0.39
1932	1.39	1.00	0.39
1933	1.35	0.96	0.39
1934	1.47	1.05	0.42
1935	2.26	1.13	1.13
1936	1.84	0.91	0.93
1937	2.02	1.05	0.97
1938	1.67	0.80	0.87
1939	1.03	0.51	0.52

Source : own estimates. The figures relate to shareholders' equity i.e. issued, paid capital plus retentions.

TABLE JJ - NUMBER OF SPINDLES IN BRITISH MILLS

	EWO COTTON MILLS, LIMITED			LAOU	ORIENTAL	CPA	NEW	ANGLO	TOTAL
	(1)	(2)	(3)	Total	KUNG		CHINA	CHINESE	
					MOW				
1897	29,400	-	-	29,400	23,100	-	-	-	52,500
1898	41,752	-	-	41,752	25,296	-	-	-	67,048
1899	50,144	-	-	50,144	30,296	-	-	-	80,440
1900	50,144	-	-	50,144	30,096	-	-	-	80,240
1901	50,144	-	-	50,144	30,096	-	-	-	80,240
1902	50,144	-	-	50,144	30,096	-	-	-	80,240
1903	50,144	-	-	50,144	30,096	-	-	-	80,240
1904	50,144	-	-	50,144	30,096	-	-	-	80,240
1905	50,144	-	-	50,144	30,096	-	-	-	80,240
1906	50,144	-	-	50,144	30,096	-	-	-	80,240
1907	50,176	-	-	50,176	30,096	-	-	11,678	91,950
1908	51,500	-	-	51,500	30,096	-	-	11,678	93,274
1909	51,500	-	-	51,500	30,096	-	-	-	81,596
1910	72,354	25,376	-	97,730	31,976	-	-	-	129,706
1911	72,354	25,376	-	97,730	31,656	-	-	-	129,386
1912	72,264	25,376	-	97,640	33,336	-	-	-	130,976
1913	72,264	25,376	-	97,640	33,376	-	-	-	131,016
1914	72,264	25,376	9,936	107,576	40,096	-	-	-	147,672
1915	73,952	25,376	55,632	154,960	40,096	-	-	-	195,056
1916	73,952	25,376	55,632	154,960	40,096	-	-	-	195,056
1917	73,952	25,376	55,632	154,960	40,096	50,768	-	-	245,824
1918	73,952	25,376	55,632	154,960	40,096	50,768	-	-	245,824
1919	75,756	25,376	55,632	156,764	40,096	50,768	-	-	247,628
1920	73,512	25,376	55,632	154,520	40,096	50,768	-	-	245,384
1921	73,512	25,376	55,632	154,520	45,566	50,768	-	-	250,854
1922	71,992	25,376	55,632	153,000	45,566	51,908	-	-	250,474
1923	72,512	25,376	55,632	153,520	45,516	51,908	-	-	250,944
1924	72,312	25,376	55,632	153,320	45,516	51,908	-	-	250,744
1925	72,404	25,376	55,632	153,412	-	51,908	-	-	205,320
1926	72,312	25,376	55,632	153,320	-	51,908	-	-	205,228
1927	72,312	25,376	55,632	153,320	-	51,908	-	-	205,228
1928	72,312	25,376	55,632	153,320	-	-	-	-	153,320
1929	78,312	25,376	55,632	159,320	-	-	-	-	159,320
1930	78,312	25,376	55,632	159,320	-	-	-	-	159,320
1931	78,312	36,666	55,632	170,610	-	-	-	-	170,610
1932	78,312	49,252	55,632	183,196	-	-	-	-	183,196
1933	78,312	50,964	55,632	184,908	-	-	-	-	184,908
1934	78,312	50,964	55,632	184,908	-	-	-	-	184,908
1935	84,672	50,964	55,632	191,268	-	-	-	-	191,268
1936	81,170	50,964	55,632	187,766	-	-	42,240	-	230,066
1937	78,312	50,964	55,632	184,908	-	-	42,240	-	227,148
1938	78,312	50,964	55,632	184,908	-	-	42,240	5,000	232,148
1939	78,312	50,964	55,632	184,908	-	-	42,240	35,000	262,148
1940	78,312	50,964	55,632	184,908	-	-	42,240	36,000	263,148

(1) Original Ewo company , (2) Kung Yik , (3) Yangtszepoo.

CONTINUED.

TABLE JJ - Continued.

Sources of the above data (*North China Herald* = NCH) :-

<u>Ewo - Original Company.</u>	<u>Kung Yik.</u>	<u>Yangtsepoo.</u>	<u>Laou Kung Mou.</u>
1897 NCH 26.11.97	1910 <i>China Stock and</i>		
1898 NCH 24.12.98	<i>Share Handbook, 1915</i>	1914 NCH 17.10.14	1897 NCH 28.2.98
1899 NCH 18.12.99	1932 NCH 22.3.33	1915 NCH 4.3.16	1898 NCH 6.3.99
1907 NCH 19.12.08			1899 <i>Celestial</i>
1909 NCH 13.11.09			<i>Empire</i> 21.3.25
1910 NCH 23.12.10			1910 - 1913- NCH
1912 NCH 20.11.12			15.13.13
1915 <i>Far Eastern Review,</i>			1914 <i>Celestial</i>
September, 1923			<i>Empire</i> 21.3.25
1922 NCH 25.2.22			1921 <i>Celestial</i>
1923 <i>China Stock and Share</i>			<i>Empire</i> 21.3.25
<i>Handbook, 1925</i>			
1928	----- NCH 18.5.29-----		
1930	----- <i>China Year Book, 1933</i> -----		
1931-7 --- <i>The Historical Statistics of China's Cotton Textile Industry, 1950</i> ---			
1938-40	----- <i>China Year Book, 1939</i> -----		
<u>Oriental.</u>	<u>CPA.</u>	<u>New China.</u>	<u>Anglo Chinese.</u>
1917 Ralph M. Odell.	1936 <i>China Year Book,</i>	1938 <i>Finance and</i>	1907/8 Kang Chao.
<i>Cotton Goods in China.</i>	1939.	<i>Commerce</i> 20.3.40	Pages 303, 304.
1922 <i>China Stock and Share</i>		1939-40 <i>Finance and</i>	
<i>Handbook, 1925</i>		<i>Commerce</i> 18.9.40	

Note (See Bibliography) :-

- Ralph M. Odell: *Cotton Goods in China.* US Dept. of Commerce.
- Kang Chao: *The Development of Cotton Textile Production in China.*

TABLE KK - NUMBER OF LOOMS IN BRITISH MILLS.
EWOT COTTON MILLS,LIMITED LAOU ORIENTAL CPA NEW CHINA TOTAL

	(1)	(2)	(3)	Total	<u>KUNG</u>				
					<u>MOW</u>				
1897	200	-	-	200	-	-	-	-	200
1898	200	-	-	200	-	-	-	-	200
1899	200	-	-	200	-	-	-	-	200
1900	200	-	-	200	-	-	-	-	200
1901	200	-	-	200	-	-	-	-	200
1902	200	-	-	200	-	-	-	-	200
1903	200	-	-	200	-	-	-	-	200
1904	200	-	-	200	-	-	-	-	200
1905	200	-	-	200	-	-	-	-	200
1906	200	-	-	200	-	-	-	-	200
1907	200	-	-	200	-	-	-	-	200
1908	200	-	-	200	-	-	-	-	200
1909	200	-	-	200	-	-	-	-	200
1910	500	-	-	500	-	-	-	-	500
1911	500	-	-	500	-	-	-	-	500
1912	500	314	-	814	-	-	-	-	814
1913	500	314	-	814	-	-	-	-	814
1914	580	400	-	980	-	-	-	-	980
1915	580	400	136	1,116	-	-	-	-	1,116
1916	580	500	415	1,495	-	-	-	-	1,495
1917	580	500	416	1,496	110	-	-	-	1,606
1918	679	500	416	1,595	130	-	-	-	1,725
1919	736	500	416	1,652	200	-	-	-	1,852
1920	824	500	441	1,765	500	440	-	-	2,705
1921	712	500	441	1,653	500	440	-	-	2,593
1922	973	500	441	1,914	500	440	-	-	2,854
1923	712	500	441	1,653	515	440	-	-	2,608
1924	712	500	441	1,653	515	448	-	-	2,616
1925	712	500	441	1,653	-	448	-	-	2,101
1926	896	412	542	1,850	-	448	-	-	2,298
1927	896	412	690	1,998	-	454	-	-	2,452
1928	896	314	690	1,900	-	-	-	-	1,900
1929	896	314	690	1,900	-	-	-	-	1,900
1930	912	500	800	2,212	-	-	-	-	2,212
1931	n.a.	n.a.	n.a.	2,480	-	-	-	-	2,480
1932	n.a.	n.a.	n.a.	2,691	-	-	-	-	2,691
1933	n.a.	n.a.	n.a.	2,891	-	-	-	-	2,891
1934	n.a.	n.a.	n.a.	2,891	-	-	-	-	2,891
1935	n.a.	n.a.	n.a.	2,891	-	-	-	-	2,891
1936	n.a.	n.a.	n.a.	2,891	-	-	1,130	-	4,021
1937	n.a.	n.a.	n.a.	2,891	-	-	1,130	-	4,021
1938	n.a.	n.a.	n.a.	2,470	-	-	1,130	-	3,600
1939	n.a.	n.a.	n.a.	2,470	-	-	1,130	200	3,800
1940	n.a.	n.a.	n.a.	2,470	-	-	1,130	210	3,810

(1) Original Ewo company, (2) Kung Yik, (3) Yangtsepoo.

CONTINUED.

TABLE KK -- Continued.

Sources of the above data (*North China Herald* = NCH) :-

<u>Ewo -- Original Company.</u>	<u>Kung Yik.</u>	<u>Yangtsepoo.</u>	<u>Laou Kung Mow.</u>
1897-1900 NCH 20.11.09	1912 <i>Kang Chao.</i>	1915 NCH 4.3.16	1917 NCH 2.3.18
1910-1913 NCH 27.11.09	Page 306.	1916 NCH 10.3.17	1918 NCH 11.3.19
1914 <i>China Stock and Share Handbook, 1915</i>	1914 <i>China Stock and Share Handbook, 1915</i>		1919 NCH 28.2.20
1920 <i>Celestial Empire</i> 18.12.20	1916 NCH 8.1.16		1920 NCH 28.2.20
1923-28 --- <i>The Historical Statistics of China's Cotton Textile Industry, 1950</i> ---			
1929-30 --- <i>The Growth and Industrialisation of Shanghai.</i> D.K.Lieu. Page 421. ---			
1931-32 --- <i>The Historical Statistics of China's Cotton Textile Industry, 1950</i> ---			
1933-34	--- NCH 22.3.33 ---		
1935-36 --- <i>The Historical Statistics of China's Cotton Textile Industry, 1950</i> ---			
1937-40	--- <i>China Year Book, 1939</i> ---		
<u>Oriental.</u>	<u>CPA</u>	<u>New China.</u>	
1920 NCH 3.4.20	<i>China Year Book, 1939</i>	1939 <i>Finance and Commerce</i> 20.3.40	
1924 <i>China Year Book, 1929-30</i>		1940 <i>Finance and Commerce</i> 18.9.40	

TABLE LL.
COMPARATIVE POSITION OF BRITISH COTTON SPINNING MILLS WITH THOSE OF OTHER NATIONALITIES - NUMBER OF OPERABLE SPINDLES.

	<u>National Total</u>		<u>--Percentage --</u>			
	<u>- No. of spindles (thous.) -</u>	<u>-British*</u>	<u>British</u>	<u>Other Western**</u>	<u>Japanese</u>	<u>Chinese</u>
1897	395	53	13.3	24.0	-	62.7
1898	467	67	14.4	21.6	-	64.0
1899	497	80	16.2	20.3	-	63.5
1900	497	80	16.2	20.3	-	63.5
1901	497	80	16.2	20.3	-	63.5
1902	497	80	16.2	16.1	4.8	62.9
1903	501	80	16.0	16.0	4.8	63.2
1904	525	80	15.3	15.2	4.6	64.9
1905	540	80	14.9	14.8	4.4	65.9
1906	586	80	13.7	13.7	7.6	65.0
1907	633	92	14.5	12.6	7.7	65.2
1908	661	93	14.1	12.1	8.4	65.4
1909	685	82	11.9	11.7	8.1	68.3
1910	718	130	18.1	11.1	7.8	63.0
1911	736	130	17.6	10.9	10.6	60.9
1912	738	131	17.7	10.8	10.6	60.9
<u>1913</u>	823	131	15.9	10.8	13.6	59.7
1918	1,134	246	21.7	-	21.2	57.1
1919	1,236	248	20.0	-	26.9	53.1
<u>1922</u>	2,386	250	10.5	-	26.1	63.4
1924	2,934	251	8.5	-	31.8	59.7
<u>1925</u>	3,340	205	6.1	-	38.0	55.9
1927	3,516	205	5.8	-	36.7	57.5
1928	3,610	153	4.2	-	38.7	57.1
1929	3,762	159	4.2	-	38.9	56.9
1930	4,102	159	3.9	-	38.7	57.4
1931	4,340	171	3.9	-	39.5	56.6
1932	4,599	183	4.0	-	38.9	57.1
1933	4,731	185	3.9	-	38.1	58.0
1934	4,939	185	3.7	-	39.4	56.9
1935	5,022	191	3.8	-	38.7	57.5
1936	5,103	230	4.5	-	41.8	53.7
1937	5,082	227	4.5	-	44.5	51.0

*See Table JJ.

**USA and Germany.

Figures in the main originally from Shanghai Association of Cotton Mills: *The Historical Statistics of China's Cotton Textile Industry, 1950* - reproduced in part (the National total) in *China Fiber Yearbook, 1990*. Page 74.

TABLE MM.
COMPARATIVE POSITION OF POWER LOOMS* AT BRITISH SPINNER-WEAVERS
WITH THOSE OF OTHER NATIONALITIES.

	National Total	-British**	--Percentage--			
			British	USA	Japanese	Chinese
	- Number of looms -					
1897	3,418	200	5.9	8.8	-	85.3
1898	3,418	200	5.9	8.8	-	85.3
1899	3,418	200	5.9	8.8	-	85.3
1900	3,418	200	5.9	8.8	-	85.3
1901	3,418	200	5.9	8.8	-	85.3
1902	3,418	200	5.9	8.8	-	85.3
1903	3,418	200	5.9	8.8	-	85.3
1904	3,418	200	5.9	8.8	-	85.3
1905	3,418	200	5.9	8.8	-	85.3
1906	3,418	200	5.9	8.8	-	85.3
1907	3,418	200	5.9	8.8	-	85.3
1908	3,418	200	5.9	8.8	-	85.3
1909	3,418	200	5.9	8.8	-	85.3
1910	3,918	500	12.8	12.8	-	74.4
1911	4,798	500	10.4	10.4	18.5	60.7
1912	4,798	814	17.0	10.4	18.5	54.1
1913	4,798	814	17.0	10.4	18.5	54.1
1918	7,038	1,725	24.5	-	23.2	52.3
1919	7,959	1,852	23.3	-	25.0	51.7
1922	19,228	2,854	14.8	-	20.6	64.6
1924	22,477	2,616	11.6	-	26.4	62.0
1925	22,924	2,101	9.2	-	31.4	59.4
1927	29,788	2,452	8.2	-	46.9	44.9
1928	29,579	1,900	6.4	-	36.8	56.8
1929	29,272	1,900	6.5	-	38.8	54.7
1930	33,580	2,212	6.6	-	41.9	51.5
1931	42,596	2,480	5.8	-	45.3	48.9
1932	42,739	2,691	6.3	-	42.8	50.9
1933	42,834	2,891	6.7	-	44.4	48.9
1934	47,064	2,891	6.1	-	45.9	48.0
1935	52,009	2,891	5.6	-	44.5	49.9
1936	58,439	4,021	6.9	-	49.5	43.6
1937	59,900	4,021	6.7	-	51.4	41.9

* Excludes power looms operated by finishers and by independent weaving mills - estimated at about 10,000 looms in 1934.

** See Table KK.

Figures in the main originally from Shanghai Association of Cotton Mills: *The Historical Statistics of China's Cotton Textile Industry*, 1950.

TABLE NN.
THE EWO COTTON SPINNING AND WEAVING COMPANY, LIMITED (1895).
- Thous. taels / Years ending Oct. 31st -

	<u>1897</u>	<u>1898</u>	<u>1899</u>	<u>1900</u>	<u>1901</u>	<u>1902</u>	<u>1903</u>	<u>1904</u>	<u>1905</u>
<u>Capital paid up</u>									
Ord.	1,000.0	1,134.3	1,500.0	1,500.0	1,500.0	1,500.0	750.0	750.0	750.0
Pref.	-	-	-	-	-	-	-	-	-
<u>Dividends (%)</u>									
Ord.	3.5	-	-	-	-	-	8	-	16
Pref.	-	-	-	-	-	-	-	-	-
<u>Net profits</u>	<u>37.3</u>	<u>15.4</u>	<u>8.7</u>	<u>-120.5</u>	<u>104.5</u>	<u>9.4</u>	<u>75.9</u>	<u>1.1</u>	<u>253.1</u>
+balance b.f.	-	2.3	17.7	14.4	-118.1	-13.6	-4.2	11.7	12.8
- transfers to reserves	-	-	-	-	-	-	-	-	145.9
- depreciation	-	-	12.0	12.0	-	-	-	-	-
- dividends	35.0	-	-	-	-	-	60.0	-	120.0
<u>Balance c.f.</u>	<u>2.3</u>	<u>17.7</u>	<u>14.4</u>	<u>-118.1</u>	<u>-13.6</u>	<u>-4.2</u>	<u>11.7</u>	<u>12.8</u>	<u>-</u>
(Reserves)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
	<u>1906</u>	<u>1907</u>	<u>1908</u>	<u>1909</u>	<u>1910</u>	<u>1911</u>	<u>1912</u>	<u>1913</u>	<u>1914</u>
<u>Capital paid up</u>									
Ord.	750.0	750.0	750.0	750.0	750.0	750.0	750.0	750.0	750.0
Pref.	-	-	-	-	135.6	396.4	400.0	400.0	400.0
<u>Dividends (%)</u>									
Ord.	20	5	10	22	8	14	22	30	24
Pref.	-	-	-	-	7	7	7	7	7
<u>Net profits</u>	<u>365.0</u>	<u>-18.7</u>	<u>107.4</u>	<u>298.4</u>	<u>67.4</u>	<u>203.4</u>	<u>339.7</u>	<u>552.3</u>	<u>370.1</u>
+balance b.f.	-	65.0	8.8	14.9	17.0	8.9	9.0	12.5	9.3
- transfers to reserves	150.0	-	25.0	130.0	6.0	70.0	140.0	225.0	75.0
- depreciation	-	-	1.3	1.3	-	0.7	0.2	72.5	84.8
- dividends	150.0	37.5	75.0	165.0	69.5	132.6	193.0	253.0	208.0
- staff bonuses, superannuation	-	-	-	-	-	-	3.0	5.0	4.5
<u>Balance c.f.</u>	<u>65.0</u>	<u>8.8</u>	<u>14.9</u>	<u>17.0</u>	<u>8.9</u>	<u>9.0</u>	<u>12.5</u>	<u>9.3</u>	<u>7.1</u>
(Reserves)	(145.9)	(295.9)	(295.9)	(320.9)	(450.9)	(456.9)	(526.9)	(666.9)	(891.9)
	<u>1915</u>	<u>1916</u>	<u>1917</u>	<u>1918</u>	<u>1919</u>	<u>1919</u>	<u>1919</u>	<u>1920</u>	
<u>Capital paid up</u>									
Ord.	750.0	750.0	750.0	750.0	750.0	750.0	750.0	1,000.0	
Pref.	400.0	400.0	400.0	400.0	400.0	400.0	400.0	400.0	
<u>Dividends (%)</u>									
Ord.	32	18	40	34	130	180			
Pref.	7	7	7	7	7	7			
<u>Net profits*</u>	<u>530.3</u>	<u>122.6</u>	<u>799.4</u>	<u>554.4</u>	<u>1,431.7</u>	<u>2,109.7</u>			
+balance b.f.	7.1	18.9	4.9	4.6	6.0	3.7			
- transfers to reserves	150.0	(125.0)	325.0	130.0	180.0	50.0			
- depreciation	90.0	96.1	126.7	125.0	151.0	153.7			
- dividends	268.0	163.0	328.0	283.0	1,003.0	1,828.0			
- staff bonuses, superannuation	10.5	2.5	20.0	15.0	100.0	70.0			
<u>Balance c.f.</u>	<u>18.9</u>	<u>4.9</u>	<u>4.6</u>	<u>6.0</u>	<u>3.7</u>	<u>11.7</u>			
(Reserves)	(966.9)	(1,116.9)	(991.9)	(1,316.9)	(1,446.9)	(1,626.9)			

*After donations to War Funds e.g. 50.0 in 1917.

CONTINUED

TABLE NN Continued.

Sources (all from the *North China Herald* unless otherwise stated) :-

1897 26.11.97.
1898 24.12.98.
1899 18.12.99.
1900 12.12.00.
1901 31.12.01.
1902 24.12.02.
1903 11.12.03.
1904 23.12.04.
1905 8.12.05.
1906 7.12.06.
1907 20.12.07.
1908 19.12.08.
1909 20.11.09.
1910 23.12.10.
1911 23.12.11.
1912 30.11.12.
1913 20.12.13.
1914 5.12.14. / 19.12.14.
1915 4.12.15.
1916 23.12.16.
1917 6. 1.18.
1918 14.12.18.
1919 6.12.19.
1920 4.12.20. *The Celestial Empire.*

TABLE OO.
THE KUNG YIK COTTON SPINNING AND WEAVING COMPANY, LIMITED.

	<u>Thous. taels / Years ending November 30th</u>									
	<u>1911*</u>	<u>1912</u>	<u>1913</u>	<u>1914</u>	<u>1915</u>	<u>1916</u>	<u>1917</u>	<u>1918</u>	<u>1919</u>	<u>1920</u>
<u>Capital paid up</u>										
Ord. (10 taels each)	536.5	750.0	750.0	750.0	750.0	750.0	750.0	750.0	750.0	750.0
<u>Dividends (%)</u>	12	15	15	12	15	9	20	16	50	80
<u>Net profits**</u>	<u>108.2</u>	<u>176.9</u>	<u>170.3</u>	<u>150.7</u>	<u>184.5</u>	<u>95.6</u>	<u>289.5</u>	<u>198.3</u>	<u>695.1</u>	<u>913.0</u>
+balance b.f.	-	11.7	7.0	8.6	5.4	5.1	7.7	6.6	4.4	8.6
-transfers to reserves	-	37.5	19.5	20.0	25.0	(20.0)	75.0	25.0	230.0	190.0
-depreciation	32.1	30.2	35.3	42.2	44.3	44.3	60.6	52.0	60.5	101.9
-dividends	64.4	112.5	112.5	90.0	112.5	67.5	150.0	120.0	375.0	600.0
-staff bonus, superannuation	-	1.4	1.4	1.7	3.0	1.2	5.0	3.5	25.4	37.5
<u>Balance c.f.</u>	<u>11.7</u>	<u>7.0</u>	<u>8.6</u>	<u>5.4</u>	<u>5.1</u>	<u>7.7</u>	<u>6.6</u>	<u>4.4</u>	<u>8.6</u>	<u>-7.8</u>
(Reserves)	(-)	(-)	(37.5)	(57.0)	(77.0)	(102.0)	(82.0)	(157.0)	(182.0)	(412.0)

*Accounts cover from 17.10.10 to 30.11.11

**After donations to War Funds

Sources (all from the following editions of the *North China Herald*) :-

1911 6.1.12	1916 3.2.17
1912 11.1.13	1917 19.1.18
1913 10.1.14	1918 18.1.19
1914 7.1.15	1919 11.1.20
1915 8.1.16	1920 8.1.21

TABLE PP.
YANGTSZEPOO COTTON MILL, LIMITED.
- Thous. Taels -

	<u>1915*</u>	<u>1916</u>	<u>1917</u>	<u>1918</u>	<u>1919</u>	<u>1920</u>
<u>Capital paid up</u>						
Ord. (Tl. 5 each)	1,000	1,000	1,000	1,000	1,000	1,000
Pref. (Tl. 100 each)	500	500	500	500	500	500
<u>Dividends (%)</u>						
Ord.	-	-	25	16	70	100
Pref.	7	-	14	7	7	7
<u>Net profits **</u>	<u>107.2</u>	<u>64.3</u>	<u>692.5</u>	<u>396.5</u>	<u>1,232.4</u>	<u>1,463.2</u>
+balance b.f.	-	23.3	5.0	2.0	4.5	6.9
- transfers to reserves	-	-	250.0	90.0	335.0	270.0
- depreciation	43.1	82.6	113.5	100.0	105.0	115.5
- dividends	40.8	-	320.0	195.0	735.0	1,035.0
- staff bonuses, superannuation	-	-	12.0	9.0	55.0	45.0
<u>Balance c.f.</u>	<u>23.3</u>	<u>5.0</u>	<u>2.0</u>	<u>4.5</u>	<u>6.9</u>	<u>4.6</u>
(Reserves)	(-)	(-)	(-)	(250.0)	(340.0)	(675.0)

*14 months ending 31.12.15

** After donations to War Funds
e.g. 15.0 in 1917.

Sources (all from the following editions of the *North China Herald*) :-

1915 12.2.16
1916 24.2.17
1917 2.2.18 / 16.2.18
1918 1.2.19 / 8.3.19
1919 7.2.20 / 24.2.20
1920 22.1.21 / 19.2.21

TABLE QQ.
THE EWO COTTON MILLS, LIMITED.

- Thous. taels -

	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932
<u>Capital paid up</u>												
Ord. - Tl. 5	4000	4500*	4500	4500	4500	4500	4500	4500	4500	5000**	5000	5000
Pref. - Tl.100	900	900	900	900	900	900	900	900	900	900	900	900
<u>Dividends (%)</u>												
Ord.	60	30	11	5	5	13	8	12	48	15	36	24
Pref.	8	8	8	8	8	8	8	8	8	8	8	8
<u>Net profits</u>	<u>3180.7</u>	<u>1703.6</u>	<u>858.8</u>	<u>-19.8</u>	<u>317.7</u>	<u>1135.4</u>	<u>714.9</u>	<u>1086.9</u>	<u>2962.0</u>	<u>1659.3</u>	<u>2610.5</u>	<u>1770.7</u>
+balance b.f.	-	8.5	10.9	3.3	-	1.1	7.1	1.5	5.0	5.5	449.8	118.8
- transfers to												
reserves	201.9	27.0	40.0	(498.4)	(185.0)	225.0	62.0	225.0	385.0	140.0	766.5	152.1
- depreciation	387.0	204.7	239.4	184.9	189.6	203.4	201.5	206.4	234.5	203.0	283.0	282.0
- dividends	2453.3	1422.0	567.0	297.0	297.0	657.0	432.0	612.0	2232.0	822.0	1872.0	1272.0
- superannuation												
fund (Chinese)	30.0	10.0	-	-	-	14.0	-	10.0	30.0	10.0	20.0	15.0
- staff bonus	80.0	37.5	20.0	-	15.0	30.0	25.0	30.0	80.0	40.0	-	75.0
- donations to												
charities	20.0	-	-	-	-	-	-	-	-	-	-	-
<u>Balance c.f.</u>	<u>8.5</u>	<u>10.9</u>	<u>3.3</u>	<u>-</u>	<u>1.1</u>	<u>7.1</u>	<u>1.5</u>	<u>5.0</u>	<u>5.5</u>	<u>449.8</u>	<u>118.8</u>	<u>93.4</u>
<u>Reserves</u>	<u>3711.2</u>	<u>3913.1</u>	<u>3940.1</u>	<u>3980.1</u>	<u>3481.7</u>	<u>3296.7</u>	<u>3521.7</u>	<u>3583.7</u>	<u>3808.7</u>	<u>4193.7</u>	<u>4333.7</u>	<u>5100.2</u>

*100,000 ordinary shares at Tl.5 premium offered to shareholders in March. All taken up.

**100,000 ordinary shares offered to shareholders on 12.4.30 at Tl.5 premium. All taken up.

- \$ Thous -

	1933	1934	1935	1936	1937	1938	1939
<u>Capital paid up</u>							
Ord. - \$7 each	6993.0	6993.0	6993.0	6993.0	8378.7*	9225.0**	9453.8
Pref. - \$140 each	1258.7	1258.7	1258.7	1258.7	1258.7	1258.7	1258.7
<u>Dividends (%)</u>							
Ord.	5.7	4.3	3.6	8.6	20.0	50.0	71.4
Pref.	8	8	8	8	8	8	8
<u>Net profits</u>	<u>676.6</u>	<u>472.3</u>	<u>284.3</u>	<u>1021.3</u>	<u>2716.9</u>	<u>6180.6</u>	<u>10983.3</u>
+ balance b. f.	130.7	34.0	10.1	9.6	5.2	188.8	274.8
- dividends	500.7	400.7	350.7	700.7	1780.7	4713.2	6850.7
- depreciation	252.6	200.5	200.0	250.0	-	450.0	900.0
- transfers to reserves	=	(120.0)	(273.4)	55.0	602.6	751.4	1867.8
- general reserve	-	-	-	-	-	0.7	367.8
- equalisation of							
dividend fund	-	(150.0)	(298.4)	-	110.0	150.0	-
- repairs and renewals	-	30.0	25.0	55.0	150.0	200.0	500.0
- machine modernisation	-	-	-	-	200.0	400.0	1000.0
- cotton fluctuation fund	-	-	-	-	-	0.7	-
- "old debts due by							
Chinese Government"	-	-	-	-	142.6	-	-
- Staff bonus and							
contingencies	20.0	15.0	7.5	20.0	100.0	150.0	350.0
- Chinese superannuation	-	-	-	-	50.0	30.0	60.0
<u>Balance c.f.</u>	<u>34.0</u>	<u>10.1</u>	<u>9.6</u>	<u>5.2</u>	<u>188.8</u>	<u>274.8</u>	<u>1229.6</u>
(Reserves)	(7345.8)	(7345.8)	(7225.8)	(6952.4)	(7007.4)	(7610.0)	(8361.4)

* August, 1937 - a new issue of 200,000 shares was completed at a premium of c.\$5.50.

** December, 1938 - a new issue of 150,000 shares was launched at a premium of c.\$7.00.

Sources (all from the following editions of the *North China Herald*) :-

1921 18.2.22 / 25.2.22	1926 19.3.27	1931 3.5.32	1936 7.4.37
1922 17.2.23	1927 17.3.28	1932 22.3.33	1937 11.5.38
1923 8.3.24	1928 16.3.29	1933 28.3.34	1938 3.5.39
1924 14.3.25	1929 18.3.30	1934 15.4.35	1939 3.4.40
1925 20.3.26	1930 17.3.31	1935 15.4.36	

TABLE RR.
THE LAOU KUNG MOW COTTON SPINNING AND WEAVING COMPANY, LIMITED.

	- Thous. taels -									
	1897	1898	1899	1900	1901	1902	1903	1904	1905	1906
<u>Capital paid up</u>										
Ord. (Tl.100)	599.6	715.8	715.8	715.8	715.8	715.8	715.8	715.8	715.8	715.8
<u>Dividends (%)</u>	-	4	-	-	-	-	-	-	8	8
<u>Net profits</u>	<u>21.1</u>	<u>24.1</u>	<u>54.6</u>	<u>-22.1</u>	<u>44.4</u>	<u>54.2</u>	<u>19.9</u>	<u>28.5</u>	<u>163.7</u>	<u>115.8</u>
+ balance b.f.	-	21.1	10.6	29.6	-17.5	-	44.8	15.5	10.0	30.7
- depreciation	-	10.6	35.6	25.0	26.9	9.4	49.2	34.0	75.9	51.4
- dividends	-	24.0	-	-	-	-	-	-	57.3	57.3
- paid to general managers*	-	-	-	-	-	-	-	-	9.8	6.4
<u>Balance c.f.</u>	<u>21.1</u>	<u>10.6</u>	<u>29.6</u>	<u>-17.5</u>	<u>-</u>	<u>44.8</u>	<u>15.5</u>	<u>10.0</u>	<u>30.7</u>	<u>31.4</u>
	1907	1908	1909	1910	1911	1912	1913	1914	1915	
<u>Capital paid up</u>										
Ord. (Tl.100)	800.0	800.0	800.0	800.0	800.0	800.0	800.0	800.0	800.0	800.0
<u>Dividends (%)</u>	4	4	6	-	5	11	12	-	-	-
<u>Net profits</u>	<u>7.4</u>	<u>76.4</u>	<u>82.1</u>	<u>5.3</u>	<u>62.7</u>	<u>136.5</u>	<u>109.3</u>	<u>33.9</u>	<u>-11.8</u>	
+ balance b.f.	31.4	6.4	4.8	4.9	10.2	0.6	6.4	8.8	11.8	
- depreciation	-	43.0	28.6	-	28.3	32.3	-	30.6	-	
- dividends	31.7	32.0	48.0	-	40.0	88.0	96.0	-	-	
- paid to general managers*	0.7	3.0	5.4	-	4.0	10.4	10.9	0.3	-	
<u>Balance c.f.</u>	<u>6.4</u>	<u>4.8</u>	<u>4.9</u>	<u>10.2</u>	<u>0.6</u>	<u>6.4</u>	<u>8.8</u>	<u>11.8</u>	<u>-</u>	
	1916	1917	1918	1919	1920	1921	1922	1923	1924	
<u>Capital paid up</u>										
Ord. (Tl.100**) 800.0	800.0	800.0	800.0	800.0	800.0	800.0	800.0	800.0	800.0	800.0
<u>Dividends (%)</u>	-	2.5	7	50	65	20	-	-	-	-
<u>Net profits</u>	<u>-106.0</u>	<u>153.1</u>	<u>109.4</u>	<u>888.4</u>	<u>848.8</u>	<u>329.7</u>	<u>-259.9</u>	<u>-301.2</u>	<u>-276.3</u>	
+ balance b.f.	-	-106.0	3.9	4.5	2.6	4.4	15.0	5.1	-86.1	
- transfers to reserves	-	-	-	230.0	180.0	50.0	(250.0)	(210.0)	-	
- depreciation	-	20.5	46.5	172.6	61.0	61.0	-	-	-	
- dividends	-	20.0	56.0	400.0	520.0	160.0	-	-	-	
- staff bonus	-	-	-	4.5	5.7	5.0	-	-	-	
- paid to general managers*	-	2.7	6.3	83.2	80.3	43.1	-	-	-	
<u>Balance c.f.</u>	<u>-106.0</u>	<u>3.9</u>	<u>4.5</u>	<u>2.6</u>	<u>4.4</u>	<u>15.0</u>	<u>5.1</u>	<u>-86.1</u>	<u>-362.4</u>	
(Reserves)	(-)	(-)	(-)	(-)	(230.0)	(410.0)	(460.0)	(210.0)	(-)	

* 10% of net profit minus depreciation.

** With effect from April, 1921 divided into 10 shares of Tl. 10 each.

Sources (all from the *North China Herald* unless otherwise stated) :-

1897 28.2.98	1907 24.1.08	1917 2.3.18
1898 6.3.99	1908 13.2.09	1918 15.2.19
1899 28.2.00	1909 28.1.10	1919 28.2.20
1900 23.1.01	1910 10.2.11	1920 5.2.21
1901 22.1.02	1911 10.2.12	1921 11.3.22
1902 11.2.03	1912 15.2.13	1922 17.3.23
1903 25.2.04	1913 7.2.14 / 14.2.14	1923 8.3.24
1904 17.2.05	1914 27.2.15	1924 <i>Celestial Empire</i> 21.3.25
1905 9.2.06	1915 26.2.16.	
1906 8.2.07	1916 3.3.17	

TABLE SS.
THE ORIENTAL COTTON SPINNING AND WEAVING COMPANY, LIMITED.

	<u>Thous. taels</u>									
	<u>1918</u>	<u>1919</u>	<u>1920</u>	<u>1921</u>	<u>1922</u>	<u>1923</u>	<u>1924</u>	<u>1925</u>	<u>1926</u>	<u>1927</u>
Capital paid up										
Ord. - Tl. 30*	600.0	600.0	659.8	659.8	659.8	1,452.0	1,452.0	1,452.0	1,452.0	1,452.0
Dividends (%)	8.3	50	106.7	50	-	-	-	-	-	-
Net profits	<u>269.5</u>	<u>849.1</u>	<u>1,489.1</u>	<u>256.0</u>	<u>-254.3</u>	<u>-57.6</u>	<u>-335.1</u>	<u>-165.0</u>	<u>-277.6</u>	<u>-264.5</u>
+ balance b.f.	-	134.0	128.2	322.8	223.3	-31.0	10.0	-	-	-
- transfers to reserves	-	420.0	183.9	-	-	(98.6)	(325.1)	(165.0)	(277.6)	(264.5)
- depreciation	75.0	50.0	258.0	-	-	-	-	-	-	-
- dividends	50.0	300.0	703.7	329.9	-	-	-	-	-	-
- general managers commission	10.5	84.9	148.9	25.6	-	-	-	-	-	-
Balance c.f.	<u>134.0</u>	<u>128.2</u>	<u>322.8</u>	<u>223.3</u>	<u>-31.0</u>	<u>10.0</u>	<u>=</u>	<u>=</u>	<u>=</u>	<u>=</u>
(Reserves)	(-)	(-)	(420.0)	(603.9)	(603.9)	(603.9)	(505.3)	(180.2)	(15.2)	(-262.4)

* Taels 3 each from 1920 onwards.

Sources (all from the *North China Herald* unless otherwise stated) :-

1918 22.2.19
1919 3.4.20
1920 *China Stock and Share Handbook 1925.*
1921 1.4.22
1922 24.3.23
1923 16.2.24
1924 14.3.25 *Celestial Empire.*
1925 13.3.26
1926 7.4.28
1927 7.4.28

TABLE TT.
THE CHINA PRINTING AND FINISHING COMPANY, LIMITED - NET PROFIT
AFTER DEPRECIATION, INTEREST AND TRANSFERS TO RESERVES.

	<u>Thous \$</u>	<u>£ thous. *</u>
<u>1932</u>	<u>-945</u>	<u>-46</u>
<u>1933</u>	<u>686</u>	<u>43</u>
- 1.1 to 17.5	324	
- 18.5 to 6.9	163	
- 7.9 to 31.12	199	
<u>1934</u>	<u>843</u>	<u>56</u>
<u>1935</u>	<u>-314</u>	<u>-19</u>
<u>1936</u>	<u>794</u>	<u>48</u>
-1.1 to 16.5	231	
-17.5 to 4.10	192	
- 5.10 to 31.12	371	
<u>1937</u>	<u>1,059</u>	<u>64</u>
-1.1 to 15.5	1,024	
- 16.5 to 31.2	35	
<u>1938</u>	<u>3,000</u>	<u>130</u>
-1.1 to 14.5	600	
- 15.5 to 31.12	2,400	
<u>1939</u>	<u>1,061</u>	<u>18</u>
-1.1 to 13.5	1,653	
-14.5 to 28.10	-626	
-29.10 to 31.12	34	
<u>1940</u>	<u>7,131</u>	<u>104</u>
- 1.1 to 13.4	7,356	
- 14.4 to 28.9	814	
- 29.9 to 31.12	-1,039	
<u>1941</u>		
-1.1 to 12.4	2,894	
-13.4 to 10.5	-1,494	
-11.5 to 2.8	3,021**	

*As translated by the company.

**The figure for the same period of 1940 was 532 thous. \$

Source :- CPA Board Minutes Numbers 15 to 27.

TABLE UU.
THE CHINA PRINTING AND FINISHING COMPANY, LIMITED -
OPERATIONS IN THE FIRST TWELVE WEEKS OF 1939 AND 1940 (1).

	<u>1939</u>	<u>1940</u>
Production - million yards		
-cotton mill	11.5	11.5
-finishing works	16.7	15.2
Deliveries - million yards	14.3	13.8
- £ thous.	127.5(2)	124.0(3)
Profit (4) - £ thous.	33.6	83.1
- as % of sales	26%	67%

(1) Source :- CPA Board Minutes No. 26.

(2) Converted by the company at \$28 = £.

(3) Converted by the company at \$60 = £.

(4) After depreciation but before transfers to reserves.

(4) BACKUP TABLES TO PART III – CHAPTER FOUR – ENGINEERING.TABLE VV.BOYD AND COMPANY, LIMITED.Twelve months ending 30th, April – Thous. Taels.

	<u>1896</u>	<u>1897</u>	<u>1898</u>	<u>1899</u>	<u>1900</u>
<u>Capital paid up</u>					
Ord. (Tl. 100)	780.0	780.0	780.0	780.0	780.0
Founders (Tl. 100)	20.0	20.0	20.0	20.0	20.0
<u>Dividends (%)</u>					
Ord.	15	12	15	14	13
Founders	117	-	117	78	39
<u>Net profit</u>	<u>247.8</u>	<u>113.1</u>	<u>182.3</u>	<u>167.8</u>	<u>163.9</u>
+ balance b.f.	9.8	37.2	11.7	8.6	6.6
- transfers to reserves	60.0	30.0	30.0	30.0	30.0
- dividends	140.4	93.6	140.4	124.8	109.2
- depreciation	20.0	15.0	15.0	15.0	15.0
<u>Balance c.f.</u>	<u>37.2</u>	<u>11.7</u>	<u>8.6</u>	<u>6.6</u>	<u>16.3</u>
(Reserves)	(125.6)	(185.6)	(215.6)	(245.6)	(275.6)

Sources :- *North China Herald*, 31.7.1896, 13.8.1897, 20.6.1898, 3.7.1899, 4.7.1900.TABLE WW.S.C. FARNHAM AND COMPANY, LIMITED.Twelve months ending 30th, June – Thousand Taels.

	<u>1895</u>	<u>1896</u>	<u>1897</u>	<u>1898</u>	<u>1899</u>	<u>1900</u>
<u>Capital paid up</u>						
Ord. (Tl. 100)	750.0	750.0	750.0	750.0	750.0	800.0
<u>Dividends (%)</u>	12	14	12	12	15	30
<u>Net profits</u>	<u>164.8</u>	<u>190.6</u>	<u>180.3</u>	<u>176.1</u>	<u>197.8</u>	<u>279.3</u>
+ balance b.f.	7.6	7.4	13.0	18.3	19.4	19.7
- transfers to reserves	65.0	70.0	75.0	75.0	75.0	30.0
- dividends	90.0	105.0	90.0	90.0	112.5	240.0
- depreciation	10.0	10.0	10.0	10.0	10.0	10.0
<u>Balance c.f.</u>	<u>7.4</u>	<u>13.0</u>	<u>18.3</u>	<u>19.4</u>	<u>19.7</u>	<u>19.0</u>
(Reserves)	(65.0)	(130.0)	(200.0)	(275.0)	(350.0)	(425.0)

Sources:- *North China Herald*, 30.8.1895, 25.9.1896, 3.9.1897, 12.9.1898, 11.9.1899, 10.9.1900.TABLE XX.SHANGHAI ENGINEERING, SHIPBUILDING AND DOCK COMPANY, LIMITED.Twelve months ending 30th, April – Thousand Taels.

	<u>1897*</u>	<u>1898</u>	<u>1899</u>	<u>1900</u>
<u>Capital paid up (Tl. 100)</u>				
Ord.	491.3	600.0	600.0	600.0
Founders	20.0	20.0	20.0	20.0
Preference	-	-	130.0	130.0
<u>Dividends (%)</u>				
Ord.	-	-	-	-
Founders	-	-	-	-
Preference	-	-	3.5	7
<u>Net profits</u>	<u>14.9</u>	<u>10.4</u>	<u>31.9</u>	<u>78.2</u>
+ balance b.f.	-	14.9	25.3	52.5
- transfers to reserves	-	-	-	-
- dividends	-	-	4.7	9.1
- depreciation	-	-	-	7.4
<u>Balance c.f.</u>	<u>14.9</u>	<u>25.3</u>	<u>52.5</u>	<u>114.2</u>

* Eight months.

Sources :- *North China Herald*, 6.8.1897, 26.9.1898, 28.8.1899, 25.7.1900.

TABLE YY.S.C. FARNHAM, BOYD AND COMPANY, LIMITED.Twelve months ending 30th, April – Thousand Taels.

	<u>1901*</u>	<u>1902</u>	<u>1903</u>	<u>1904</u>	<u>1905</u>	<u>1906</u>
<u>Capital paid up (Tl. 100)</u>						
Ord.	4,830.0	5,520.0	5,520.0	5,520.0	5,520.0	5,520.0
<u>Dividends</u>						
Ord.	28	17	15	12	13	8
<u>Net profits</u>	<u>1,287.3</u>	<u>1,691.5</u>	<u>910.9</u>	<u>717.5</u>	<u>804.3</u>	<u>410.7</u>
+ balance b.f.	-	51.1	60.2	43.1	48.2	34.9
- transfers to reserves	-	750.0	100.0	50.0	100.0	-
- dividends	1,236.2	938.4	828.0	662.4	717.6	441.6
- depreciation	-	-	-	-	-	-
<u>Balance c.f.</u>	<u>51.1</u>	<u>60.2</u>	<u>43.1</u>	<u>48.2</u>	<u>34.9</u>	<u>4.0</u>
(Reserves)	(-)	(-)	(750.0)	(850.0)	(900.0)	(1,000.0)

* Only 10 months in the case of S.C. Farnham.

Sources (all *North China Herald*) 3.7.01, 23.7.02, 27.7.03, 30.6.05, 16.6.05, 20.7.06.TABLE ZZ.THE SHANGHAI DOCK AND ENGINEERING COMPANY, LIMITED.Twelve months ending 30th, April – Thousand Taels.

	<u>1907</u>	<u>1908</u>	<u>1909</u>	<u>1910</u>	<u>1911</u>	<u>1912</u>	<u>1913</u>	<u>1914</u>
<u>Capital paid up (Tl. 100*)</u>								
Ord.	5,520.0	5,520.0	5,520.0	5,520.0	5,520.0	5,520.0	5,520.0	5,520.0
<u>Dividends (%)</u>								
Ord.	3	5	5	6	2.5	3	3	5
<u>Net profits</u>	<u>172.1</u>	<u>305.0</u>	<u>248.6</u>	<u>373.0</u>	<u>101.4</u>	<u>158.3</u>	<u>175.9</u>	<u>299.0</u>
+ balance b.f.	4.0	10.5	33.7	6.3	48.1	11.5	4.2	14.5
- transfers to reserves	-	-	-	-	-	(500.0)	-	-
- dividends	165.6	276.0	276.0	331.2	138.0	165.6	165.6	276.0
- depreciation	-	5.8	-	-	-	500.0	-	-
<u>Balance c.f.</u>	<u>10.5</u>	<u>33.7</u>	<u>6.3</u>	<u>48.1</u>	<u>11.5</u>	<u>4.2</u>	<u>14.5</u>	<u>37.5</u>
(Reserves)	(1,000.0)	(1,000.0)	(1,000.0)	(1,000.0)	(1,000.0)	(1,000.0)	(500.0)	(500.0)

* Reduced to 75 Taels in 1922 and 50 Taels in 1929.

	<u>1915</u>	<u>1916</u>	<u>1917</u>	<u>1918</u>	<u>1919</u>	<u>1920</u>	<u>1921</u>	<u>1922</u>
<u>Capital paid up</u>								
Ord.	5,520.0	5,520.0	5,520.0	5,520.0	5,520.0	5,520.0	5,520.0	5,520.0
<u>Dividends (%)</u>								
Ord.	3	7.5	9	14	14	20	16	10
<u>Net profits</u>	<u>162.3</u>	<u>568.9</u>	<u>639.8</u>	<u>1,082.0</u>	<u>975.6</u>	<u>1,660.1</u>	<u>996.7</u>	<u>732.1</u>
+ balance b.f.	37.5	34.2	59.1	72.1	70.7	46.2	89.0	102.5
- transfers to reserves	-	(370.0)	130.0	240.0	150.0	400.0	100.0	100.0
- dividends	165.6	414.0	496.8	772.8	772.8	1,104.0	883.2	552.0
- depreciation	-	500.0	-	70.6	77.3	113.3	-	115.0
<u>Balance c.f.</u>	<u>34.2</u>	<u>59.1</u>	<u>72.1</u>	<u>70.7</u>	<u>46.2</u>	<u>89.0</u>	<u>102.5</u>	<u>67.6</u>
(Reserves)	(500.0)	(500.0)	(130.0)	(260.0)	(500.0)	(650.0)	(1,050.0)	(1,150.0)
	<u>1923</u>	<u>1924</u>	<u>1925</u>	<u>1926</u>	<u>1927</u>	<u>1928</u>	<u>1929</u>	<u>1930</u>
<u>Capital paid up</u>								
Ord.	4,140.0	4,140.0	4,140.0	4,140.0	4,140.0	4,140.0	4,140.0	2,760.0
<u>Dividends (%)</u>								
Ord.	10	12	14	11	9	10	10	14
<u>Net profits</u>	<u>449.9</u>	<u>545.0</u>	<u>653.3</u>	<u>387.3</u>	<u>391.6</u>	<u>380.9</u>	<u>659.6</u>	<u>825.6</u>
+ balance b.f.	67.6	102.5	98.7	172.4	104.3	123.3	90.2	135.8
- transfers to reserves	-	-	-	-	-	-	100.0	450.0
- dividends	414.0	496.8	579.6	455.4	372.6	414.0	414.0	386.4
- depreciation	1.0	52.0	-	-	-	-	100.0	-
<u>Balance c.f.</u>	<u>102.5</u>	<u>98.7</u>	<u>172.4</u>	<u>104.3</u>	<u>123.3</u>	<u>90.2</u>	<u>135.8</u>	<u>125.0</u>
(Reserves)	(1,250.0)	(1,250.0)	(1,250.0)	(1,250.0)	(1,250.0)	(1,250.0)	(1,250.0)	(1,350.0)

Continued

TABLE ZZ (Continued).
THE SHANGHAI DOCK AND ENGINEERING COMPANY, LIMITED.

- Twelve months ending April 30th -

	<u>1931</u>	<u>1932</u>	<u>1933</u>	<u>1934</u>	<u>1935</u>
	- Thous. Taels -			- \$ Thous. -	
<u>Capital paid up</u>					
Ord.	2,760.0	2,760.0	2,760.0	3,860.0	3,860.0
<u>Dividends (%)</u>					
Ord.	12	10	10	8	3
<u>Net profits</u>	<u>295.5</u>	<u>133.0</u>	<u>271.8</u>	<u>172.0</u>	<u>69.0</u>
+ balance b.f.	125.0	89.3	96.3	128.8	129.7
- transfers to reserves	-	(150.0)	-	(137.7)	-
- dividends	331.2	276.0	276.0	308.8	115.8
- depreciation	-	-	-	-	-
<u>Balance c.f.</u>	<u>89.3</u>	<u>96.3</u>	<u>92.1</u>	<u>129.7</u>	<u>82.9</u>
(Reserves)	(1,800.0)	(1,800.0)	(1,650.0)	(2,308.2)	(2,170.5)

Note : In the financial year to April 30th, 1936 the Company made net profits of \$101.5 thous. after excluding trading profits from 1.10.35 to 30.4.36 due to the Shanghai Dockyards, Ltd.

Sources (from the *North China Herald* unless otherwise stated) :-

1907	26.7.07
1908	4.7.08
1909	3.7.09
1910	8.7.10
1911	8.7.11
1912	12.7.12
1913	19.7.13
1914	25.7.14
1915	24.7.15 / 31.7.15
1916	5.8.16
1917	28.7.17 / 4.8.17
1918	<i>Celestial Empire</i> 3.7.18
1919	26.7.19
1920	24.7.20 / 31.7.20
1921	9.7.21
1922	15.7.22
1923	28.7.23
1924	2.8.24
1925	<i>Celestial Empire</i> 8.8.25
1926	7.8.26 / <i>Celestial Empire</i> 24.7.26
1927	23.7.27
1928	4.8.28
1929	13.7.29 / 3.8.29
1930	15.7.30 / 5.8.30
1931	4.8.31
1932	3.8.32
1933	2.8.33
1934	1.8.34
1935	26.8.36

TABLE AAA.
THE NEW ENGINEERING AND SHIPBUILDING WORKS, LIMITED.

	- Thous Taels -									
	1909	1910	1911	1912	1913	1914	1915	1916	1917	
<u>Capital paid up</u>										
Ord. (Tl.5)	190.5	190.5	190.5	218.5	318.5	318.5	318.5	419.8	419.8	
Pref.(Tl.5)	-	-	-	-	-	-	-	-	-	
<u>Dividends (%)</u>										
Ord.	20	10	20	14	16	10	18	20	40	
Pref.	-	-	-	-	-	-	-	-	-	
<u>Net profits</u>	<u>15.1</u>	<u>13.9</u>	<u>36.3</u>	<u>30.2</u>	<u>74.6</u>	<u>45.1</u>	<u>132.0</u>	<u>313.4</u>	<u>401.5</u>	
+ balance b.f.	49.3	18.1	12.9	11.1	10.7	9.3	7.6	21.3	39.9	
- transfers to reserves	-	-	-	-	15.0	-	21.0	180.0	115.0	
- dividends	38.1	19.1	38.1	30.6	51.0	31.8	57.3	84.0	167.4	
- depreciation	8.2	-	-	-	10.0	15.0	40.0	30.8	100.0	
- other deductions*	-	-	-	-	-	-	-	-	15.0	
<u>Balance c. f.</u>	<u>18.1</u>	<u>12.9</u>	<u>11.1</u>	<u>10.7</u>	<u>9.3</u>	<u>7.6</u>	<u>21.3</u>	<u>39.9</u>	<u>44.0</u>	
(Reserves)	(180.0)	(180.0)	(180.0)	(243.9)	(243.9)	(358.9)	(358.9)	(458.9)	(638.9)	
* Donations to patriotic funds, etc. and appropriations from balances subsequent to general meetings.										
	1918	1919	1920	1921	1922	1923	1924	1925	1926	
<u>Capital paid up</u>										
Ord. (Tl.5)	496.7	646.7	750.0	1,050.0	1,050.0	1,050.0	1,050.0	1,050.0	1,050.0	
Pref.(Tl.5)	-	-	-	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	
<u>Dividends (%)</u>										
Ord.	30	60	100	20	12	5	15	-	5	
Pref.	-	-	-	8	8	8	8	8	8	
<u>Net profits</u>	<u>537.0</u>	<u>797.9</u>	<u>1,226.5</u>	<u>590.8</u>	<u>291.8</u>	<u>175.0</u>	<u>352.8</u>	<u>3.4</u>	<u>176.9</u>	
+ balance b.f.	44.0	33.7	39.1	55.6	68.4	82.4	48.5	87.4	10.8	
- transfers to reserves	353.3	284.5	425.0	250.0	-	-	-	(65.0)	(35.0)	
- dividends	149.0	388.0	750.0	303.0	246.0	172.5	277.5	120.0	172.5	
- depreciation	25.0	100.0	25.0	25.0	31.8	25.0	25.0	25.0	25.0	
- other deductions	20.0	20.0	10.0	-	-	11.4	11.4	-	-	
<u>Balance c. f.</u>	<u>33.7</u>	<u>39.1</u>	<u>55.6</u>	<u>68.4</u>	<u>82.4</u>	<u>48.5</u>	<u>87.4</u>	<u>10.8</u>	<u>25.2</u>	
(Reserves)	(753.9)	(1,184.1)	(1,618.6)	(1,082.0)	(1,082.0)	(1,082.0)	(1,082.0)	(1,082.0)	(1,017.0)	
	1927	1928	1929	1930	1931	1932	1933	1934	1935	
	- Thous. Taels -					- \$ Thousand -				
<u>Capital paid up</u>										
Ord. (Tl.5)	1,050.0	1,050.0	1,050.0	1,500.0	1,500.0	1,500.0	2,098.0	2,098.0	2,098.0	
Pref.(Tl.5)	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	2,098.0	2,098.0	2,098.0	
<u>Dividends (%)</u>										
Ord.	8	8	10	5	5	6	-	-	-	
Pref.	8	8	8	8	8	8	8	-	-	
<u>Net profits</u>	<u>225.7</u>	<u>264.3</u>	<u>329.1</u>	<u>167.6</u>	<u>80.9</u>	<u>448.6*</u>	<u>47.7</u>	<u>-116.8</u>	<u>-164.4</u>	
+ balance b.f.	25.2	19.1	37.8	61.9	24.5	50.4	100.3	59.9	-83.6	
- transfers to reserves	-	-	50.0	-	(155.0)**	175.0	(79.7)	-	-	
- dividends	204.0	204.0	225.0	195.0	195.0	210.0	167.8	-	-	
- depreciation	27.8	25.0	30.0	10.0	15.0	15.0	-	-	-	
- other deductions	-	16.6	-	-	-	27.3	-	(-26.7)	-	
<u>Balance c. f.</u>	<u>19.1</u>	<u>37.8</u>	<u>61.9</u>	<u>24.5</u>	<u>50.4</u>	<u>71.7</u>	<u>59.9</u>	<u>-83.6</u>	<u>-248.0</u>	
(Reserves)	(982.0)	(982.0)	(982.0)	(1,032.0)	(1,032.0)	(877.0)	(1,471.7)	(1,392.0)	(1,392.0)	

*Of which 319.6 Thous. Taels sale of land at Pudong.

** To cover write-off of expenditure on Yichang venture.

Sources (from the *North China Herald* unless otherwise stated) :-

1909-11	<i>China Stock and Share Handbook, 1914.</i>	1918	8/29. 3.19	1925	20.3.26	1932	22.3.33
1912	3.5.13	1919	27.3.20	1926	2.4.27	1933	11.4.34
1913	21.3.14	1920	12.3.21	1927	3.3.28	1934	24.4.35
1914	10.4.15	1921	12.3.22	1928	2.3.29	1935	29.4.36
1915	31.3.16 / 15.4.16	1922	10.2.23	1929	25.2.30.		
1916	17.2.17	1923	16.2.24	1930	10.3.31		
1917	23.2.18	1924	<i>Celestial Empire</i> 28.2.25	1931	15.3.32		

TABLE BBB.
VULCAN IRON WORKS, LIMITED.
Years to end August – Thousand Taels.

	<u>1906</u>	<u>1907</u>	<u>1908</u>	<u>1909</u>	<u>1910</u>	<u>1911</u>
<u>Capital paid up</u>						
Ord. (500 Taels)	311.0	311.0	500.0	500.0	500.0	500.0
<u>Dividends (%)</u>						
Ord.	10	3.5	7.5	-	-	-
<u>Net profits</u>	<u>43.3</u>	<u>53.6</u>	<u>33.3</u>	<u>-29.2</u>	<u>-17.8</u>	<u>11.0</u>
+ balance b.f.	-	12.2	21.4	16.9	-12.3	-47.3
- write-off of goodwill	-	18.7	-	-	-	-
- write of prelim. expenses	-	-	-	-	1.5	-
- depreciation	-	14.5	-	-	15.7	16.3
- dividends	31.1	11.2	37.8	-	-	-
<u>Balance c.f.</u>	<u>12.2</u>	<u>21.4</u>	<u>16.9</u>	<u>-12.3</u>	<u>-47.3</u>	<u>-52.6</u>

Sources (all from the *North China Herald*) :-

1906	2.11.06	1909	11.11.10
1907	10.1.08	1910	11.11.10
1908	26.6.09	1911	11.11.11

TABLE CCC.
SHANGHAI DOCKYARDS, LIMITED – Twelve months ending September 30th - \$ Thousand.

	<u>1936</u>	<u>1937</u>	<u>1938</u>	<u>1939</u>	<u>1940</u>
<u>Capital paid up</u>					
Ord. (\$10)	10,000.0	10,000.0	10,000.0	10,000.0	11,250.0
<u>Dividends (%)</u>	-	4	9	25	30
<u>Net profits</u>	<u>100.8</u>	<u>580.3</u>	<u>1,392.8</u>	<u>2,424.5</u>	<u>4,410.7</u>
+ balance b.f.	-	100.8	281.1	573.9	198.4
- transfers to reserves	-	-	200.0	300.0	1,000.0
- dividends	-	400.0	900.0	2,500.0	3,375.0
<u>Balance c.f.</u>	<u>100.8</u>	<u>281.1</u>	<u>573.9</u>	<u>198.4</u>	<u>234.1</u>
(Reserves)	(1,313.6)	(1,313.6)	(1,313.6)	(1,516.6)	(1,816.6)

Sources :-

1936	<i>Finance and Commerce</i>	16.2.38
1937	<i>Finance and Commerce</i>	16.2.38
1938	<i>Finance and Commerce</i>	7.12.38
1939	<i>Finance and Commerce</i>	7.12.39
1940	<i>North China Herald</i>	25.12.40

(5) BACKUP TABLES TO PART III – CHAPTER FIVE – CHEMICALS.

TABLE DDD.
MAJOR BROTHERS, LTD.
 Calendar Years – Thous. Taels.

	<u>1895*</u>	<u>1896**</u>	<u>1897</u>	<u>1898</u>	<u>1899</u>	<u>1900</u>	<u>1901</u>	<u>1902</u>	<u>1903</u>	
Capital paid up										
Ord. (Taels 50)	275.0	275.0	275.0	275.0	275.0	275.0	275.0	275.0	275.0	
Dividends (%)										
Ord.	-	-	-	4	5	6	-	6	6	
Net profits	<u>-4.6</u>	<u>7.2</u>	<u>12.1</u>	<u>5.8</u>	<u>27.7</u>	<u>19.2</u>	<u>0.9</u>	<u>18.6</u>	<u>18.2</u>	
+balance b.f.	-5.1	-9.7	-2.5	9.6	-	-	-	0.9	3.0	
- transfers to reserves	-	-	-	4.0	13.9	2.7	-	-	-	
- dividends	-	-	-	11.0	13.8	16.5	-	16.5	16.5	
- depreciation	-	-	-	0.4	-	-	-	-	4.7	
Balance c.f.	<u>-9.7</u>	<u>-2.5</u>	<u>9.6</u>	<u>=</u>	<u>=</u>	<u>=</u>	<u>0.9</u>	<u>3.0</u>	<u>=</u>	
(Reserves)	(-)	(-)	(-)	(-)	(4.0)	(17.9)	(20.6)	(20.6)	(20.6)	
*Twelve months to 31.10.95. ** Fourteen months to 31.12.96.										
	<u>1904</u>	<u>1905</u>	<u>1906</u>	<u>1907</u>	<u>1908</u>	<u>1909</u>	<u>1910</u>	<u>1911</u>	<u>1912</u>	
Capital paid up										
Ord. (Taels 50)	275.0	275.0	275.0	275.0	275.0	275.0	275.0	275.0	275.0	
Dividends(%)										
Ord.	8	-	-	-	-	-	-	-	-	
Net profits	<u>32.5</u>	<u>-5.8</u>	<u>5.8</u>	<u>8.3</u>	<u>18.1</u>	<u>-9.1</u>	<u>-8.1</u>	<u>-6.4</u>	<u>-6.0</u>	
+balance b.f.	-	-	-5.8	-	-2.7	15.4	5.8	-3.1	-17.4	
- transfers to reserves	-	-	-	-	-	-	-	-	-	
- dividends	22.0	-	-	-	-	-	-	-	-	
- depreciation	10.5	-	-	11.0	-	0.5	0.8	7.9	8.3	
Balance c.f.	<u>=</u>	<u>-5.8</u>	<u>=</u>	<u>-2.7</u>	<u>15.4</u>	<u>5.8</u>	<u>-3.1</u>	<u>-17.4</u>	<u>-31.7</u>	
(Reserves)	(20.6)	(20.6)	(20.6)	(20.6)	(20.6)	(20.6)	(20.6)	(20.6)	(20.6)	
	<u>1913</u>	<u>1914</u>	<u>1915</u>	<u>1916</u>	<u>1917</u>	<u>1918</u>	<u>1919</u>	<u>1920</u>	<u>1921</u>	
Capital paid up										
Ord. (Taels*)	275.0	110.0	110.0	110.0	110.0	110.0	110.0	110.0	110.0	
Dividends(%)										
Ord.	-	-	-	-	-	-	-	-	-	
Net profits	<u>-1.9</u>	<u>39.9</u>	<u>4.0</u>	<u>18.5</u>	<u>23.7</u>	<u>8.4</u>	<u>-0.4</u>	<u>10.5</u>	<u>21.3</u>	
+balance b.f.	-31.7	-42.2	-2.3	1.7	15.5	39.2	7.6	7.2	7.7	
- transfers to reserves	-	-	-	-	-	20.0	-	-	-	
- dividends	-	-	-	-	-	-	-	-	-	
- depreciation	8.6	-	-	4.7	-	20.0	-	10.0	20.0	
Balance c.f.	<u>-42.2</u>	<u>-2.3</u>	<u>1.7</u>	<u>15.5</u>	<u>39.2</u>	<u>7.6</u>	<u>7.2</u>	<u>7.7</u>	<u>9.0</u>	
(Reserves)	(20.6)	(20.6)	(20.6)	(20.6)	(20.6)	(20.6)	(40.6)	(40.6)	(40.6)	
*50 taels until reconstruction of 1914 – then 20 taels each.										
	<u>1922</u>	<u>1923</u>	<u>1924</u>	<u>1925</u>	<u>1926</u>	<u>1927</u>	<u>1928</u>	<u>1929</u>	<u>1930</u>	<u>1931</u>
Capital paid up										
Ord. (Taels 20)	110.0	110.0	110.0	110.0	110.0	110.0	110.0	110.0	110.0	110.0
Dividends(%)										
Ord.	-	-	-	-	-	-	-	20	-	10
Net profits	<u>-2.0</u>	<u>-0.1</u>	<u>5.1</u>	<u>1.4</u>	<u>4.2</u>	<u>-1.9</u>	<u>n.a.</u>	<u>n.a.</u>	<u>13.6</u>	<u>22.8</u>
+balance b.f.	9.0	7.0	6.9	7.0	8.4	7.6	5.7	n.a.	4.5	8.1
- transfers to reserves	-	-	-	-	-	-	-	-	-	2.1
- dividends	-	-	-	-	-	-	-	22.0	-	11.0
- depreciation	-	-	5.0	-	5.0	-	5.0	n.a.	10.0	10.0
Balance c.f.	<u>7.0</u>	<u>6.9</u>	<u>7.0</u>	<u>8.4</u>	<u>7.6</u>	<u>5.7</u>	<u>n.a.</u>	<u>4.5</u>	<u>8.1</u>	<u>7.8</u>
(Reserves)	(40.6)	(40.6)	(40.6)	(40.6)	(40.6)	(40.6)	(40.6)	(40.6)	(40.6)	(40.6)

(No further information available)

CONTINUED.

TABLE DDD – Continued.

Sources of the above data (all from the *North China Herald* unless otherwise stated) :-

	27.12.95
	28.3.98
	28.3.98
	20.5.99
	21.3.00
	13.3.01
	26.3.02
	26.3.03
	25.3.04
	24.3.05
	6.5.06
	5.4.07
	1.5.08
	24.4.09
Data for 1909- 1913	<i>The China Stock and Share Handbook, 1914.</i>
Data for 1914	<i>The China Stock and Share Handbook, 1915.</i>
	31.3.16
	10.3.17
	22.3.19
	22.3.19
	16.4.21
	16.4.21
	18.3.22
	7.4.23
	29.3.24 Also <i>The China Stock and Share Handbook, 1929.</i>
<i>Celestial Empire</i>	14.3.25 Also <i>The China Stock and Share Handbook, 1929.</i>
<i>Celestial Empire</i>	10.4.26 Also <i>The China Stock and Share Handbook, 1929.</i>
	9.4.27 Also <i>The China Stock and Share Handbook, 1929.</i>
	28.4.28 Also <i>The China Stock and Share Handbook, 1929.</i>
	4.5.29
	18.3.30
	3.3.31
	4.4.32

TABLE EEE.
THE ORIENT PAINT, COLOUR AND VARNISH COMPANY, LIMITED.
- DISTRIBUTION OF SALES -

(A) BY VALUE

	<u>Financial year</u>	<u>Financial year</u>	<u>November</u>	<u>June</u>
	<u>to 30.9.38 (a)</u>	<u>to 30.9.39 (b)</u>	<u>1940 (c)</u>	<u>1941(d)</u>
	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
(1) <u>SHANGHAI</u>	<u>74.5</u>	<u>67.9</u>	<u>51.2</u>	<u>53.4</u>
(2) <u>REST MAINLAND</u>				
<u>CHINA</u>	<u>8.5</u>	<u>6.3</u>	<u>10.1</u>	<u>1.9</u>
Tianjin	3.9	2.5	n.a.	n.a.
Qingdao	1.2	0.9	n.a.	n.a.
Congqing	0.5	0.5	n.a.	n.a.
Zhifu	0.6	0.4	n.a.	n.a.
Beijing	0.6	0.6	n.a.	n.a.
Xiamen	0.2	0.2	n.a.	n.a.
Fuzhou	0.4	0.3	n.a.	n.a.
Nanjing	0.1	-	n.a.	n.a.
Guangdong	0.2	0.2	n.a.	n.a.
Other	0.8	0.7	n.a.	n.a.
(3) <u>HONG HONG</u>	<u>17.0</u>	<u>25.7</u>	<u>14.6</u>	<u>13.9</u>
(4) <u>"SOUTHERN</u>				
<u>MARKETS"</u>	-	<u>0.1</u>	<u>24.1</u>	<u>30.8</u>
Singapore	-	0.1	17.2	14.2
Penang	-	-	-	4.8
Kuala Lumpur	-	-	2.7	0.8
Rangoon	-	-	4.2	-
Bangkok	-	-	-	11.0

(a) Swire archives. Letter from Shanghai to Head Office November 10th, 1939. Box 2053.(b) Letter from Shanghai to Head Office February 23rd, 1940. Box 2053.

(c) Sales Report for November, 1940. Box 2058.

(d) Letter to Head Office on July 18th, 1940 from Shanghai. Box 2058.(B) BY QUANTITYFinancial Years ending 30th September – Sales ex Production. *

	<u>1940</u>		<u>1941</u>	
	<u>Metric tons</u>	<u>%</u>	<u>Metric tons</u>	<u>%</u>
<u>TOTAL</u>	<u>1,786.2</u>	<u>100.0</u>	<u>1,904.1</u>	<u>100.0</u>
Shanghai	896.2	50.2	1,148.3	60.3
Rest Mainland China	109.7	6.1	109.7	5.8
Hong Kong	292.6	16.4	341.3	17.9
Exports	487.7	27.3	304.8	16.0

* Sales Report for September, 1941. Box 364A.

The best three months for sales were * :-

	<u>Shanghai</u>	<u>Rest Mainland/Hong Kong</u>	<u>"Southern Markets"</u>
June, 1939	169 tons	January, 1939 66 tons	June, 1941 92 tons
November, 1938	168 tons	February, 1939 62 tons	October, 1941 77 tons
August, 1939	153 tons	October, 1939 62 tons	November, 1939 73 tons

Overall Sales

October, 1939	189 tons
July, 1941	187 tons
August, 1940	186 tons

* Letter from Shanghai on November 22nd, 1947 to Butterfield & Swire, Hong Kong. Box 364 B.

TABLE FFF *

THE ORIENT PAINT, COLOUR AND VARNISH COMPANY, LIMITED.- Financial Years ending 30th September -

	<u>Production for sale</u>	<u>Total Sales</u>	<u>Profit/loss</u>	
	<u>Metric tons</u>	<u>Metric tons</u>	<u>\$ thous. (£ thous.)</u>	
1935	54.7	19.7	-57.9	(-3.5)
1936	759.6	548.7	-157.6	(-9.6)
1937	1,196.5	1,053.9	-51.9	(-3.2)
1938	746.9	786.37	-24.9	(-1.3)
- First half	n.a.	n.a.	-368.7	(-19.2)
- Second half	n.a.	n.a.	343.8	(17.9)
1939	1,589.2	2,037.8	537.1	(15.5)
1940	1,607.0	1,758.0	1,279.2	(21.7)
1941	1,612.0	1,874.0	1,976.0	(27.8)

*Letter from Shanghai on November 22nd, 1947 to Butterfield and Swire, Hong Kong, Box 364B.

TABLE GGG.

THE ORIENT PAINT, COLOUR AND VARNISH COMPANY, LIMITEDTOTAL SALES (i.e. including resale items) - \$ THOUSAND.

	<u>1937</u>	<u>1938</u>	<u>1939</u>	<u>1940</u>	<u>1941</u>
January	43.6	36.6	161.5 (5.4)	370.0 (6.9)	390.9 (5.6)
February	45.4	30.1	122.9 (4.1)	326.7 (5.6)	577.3 (8.2)
March	93.5	43.5	147.0 (4.9)	357.9 (6.0)	n.a.
April	76.1	77.8	127.5 (4.2)	480.0 (8.0)	n.a.
May	86.2	93.0	158.1 (5.3)	400.9 (6.0)	751.1 (9.9)
June	103.0	105.0	214.7 (5.9)	317.1 (5.0)	698.4 (9.5)
July	80.3	133.6	251.8 (5.6)	464.2 (7.3)	969.8 (12.9)
August	29.5	135.6	323.7 (4.7)	448.5 (6.9)	715.6 (9.1)
September	25.6	150.6	250.6 (3.8)	355.5 (5.1)	807.6 (10.6)
October	23.1	124.1	345.3 (6.9)	390.9 (5.9)	844.9 (11.1)
November	21.4	144.4	302.4 (5.9)	355.4 (5.5)	n.a.
December	34.3*	140.4	368.2 (6.6)	370.9 (5.6)	n.a.
TOTAL	662.0	1,214.7	2,773.7	4,638.0	n.a.
(£ thous.)	(41.2)	(52.7)	(69.5)	(73.7)	
	Financial years :-				
	1.10. 37 - 30.9.38	884.6 (44.3)			
	1.10. 38 - 30.9.39	2,166.7 (62.6)			
	1.10.39 - 30.9.40	4,536.7 (77.1)			

* December, 1936 was \$42 thous.

The figures in parentheses are in £ thousand converted at the monthly or 12 monthly exchange rates.

Sources (Swire archives) :-

1937 Attachments to letter of February 18th, 1938 from Shanghai to Head Office. Box 175.

1938 Monthly Sales Reports. Box 176.

1939 Monthly Sales Reports. Box 177.

1940 Monthly Sales Reports. Boxes 2056 and 2061.

1941 Monthly Sales Reports.

- January. Box 2061

- February and May to October. Box 364A.

(6) BACKUP TABLES TO PART III - CHAPTER SIX - SOUND REPRODUCTION.

TABLE HHH

ELECTRIC AND MUSICAL INDUSTRIES (CHINA), LTD.

	<u>Years to end June -- Thous \$.</u>						
	<u>1935</u>	<u>1936</u>	<u>1937</u>	<u>1938</u>	<u>1939</u>	<u>1940</u>	<u>1941</u>
<u>Capital paid up.</u> <u>(\$70)*</u>	1000	700	700	700	700	700	700
<u>Dividends (%)</u>	14	35	44	43	44.5	105.5	197
<u>Net profits (after depreciation)</u>	<u>145.9</u>	<u>244.2</u>	<u>529.6</u>	<u>85.2</u>	<u>314.6</u>	<u>738.5</u>	<u>1,387.1</u>
- trading profit	n.a.	n.a.	n.a.	38.1	256.2	n.a.	1,356.8
- exchange profit**	n.a.	n.a.	n.a.	47.1	58.4	n.a.	30.3
+ balance c.f.	-	4.0	3.2	224.8	10.0	14.6	13.1
- transfers to reserves	1.9	-	-	-	-	-	-
- dividends	140.0	245.0	308.0	300.0	310.0	740.0	1,380.0
<u>Balance c.f.</u>	<u>4.0</u>	<u>3.2</u>	<u>224.8</u>	<u>10.0</u>	<u>14.6</u>	<u>13.1</u>	<u>20.2</u>

* \$100 shares in 1935 financial year.

** Due to devaluation of dollar in relation to Company's currency balances

TABLE III

ELECTRIC AND MUSICAL INDUSTRIES (CHINA), LTD.

	<u>Years to end June.</u>				
	<u>Net profit \$ thous.</u>	<u>\$ per £</u>	<u>Sterling £ thous.</u>	<u>Exchange loss £ thous.</u>	<u>"Final" £ thous.</u>
1935	145.9	12.7	11.5	-	11.5
1936	244.2	19.121	12.8	-	12.8
1937	529.6	19.121*	27.7	0.6	27.1
1938	85.2	19.121*	4.5	7.3	-2.8
1939	314.6	27.042*	11.6	6.9	4.7
1940	<u>738.5</u>		<u>15.5</u>	<u>7.6</u>	<u>7.9</u>
First Half	353.3	36.226*	9.3	7.6	1.7
Second half	403.2	65.0*	6.2	-	6.2
1941	1,387.1	65.0*	21.3	-	21.3
4 months to 31.10.41	1,270.5	65.0*	19.5	-	19.5

*As used by the company.

TABLE JJJ

ELECTRIC AND MUSICAL INDUSTRIES (CHINA), LTD.

PATTERN OF SALES -- Years to end June.

	<u>1938*</u>		<u>1939</u>		<u>1940</u>		<u>1941</u>	
	<u>\$ thous.</u>	<u>%</u>	<u>\$ thous.</u>	<u>%</u>	<u>\$ thous.</u>	<u>%</u>	<u>\$ thous.</u>	<u>%</u>
<u>TOTAL</u>	<u>1,341.7</u>	<u>100</u>	<u>1,838.0</u>	<u>100</u>	<u>4,052.2</u>	<u>100</u>	<u>7,533.1</u>	<u>100</u>
<u>IN CHINA</u>	<u>954.1</u>	<u>71</u>	<u>860.3</u>	<u>46</u>	<u>n.a.</u>	<u>n.a.</u>	<u>2,293.1</u>	<u>30</u>
<u>In Shanghai</u>	<u>394.6</u>	<u>29</u>	<u>571.5</u>	<u>31</u>	<u>n.a.</u>	<u>n.a.</u>	<u>2,188.6</u>	<u>29</u>
<u>Other</u>	<u>559.5</u>	<u>42</u>	<u>288.8</u>	<u>15</u>	<u>n.a.</u>	<u>n.a.</u>	<u>104.5</u>	<u>1</u>
<u>EXPORT</u>	<u>387.6</u>	<u>29</u>	<u>977.7</u>	<u>54</u>	<u>n.a.</u>	<u>n.a.</u>	<u>5,240.0</u>	<u>70</u>
<u>Ex Shanghai factory</u>	<u>n.a.</u>	<u>n.a.</u>	<u>653.2</u>	<u>36</u>	<u>n.a.</u>	<u>n.a.</u>	<u>2,269.4</u>	<u>31</u>
<u>Ex Hayes, Calcutta, Kawasaki and Detroit</u>	<u>n.a.</u>	<u>n.a.</u>	<u>324.5</u>	<u>18</u>	<u>n.a.</u>	<u>n.a.</u>	<u>2,970.6</u>	<u>39</u>

* Average monthly sales were as follows in this period :-

	<u>July/August, 1937</u>	<u>September to December 1937</u>	<u>January - June 1938</u>
	<u>Prior to crisis</u>		
Sales in Shanghai	54.9	12.6	39.1
Sales in rest of China	122.8	10.1	46.6
Export sales	----- 29.2 -----		35.4

+ Source - Archives of the EMI Group held at Hayes, Middlesex.

(7) BACKUP TABLES TO PART III – CHAPTER SEVEN – DRINK, FOOD, PACKING ETC. OF AGRICULTURAL PRODUCTS.TABLE KKK.

<u>THE ANGLO-GERMAN BREWERY COMPANY, LIMITED.</u>												
	<u>Calendar Years – Thous. \$</u>											
	<u>1904</u>	<u>1905</u>	<u>1906</u>	<u>1907</u>	<u>1908</u>	<u>1909</u>	<u>1910</u>	<u>1911</u>	<u>1912</u>	<u>1913</u>	<u>1914</u>	<u>1915</u>
<u>Capital paid up</u>												
Ord. (\$100)	400.0	400.0	444.1	444.1	444.1	444.1	444.1	444.1	444.1	444.1	444.1	444.1
<u>Dividends (%)</u>												
Ord.	-	7	7	7	-	5	5	6	8	8	6	-
<u>Net profits</u>	<u>2.1</u>	<u>49.9</u>	<u>49.4</u>	<u>49.4</u>	<u>20.9</u>	<u>66.0</u>	<u>74.7</u>	<u>85.2</u>	<u>93.0</u>	<u>70.8</u>	<u>64.4</u>	<u>-49.0</u>
+balance b.f.	-	-	1.0	0.9	1.5	1.4	3.0	3.3	4.7	5.6	5.0	18.6
- transfers to reserves	-	-	-	-	-	10.0	20.0	25.0	25.0	10.0	-	-30.0
-dividends	-	28.0	30.3	31.1	-	22.2	22.2	26.6	35.5	35.5	26.6	-
-depreciation	-	12.0	7.0	17.7	21.0	32.2	32.2	32.2	31.6	25.9	24.2	-
-write off of prelim. expenses	2.1	8.9	-	-	-	-	-	-	-	-	-	-
-write off of Victoria Brewery*	-	-	12.2	-	-	-	-	-	-	-	-	-
<u>Balance c.f.</u>	<u>-</u>	<u>1.0</u>	<u>0.9</u>	<u>1.5</u>	<u>1.4</u>	<u>3.0</u>	<u>3.3</u>	<u>4.7</u>	<u>5.6</u>	<u>5.0</u>	<u>18.6</u>	<u>-0.4</u>
(Reserves)	(-)	(-)	(-)	(-)	(-)	(-)	(10.0)	(30.0)	(55.0)	(80.0)	(90.0)	(90.0)

*A small and uneconomic brewery in Shanghai purchased in 1905 as an intended auxiliary to Qingdao.

Sources (all from *the North China Herald*) :-

1904	24.2.05
1905	9.2.06
1906	8.2.07
1907	13.3.08
1908	27.2.09
1909	18.3.10
1910	10.5.11
1911	2.3.12
1912	15.3.13
1913	7.3.14
1914	3.4.15
1915	5.8.16

TABLE LLL.
THE CHINA FLOUR MILL COMPANY, LIMITED.

	<u>Calendar Years – Thous. Taels</u>									
	<u>1897</u>	<u>1898</u>	<u>1899</u>	<u>1900</u>	<u>1901</u>	<u>1902</u>	<u>1903</u>	<u>1904</u>	<u>1905</u>	<u>1906</u>
<u>Capital paid up</u>										
Ord. (50 taels)	132.0	196.9	196.9	196.9	196.9	200.0	296.9	299.3	300.0	300.0
<u>Dividends (%)</u>										
Ord.	-	-	-	-	6	20	12	10	20	-
<u>Net profits</u>	<u>1.2</u>	<u>0.5</u>	<u>1.8</u>	<u>15.8</u>	<u>28.8</u>	<u>61.0</u>	<u>55.7</u>	<u>41.5</u>	<u>93.1</u>	<u>6.5</u>
+balance b.f.	-	1.2	1.7	3.5	3.6	4.3	2.5	1.9	0.8	1.0
- transfers to reserves	-	-	-	-	5.0	15.0	5.0	5.0	20.0	(7.0)
- depreciation	-	-	-	7.7	11.3	1.9	11.3	4.0	4.0	-
- dividends	-	-	-	-	11.8	40.0	35.6	29.9	60.0	-
- agent's share in profits	-	-	-	-	-	5.9	4.4	3.7	8.9	-
- write off of prelim. expenses	-	-	-	8.0	-	-	-	-	-	-
<u>Balance c.f.</u>	<u>1.2</u>	<u>1.7</u>	<u>3.5</u>	<u>3.6</u>	<u>4.3</u>	<u>2.5</u>	<u>1.9</u>	<u>0.8</u>	<u>1.0</u>	<u>0.5</u>
(Reserves)	(-)	(-)	(-)	(-)	(-)	(5.0)	(20.0)	(25.0)	(30.0)	(50.0)
	<u>1907</u>	<u>1908</u>	<u>1909</u>	<u>1910</u>	<u>1911</u>	<u>1912</u>	<u>1913</u>	<u>1914</u>	<u>1915</u>	<u>1916 (1.1 to 19.7)</u>
<u>Capital paid up</u>										
Ord. (50 taels)	500.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0
<u>Dividends (%)</u>										
Ord.	-	-	6	-	-	-	-	-	-	-
<u>Net profits</u>	<u>15.0</u>	<u>-37.9</u>	<u>30.4</u>	<u>-30.2</u>	<u>-67.4</u>	<u>-42.4</u>	<u>6.1</u>	<u>-24.7</u>	<u>-46.7</u>	<u>-29.1</u>
+ balance b.f.	0.5	6.0	12.2	0.2	-20.4	-86.2	-128.6	-122.5	-147.2	-193.9
- transfers to reserves	8.6	(50.0)	10.0	(10.0)	(1.6)	-	-	-	-	-
- depreciation	0.9	5.9	12.0	-	-	-	-	-	-	-
- dividends	-	-	18.0	-	-	-	-	-	-	-
- agent's share in profits	-	-	2.4	-	-	-	-	-	-	-
<u>Balance c.f.</u>	<u>6.0</u>	<u>12.2</u>	<u>0.2</u>	<u>-20.4</u>	<u>-86.2</u>	<u>-128.6</u>	<u>-122.5</u>	<u>-147.2</u>	<u>-193.9</u>	<u>-223.0</u>
(Reserves)	(43.0)	(51.6)	(1.6)	(11.6)	(1.6)	(-)	(-)	(-)	(-)	(-)

Sources (from the *North China Herald* unless otherwise stated) :-

1897	28.2.98
1898	27.2.99
1899	28.2.00
1900	20.3.01
1901	19.2.02
1902	21.1.03
1903	25.3.04
1904	31.3.05
1905	9.3.06
1906	22.3.07
1907	13.3.08
1908	<i>China Stock and Share Handbook, 1914.</i>
1908	18.3.10
1909	1.6.11
1910	<i>China Stock and Share Handbook, 1914.</i>
1911	3.5.13
1912	2.5.14
1913	24.5.15
1914	6.5.16
1916	1.1- 19.7 4.11.16

TABLE MMM.
THE LIH TEH OIL MILL COMPANY.
Years to end May – Thous. Taels.

	1910(a)	1911(a)	1912	1913(b)	1914	1915	1916	1917
<u>Capital paid up</u>								
Ord. (50 taels)	260.0	260.0	260.0	260.0	260.0	260.0	260.0	260.0
<u>Dividends (%)</u>								
Ord.	8	-	..	-	-	-	-	-
<u>Net profits</u>	<u>54.3</u>	<u>-9.2</u>	..	<u>-20.8</u>	<u>95.4</u>	<u>18.8</u>	<u>16.3</u>	<u>4.5</u>
+ balance b.f.	-	3.8	..	-7.3	-46.9	5.9	24.7	41.0
- transfers to								
reserves	10.4	(9.4)	..	(0.2)	25.4	-	-	28.1
- depreciation	19.3	11.3	..	19.0	17.2	-	-	3.5
- dividends	20.8	-	..	-	-	-	-	-
<u>Balance c.f.</u>	<u>3.8</u>	<u>-7.3</u>	..	<u>-46.9</u>	<u>5.9</u>	<u>24.7</u>	<u>41.0</u>	<u>13.9</u>
(Reserves)	(-)	(10.4)	(.)	(1.0)	(0.8)	(26.2)	(26.2)	(26.2)
	<u>1918</u>	<u>1919</u>	<u>1920</u>	<u>1921</u>	<u>1922</u>	<u>1923</u>	<u>1924</u>	
<u>Capital paid up</u>								
Ord. (50 taels)	260.0	260.0	260.0	260.0	260.0	260.0	260.0	260.0
<u>Dividends</u>								
Ord.	15	15	15	-	-	10	-	
<u>Net profits</u>	<u>76.6</u>	<u>111.0</u>	<u>113.6</u>	<u>-101.0</u>	<u>4.6</u>	<u>85.4</u>	<u>-79.3</u>	
+ balance b.f.	13.9	11.5	31.6	26.2	-24.8	-20.2	14.2	
- transfers to								
reserves	15.0	25.0	50.0	(50.0)	-	-	-	
- depreciation	25.0	26.9	30.0	-	-	25.0	-	
- dividends	39.0	39.0	39.0	-	-	26.0	-	
<u>Balance c.f.</u>	<u>11.5</u>	<u>31.6</u>	<u>26.2</u>	<u>-24.8</u>	<u>-20.2</u>	<u>14.2</u>	<u>-65.1</u>	
(Reserves)	(54.3)	(69.3)	(94.3)	(44.3)	(44.3)	(44.3)	(44.3)	

(a) Calendar years.

(b) Seventeen months.

Sources (from the *North China Herald* unless otherwise stated) :-1910 *China Stock and Share Handbook, 1914.*1911 *China Stock and Share Handbook, 1914*

1912 No data.

1913 30.8.13

1914 11.7.14

1915 28.8.15

1916 15.7.16

1917 28.7.17

1918 6.7.18

1919 26.7.19

1920 24.7.20

1921 23.7.21

1922 15.7.22

1923 14.7.23

1924 *Celestial Empire*, 11.10.24

1925– 1927 No data.

1928 A loss of 15.1 Thous. Taels was made. *North China Herald*, 24.11.28.1929 A working loss of 34.8 Thous. Taels was made. *North China Herald*, 26.10.29.1930 Company wound up. *North China Herald*, 9.9.30.

(8) BACKUP TABLES TO PART III - CHAPTER EIGHT - MISCELLANEOUS INDUSTRIES.

TABLE NNN.
A. BUTLER CEMENT TILE WORKS. LTD.
Years to March 31 - Thous. Taels

	<u>1906</u>	<u>1907</u>	<u>1908</u>	<u>1909</u>	<u>1910</u>	<u>1911</u>	<u>1912</u>	<u>1913</u>	<u>1914</u>
<u>Capital paid up</u>									
Ord.(50 taels)	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0
<u>Dividends (%)</u>	6	5	n.a.	6	8	-	-	-	-
<u>Net profit</u>	<u>4.0</u>	<u>n.a.</u>	<u>n.a.</u>	<u>n.a.</u>	<u>n.a.</u>	<u>1.1</u>	<u>-4.2</u>	<u>3.0</u>	<u>3.6</u>
+ balance b.f.	-	0.4	n.a.	n.a.	n.a.	2.0	0.8	-5.4	-3.7
- transfers to reserves	-	n.a.	n.a.	n.a.	-	-	-	-	-
- depreciation	-	n.a.	n.a.	n.a.	2.1	2.3	2.0	1.3	-
- dividends	3.6	3.0	n.a.	3.6	4.8	-	-	-	-
<u>Balance c.f.</u>	<u>0.4</u>	<u>n.a.</u>	<u>n.a.</u>	<u>n.a.</u>	<u>2.0</u>	<u>0.8</u>	<u>-5.4</u>	<u>-3.7</u>	<u>-0.1</u>
	<u>1915</u>	<u>1916</u>	<u>1917</u>	<u>1918</u>	<u>1919</u>	<u>1920</u>			
<u>Capital paid up</u>									
Ord.(50 taels)	60.0	60.0	60.0	60.0	60.0	60.0			
<u>Dividends (%)</u>	6	12	12	-	-	-			
<u>Net profit</u>	<u>5.3</u>	<u>9.7</u>	<u>9.4</u>	<u>-0.9</u>	<u>0.4</u>	<u>-0.4</u>			
+balance b.f.	-0.1	0.6	3.1	1.1	0.2	0.6			
- transfers to reserves	-	-	4.2	-	-	-			
- depreciation	1.0	-	-	-	-	-			
- dividends	3.6	7.2	7.2	-	-	-			
<u>Balance c. f.</u>	<u>0.6</u>	<u>3.1</u>	<u>1.1</u>	<u>0.2</u>	<u>0.6</u>	<u>0.2</u>			

(The company went into liquidation in January, 1921)

Sources (all from the *North China Herald* unless otherwise stated) :-

1906 8.6.06

1907 *Far Eastern Review*, September, 1908.

1908 *Far Eastern Review*, September, 1909.

1909 8.7.10

1910 10.6.11

1911 18.5.12

1912 21.6.13

1913 9.5.14

1914 15.5.15

1915 27.5.16

1916 2.6.17

1917 11.5.18

1918 31.5.19

1919 15.5.20

TABLE 000.
THE CHINA IMPORT AND EXPORT LUMBER CO. LTD.

	<u>Years to end February – Thous. Taels</u>										
	<u>1903*</u>	<u>1904**</u>	<u>1905</u>	<u>1906</u>	<u>1907</u>	<u>1908</u>	<u>1909</u>	<u>1910</u>	<u>1911</u>	<u>1912</u>	<u>1913</u>
<u>Capital paid up</u>											
Ord.(Taels 100)	77.2	215.0	278.0	322.0	356.5	356.5	356.5	356.5	356.5	356.5	400.0
<u>Dividends (%)</u>											
Ord.	10	10	10	10	10	10	-	5	8	8	8
<u>Net profits</u>	<u>23.2</u>	<u>23.2</u>	<u>34.9</u>	<u>47.8</u>	<u>79.9</u>	<u>29.5</u>	<u>-7.5</u>	<u>38.4</u>	<u>53.0</u>	<u>57.8</u>	<u>66.9</u>
+ balance b.f.	-	3.1	2.6	3.5	8.0	17.2	11.1	1.7	5.5	6.3	6.1
- transfers to reserves	10.0	-	3.9	-	20.0	-	-	12.3	15.0	29.5	35.0
- dividends	7.7	21.5	26.4	32.2	35.6	35.6	-	17.8	28.5	28.5	32.0
- depreciation	0.8	2.2	3.7	11.1	15.1	-	1.9	4.5	8.7	-	1.4
- write off of prelim.expenses	1.6	-	-	-	-	-	-	-	-	-	-
<u>Balance c.f.</u>	<u>3.1</u>	<u>2.6</u>	<u>3.5</u>	<u>8.0</u>	<u>17.2</u>	<u>11.1</u>	<u>1.7</u>	<u>5.5</u>	<u>6.3</u>	<u>6.1</u>	<u>4.6</u>
Reserves	-	10.0	10.0	13.9	13.9	33.9	33.9	33.9	46.2	61.2	90.7

* Year to 31.1.1903

** 13 months

	<u>1914</u>	<u>1915</u>	<u>1916</u>	<u>1917</u>	<u>1918</u>	<u>1919</u>	<u>1920</u>	<u>1921</u>	<u>1922</u>	<u>1923</u>
<u>Capital paid up</u>										
Ord.(Taels 100)	400.0	400.0	400.0	400.0	400.0	478.7	500.0	500.0	500.0	500.0
<u>Dividends (%)</u>										
Ord.	8	8	10	20	33	33	33	-	-	8
<u>Net profits</u>	<u>76.4</u>	<u>73.4</u>	<u>90.9</u>	<u>137.1</u>	<u>137.2</u>	<u>210.6</u>	<u>488.6</u>	<u>-402.1</u>	<u>301.6</u>	<u>202.7</u>
+ balance b.f.	4.6	5.5	6.9	7.8	10.9	11.1	58.7	91.1	-11.0	290.6
- transfers to reserves	36.0	40.0	50.0	50.0	-	-	250.0	(300.0)	-	291.5
- dividends	32.0	32.0	40.0	80.0	132.0	158.0	165.0	-	-	40.0
- depreciation	7.5	-	-	-	-	-	36.2	-	-	-
- contribution to War Funds, etc	-	-	-	4.0	5.0	5.0	5.0	-	-	-
<u>Balance c. f.</u>	<u>5.5</u>	<u>6.9</u>	<u>7.8</u>	<u>10.9</u>	<u>11.1</u>	<u>58.7</u>	<u>91.1</u>	<u>-11.0</u>	<u>290.6</u>	<u>161.8</u>
Reserves	125.7	161.7	201.7	251.7	301.7	1950*	1950	2200	1900	1900

*Increased on revaluation of property and buildings.

CONTINUED.

TABLE 000 (continued).

	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933
<u>Capital paid up</u>										
Ord.(Tael 100/ Tael 10)	500.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0	n.a.	n.a.
<u>Dividends(%)</u>										
Ord.	8	8	8	-	8	12	24	24	n.a.	n.a.
<u>Net profits</u>	<u>188.6</u>	<u>86.7</u>	<u>125.6</u>	<u>159.5</u>	<u>239.8</u>	<u>132.5</u>	<u>n.a.</u>	<u>n.a.</u>	<u>n.a.</u>	<u>n.a.</u>
+ balance b. f.	161.8	290.4	187.1	222.7	216.3	176.1	188.6	n.a.	n.a.	n.a.
- transfers to reserves	-	-	-	50.0	-	-	n.a.	n.a.	n.a.	n.a.
- dividends	40.0	40.0	40.0	-	40.0	60.0	120.0	120.0	n.a.	n.a.
- depreciation	20.0	150.0	50.0	115.9	240.0	60.0	n.a.	n.a.	n.a.	n.a.
<u>Balance c. f.</u>	<u>290.4</u>	<u>187.1</u>	<u>222.7</u>	<u>216.3</u>	<u>176.1</u>	<u>188.6</u>	<u>n.a.</u>	<u>n.a.</u>	<u>n.a.</u>	<u>240.8</u>
Reserves	2400*	2400	2400	2400	2450	2450	n.a.	n.a.	n.a.	n.a.

*After revaluation.

	-----\$ million-----							
	1934	1935	1936	1937	1938	1939	1940	1941
<u>Capital paid up</u>								
Ord.	2796	2796	3002	3245	3245	3245	3245	3245
<u>Dividends (%)</u>								
Ord.	8.5	8	-	6	6	20	46.5	46.5
<u>Net profits</u>	<u>-49.3</u>	<u>696.3</u>	<u>-18.2</u>	<u>519.2</u>	<u>511.9</u>	<u>910.9</u>	<u>2845.5</u>	<u>3443.4</u>
+ balance b. f.	336.8	57.5	351.1	332.9	425.1	510.0	762.5	748.0
- transfers to reserves	-	-	-	232.5	232.5	(135.0)	1158.7	n.a.
- dividends	230.0	223.7*	-	194.5	194.5	648.9	1506.7	1506.7
- depreciation	-	179.0	-	-	-	144.5	175.6	n.a.
- foreign staff bonus	-	-	-	-	-	-	59.0	n.a.
<u>Balance c. f.</u>	<u>57.5</u>	<u>351.1</u>	<u>332.9</u>	<u>425.1</u>	<u>510.0</u>	<u>762.5</u>	<u>748.0</u>	<u>n.a.</u>
Reserves	2070	2070	2070	2070	2303	2535	2400	n.a.

*As bonus share issue.

Sources (from the *North China Herald* unless otherwise stated) :-

1903	12.3.03	1923	3.6.23
1904	25.3.04	1924	<i>Celestial Empire</i> , 7.6.24
1905	10.3.05	1925	<i>Celestial Empire</i> , 16.5.25
1906	23.3.06	1926	<i>Celestial Empire</i> , 5.6.26
1907	28.3.07	1927	14.6.27
1908	1.5.08	1928	2.6.28
1909	12.6.09	1929	1.6.29
1910	29.4 and 6.5.10	1930	20.5.30
1911	<i>China Stock and Share Handbook, 1914.</i>	1931	Little data.
1912	4.5.12	1932	Little data
1913	21.6.13	1933	Little data
1914	18/25 4.14	1934	<i>Finance and Commerce</i> , 11.4.34
1915	27.3.1915 / 3.4.15	1935	5.6.35
1916	31.3.16 / 8.4.16	1936	<i>Finance and Commerce</i> , 5.5.37
1917	31.3.17	1937	<i>Finance and Commerce</i> , 5.5.37
1918	4.5.18	1938	<i>Finance and Commerce</i> , 17.5.39
1919	3.5.19	1939	<i>Finance and Commerce</i> , 17.5.39
1920	1.5.20	1940	8.5.40
1921	30.4.21	1941	Chen Zhen et.al.: <i>Zhongguo jindai gongye shi ziliao</i> . Volume 2; Page 862.
1922	29.4.22		

TABLE PPP.
S.MOUTRIE AND COMPANY, LIMITED.

Years to end March - Thousand \$

	<u>1.7.99</u>	<u>1.7.00</u>	<u>1.7.01</u>	<u>1.7.02</u>	<u>1.7.03</u>	<u>1.7.04</u>	<u>1.7.05</u>	<u>1.7.06</u>	<u>1908</u>	<u>1909</u>
	<u>30.6.00</u>	<u>30.6.01</u>	<u>30.6.02</u>	<u>30.6.03</u>	<u>30.6.04</u>	<u>30.6.05</u>	<u>30.6.06</u>	<u>31.3.07</u>		
<u>Capital paid up</u>										
Ord. (\$50)	104.0	125.0	125.0	125.0	202.0	250.0	250.0	307.9	307.9	308.4
<u>Dividends (%)</u>										
Ord.	10	10	10	10	10	12	12	-	8	4
<u>Net profits</u>	<u>15.1</u>	<u>20.4</u>	<u>22.8</u>	<u>25.2</u>	<u>26.6</u>	<u>52.1</u>	<u>34.7</u>	<u>12.6</u>	<u>22.4</u>	<u>11.0</u>
+ balance b.f.	-	2.5	0.6	0.9	0.9	0.8	1.2	1.4	10.3	6.0
- transfers to reserves	-	-	-	-	5.0	20.0	-	-	-	-
- dividends	10.2	12.3	12.5	12.5	19.7	30.0	30.0	-	24.6	12.3
- write off of goodwill and flotation expenses	2.1	8.5	10.0	12.5	-	-	-	-	-	-
- staff bonus	-	1.5	-	-	2.0	1.7	3.0	3.0	2.1	-
- depreciation	0.3	-	-	0.2	-	-	1.5	0.7	-	-
<u>Balance c.f.</u>	<u>2.5</u>	<u>0.6</u>	<u>0.9</u>	<u>0.9</u>	<u>0.8</u>	<u>1.2</u>	<u>1.4</u>	<u>10.3</u>	<u>6.0</u>	<u>4.7</u>
Reserves	-	-	-	-	-	5.0	25.0	25.0	25.0	25.0

	<u>1910</u>	<u>1911</u>	<u>1912</u>	<u>1913</u>	<u>1914</u>	<u>1915</u>	<u>1916</u>	<u>1917</u>	<u>1918</u>	<u>1919</u>	<u>1920</u>
<u>Capital paid up</u>											
Ord. (\$50)	308.4	308.4	308.4	308.4	308.4	308.4	308.4	308.4	308.4	308.4	308.4
<u>Dividends (%)</u>	-	-	-	5	10	5	10	10	10	12	12
<u>Net profits</u>	<u>-40.9</u>	<u>4.7</u>	<u>35.2</u>	<u>44.1</u>	<u>75.1</u>	<u>29.0</u>	<u>55.7</u>	<u>54.0</u>	<u>82.7</u>	<u>72.6</u>	<u>61.6</u>
+ balance b.f.	4.7	-12.2	-28.0	-5.2	8.4	12.9	12.2	14.9	14.2	16.0	15.8
- transfers to reserves	(26.0)	-	-	-	25.0	-	5.0	16.0	34.0	27.0	21.0
- dividends	-	-	-	15.4	30.8	15.4	30.8	30.8	30.8	37.0	37.0
- staff bonus	-	-	-	-	7.4	0.8	6.9	7.9	7.2	3.3	5.5
- depreciation	2.0	20.5	12.4	15.1	7.4	13.5	9.3	-	8.9	5.5	-
- war charities	-	-	-	-	-	-	1.0	-	-	-	-
<u>Balance c.f.</u>	<u>-12.2</u>	<u>-28.0</u>	<u>-5.2</u>	<u>8.4</u>	<u>12.9</u>	<u>12.2</u>	<u>14.9</u>	<u>14.2</u>	<u>16.0</u>	<u>15.8</u>	<u>13.9</u>
Reserves	25.0	-	-	-	-	25.0	25.0	30.0	46.0	80.0	107.0

CONTINUED.

TABLE PPP (continued).

	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930
<u>Capital paid up</u>										
Ord. (\$50)	308.4	308.4	308.4	308.4	308.4	409.8	409.8	409.8	409.8	498.5
<u>Dividends (%)</u>										
Ord.	16	16	18	18	n.a.	15	22	22	22	22
<u>Net profits</u>	<u>94.9</u>	<u>108.1</u>	<u>141.3</u>	<u>49.8</u>	<u>n.a.</u>	<u>70.9</u>	<u>99.4</u>	<u>94.5</u>	<u>91.9</u>	<u>127.3</u>
+ balance b.f.	13.9	12.7	11.5	20.3	12.6	18.6	13.7	16.8	15.4	17.2
- transfers to reserves	40.0	49.5	65.0	72.0	(51.1)	10.0	-	-	-	15.0
- dividends	49.3	49.3	55.5	55.5	n.a.	61.5	90.1	90.1	90.1	109.7
- staff bonus	6.8	10.5	12.0	-	n.a.	-	-	-	-	-
- depreciation	-	-	-	-	n.a.	4.3	6.2	5.8	-	-
<u>Balance c.f.</u>	<u>12.7</u>	<u>11.5</u>	<u>20.3</u>	<u>12.6</u>	<u>18.6</u>	<u>13.7</u>	<u>16.8</u>	<u>15.4</u>	<u>17.2</u>	<u>19.8</u>
Reserves	128.0	168.0	217.5	282.5	354.5	303.4	313.4	313.4	313.4	313.4
	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940
<u>Capital paid up</u>										
Ord. (\$50)	498.5	498.5	498.5	498.5	498.5	498.5	498.5	498.5	498.5	498.5
<u>Dividends (%)</u>										
Ord.	12	-	-	-	-	-	6	-	8	16
<u>Net profits</u>	<u>67.1</u>	<u>-55.7</u>	<u>-34.4</u>	<u>-32.2</u>	<u>-19.8</u>	<u>-49.6</u>	<u>89.8</u>	<u>76.1</u>	<u>115.1</u>	<u>197.6</u>
+ balance b.f.	19.8	27.1	-28.6	2.1	-30.1	-49.9	-	8.9	33.0	30.3
- transfers to reserves	-	-	(65.1)	-	-	(107.0)	51.0	52.0	65.0	114.8
- dividends	59.8	-	-	-	-	-	29.9	-	39.9	79.8
- depreciation	-	-	-	-	-	2.1	-	-	4.3	-
- write off of bad debts	-	-	-	-	-	5.4	-	-	8.6	-
<u>Balance c.f.</u>	<u>27.1</u>	<u>-28.6</u>	<u>2.1</u>	<u>-30.1</u>	<u>-49.9</u>	<u>-</u>	<u>8.9</u>	<u>33.0</u>	<u>30.3</u>	<u>33.3</u>
Reserves	328.4	328.4	328.4	263.3	263.3	263.3	156.3	207.3	259.3	324.3

Sources (from the *North China Herald* unless otherwise stated) :-

1.7.99 -30.6.00	3.10.00	1920	10.6.20
1.7.00 -30.6.01	25.9.01	1921	9.7.21
1.7.01 -30.6.02	17.9.02	1922	17.6.22
1.7.02 -30.6.03	2.10.03	1923	9.6.23
1.7.03 -30.6.04	23.9.04	1924	14.6.24
1.7.04 -30.6.05	29.9.05	1925	<i>China Stock and Share Handbook, 1929.</i>
1.7.05 -30.6.06	5.10.06	1926	<i>Celestial Empire, 3.7.26</i>
1.7.06 -31.3.07	5.7.07	1927	25.6.27
1908	20.6.08	1928	<i>China Stock and Share Handbook, 1929.</i>
1909	3.7.09	1929	29.6.29
1910	15.7.10	1930	1.7.30
1911	15.7.11	1931	7.7.31
1912	29.6.12	1932	6.7.32
1913	21.6.13	1933	7.6.33
1914	6/13.6.14	1934	<i>Finance and Commerce. 27.6.34</i>
1915	26.6.15	1935	24.7.35
1916	30.6.16	1936	15.7.36
1917	23/30.6.17	1937	<i>Finance and Commerce: 14.7.37</i>
1918	29.6.18/6.7.18	1938	<i>Finance and Commerce. 20.7.38</i>
1919	5.7.19	1939	2.8.39
		1940	<i>Finance and Commerce. 14.8.40</i>

(9) BACKUP TABLES TO PART V – FINANCIAL PERFORMANCE.

TABLE QQQ.
COMPARISON OF (ORDINARY) DIVIDENDS OF B.A.T. FLAGSHIP COMPANIES
IN CHINA WITH THOSE OF LEADING UK AND CHINESE TOBACCO FIRMS.

		Percent		
	<u>British Cigarette Company, Ltd./</u> <u>British American Tobacco</u> <u>Company (China), Limited.</u>	<u>Imperial Tobacco</u> <u>Company, Ltd.</u>	<u>Gallacher, Ltd.</u>	<u>Nanyang Brothers</u> <u>Tobacco Co.</u>
1905	10.0	8.0	n.a.	n.a.
1906	8.2	10.0	n.a.	n.a.
1907	12.0	12.0	n.a.	n.a.
1908	n.a.	12.0	n.a.	n.a.
1909	n.a.	20.0	n.a.	n.a.
1910	n.a.	25.0	n.a.	n.a.
1911	15.0	30.0	n.a.	n.a.
1912	10.3	30.0	n.a.	n.a.
1913	6.6	35.0	n.a.	n.a.
1914	n.a.	35.0	n.a.	n.a.
1915	n.a.	40.0	n.a.	n.a.
1916	n.a.	22.5	n.a.	n.a.
1917	15.5	22.5	n.a.	n.a.
1918	16.0	66.25	n.a.	n.a.
1919	3.25	15.0	n.a.	n.a.
1920	7.0	17.5	n.a.	17.0
1921	2.5	17.5	n.a.	17.0
1922	6.5	22.5	n.a.	17.0
1923	10.0	53.5	n.a.	12.0
1924	11.0	22.5	n.a.	4.0
1925	10.0	24.0	n.a.	8.0
1926	10.0	24.0	n.a.	8.0
1927	6.0	25.0	n.a.	2.0
1928	7.5	51.0	n.a.	-
1929	7.5	23.0	6.5	-
1930	5.0	24.5	8.0	-
1931	5.5	22.5	10.0	3.0
1932	3.25	20.0	10.0	5.0
1933	6.5	20.0	11.0	6.0
1934	6.25	22.5	18.0	5.0
1935	1.0	24.0	25.0	3.0
1936	5.0	25.0	25.0	1.0
1937	8.0	25.0	27.5	n.a.
1938	9.0	25.0	27.5	n.a.
1939	20.0	23.0	27.5	n.a.
1940	48.0	20.0	27.5	n.a.

Sources:-

The figures for the B.A.T companies are taken from TABLE M above (British Cigarette Company, Ltd.) and TABLE B above (British American Tobacco Company (China), Limited) while those for Nanyang Brothers Tobacco Co. are from TABLE I.

The figures for the UK registered companies are taken from 1905 to 1932 from successive issues of the well indexed *Stock Exchange Year-Book*. A rival source is the *Stock Exchange Official Intelligence* but this is less easy to use as it does not give dividend history over a few years. In 1934 the two publications merged into the *Stock Exchange Official Year-Book*.

TABLE RRR.
COMPARISON OF DIVIDENDS – PERCENT.

	<u>UK Cotton Spinning</u> <u>Companies +</u>	<u>UK Cotton Spinners and</u> <u>Weavers in China.</u>	<u>Dividends of the Japan Cotton</u> <u>Spinners' Association</u>
1897	3.00	2.19	n.a.
1898	4.50	1.30	n.a.
1899	6.13	-	n.a.
1900	7.25	.*	n.a.
1901	7.50	-	n.a.
1902	4.67*	-	n.a.
1903	3.00*	4.09*	8.2
1904	2.50	-	8.0
1905	7.00	12.10	21.9
1906	9.67	14.14	24.4
1907	15.87	4.46*	21.5
1908	11.75	6.90	10.6
1909	7.87*	13.74	11.3
1910	5.75*	4.12	8.3
1911	4.75	9.55	10.4
1912	7.25	14.58	13.9
1913	7.25	17.09	14.5
1914	6.87	11.04	13.5
1915	5.00*	10.03	15.5
1916	6.00	5.49*	23.5
1917	7.50	19.48	41.1
1918	16.25	14.67	49.7
1919	21.25	58.60	51.0
1920	40.21	91.72	26.5
1921	9.97	46.28	26.6
1922	4.01	20.73	23.5
1923	2.27	7.41	16.7
1924	2.43	3.88*	16.3
1925	4.65	4.33*	16.4
1926	4.08	9.59	14.8
1927	2.73*	6.30	14.7
1928	2.19*	11.33	14.2
1929	2.07*	41.33	13.7
1930	1.91*	13.93	17.6
1931	1.46*	31.73	9.4
1932	1.55*	21.56	10.0
1933	1.50*	6.07	10.8
1934	1.57*	4.86	12.2
1935	1.75	4.25	12.0
1936	1.91	3.01	11.2
1937	4.28	7.23	12.0
1938	5.53	28.90	11.9
1939	5.39	24.85	12.5

* Years of average loss per company. + Source : F.W.Tattersall's Cotton Trade Review.

The figures for UK Cotton Spinners and Weavers in China are taken from TABLE FIFTEEN in the main text. The data for UK Cotton Spinning Companies originates from the journal indicated above. A useful compilation of this series is given in R.Robson: *The Cotton Industry in Britain*. Macmillan and Company, Limited, 1957. Page 338. Apart from the percentage dividends this series also gives the average profit or loss per company for each year apart from 1920-25. The data for the Dividends of the Japan Cotton Spinners' Association is given, apart from 1938 and 1939 (*from The Japan Yearbook*), in Keizo Saki: *The Cotton Industry of Japan*. Japan Society for the Promotion of Science, 1956. Page 315.

TABLE SSS.
COMPARISON OF (ORDINARY) DIVIDENDS OF BRITISH MARINE ENGINEERING COMPANIES
IN SHANGHAI WITH THOSE OF UK COMPANIES IN THE SAME SECTOR - PERCENT.

	<u>UK Companies</u> <u>in Shanghai</u>	<u>John Brown</u> <u>and Co., Ltd</u>	<u>Swan Hunter and</u> <u>Wigham Richardson</u>	<u>Cammell Laird</u> <u>and Co., Ltd</u>	<u>Harland and</u> <u>Wolff, Ltd</u>
1895	14.5	7.5	n.a.	n.a.	n.a.
1896	9.1	7.5	n.a.	n.a.	n.a.
1897	9.7	7.5	n.a.	n.a.	n.a.
1898	10.6	10.0	n.a.	n.a.	n.a.
1899	16.4	15.0	n.a.	n.a.	n.a.
1900	25.6	20.0	n.a.	n.a.	n.a.
1901	17.0	15.0	n.a.	n.a.	n.a.
1902	15.0	10.0	n.a.	n.a.	n.a.
1903	12.0	8.3	n.a.	n.a.	n.a.
1904	13.0	8.3	n.a.	7.5	n.a.
1905	8.0	8.3	n.a.	10.0	n.a.
1906	3.4	10.0	6.25	10.0	n.a.
1907	4.9	10.0	5.0	2.5	n.a.
1908	5.2	7.5	2.5	-	n.a.
1909	5.9	7.5	2.5	-	n.a.
1910	2.5	7.5	5.0	-	n.a.
1911	3.3	7.5	7.5	-	n.a.
1912	3.4	7.5	7.5	-	n.a.
1913	5.6	10.0	10.0	2.5	n.a.
1914	3.4	12.5	10.0	7.5	n.a.
1915	8.1	12.5	12.5	10.0	n.a.
1916	9.8	12.5	12.5	10.0	n.a.
1917	15.8	12.5	15.0	10.0	n.a.
1918	15.3	12.5	12.5	10.0	n.a.
1919	24.2	12.5	10.0	10.0	n.a.
1920	26.0	10.0	8.0	7.5	n.a.
1921	11.6	5.0	8.0	5.0	n.a.
1922	10.4	5.0	8.0	5.0	n.a.
1923	10.6	5.0	8.0	-	5.0
1924	14.2	5.0	8.0	-	5.0
1925	8.8	-	7.0	-	-
1926	8.2	-	7.5	-	-
1927	9.6	-	7.5	-	-
1928	9.6	-	7.5	-	-
1929	12.9	-	7.5	-	-
1930	9.5	-	6.0	-	-
1931	8.2	-	5.0	-	-
1932	8.6	-	2.5	-	-
1933	5.2	-	-	-	-
1934	1.9	-	3.0	-	-
1935	-	16.7	5.0	3.5	-
1936	-	81.7	7.0	5.0	-
1937	3.6	17.5	9.0	8.5	-
1938	8.0	17.5	12.0	10.0	-
1939	28.9	15.0	15.0	10.0	6.0
1940	41.0	12.5	10.0	10.0	6.0

Notes :-

The figures for UK Companies in Shanghai differ from those in TABLE FIFTEEN in the main text in that they cover ordinary dividends only. The dividend figures for the UK registered companies have been compiled in a similar fashion to those in TABLE QQQ.

TABLE TTT.COMPARISON OF PROFITS AND ROYALTIES PER TON OF COAL RAISED

	<u>Pence (new) per ton</u>	
	<u>United Kingdom mines</u>	<u>Chinese Engineering and Mining Co., Ltd.</u>
Av. 1904-6	4.8	22.9
1907	9.0	19.7
1908	8.5	19.6
1909	5.6	17.6
1910	5.9	16.2
		<u>Kailan Mining Administration</u>
1914	8.0	17.3
1920	19.6	65.9
1921	-10.5	34.1
1922	6.9	19.6
1923	12.2	12.6
1924	7.7	22.4
1925	3.6	33.0
1926	8.1 (Jan.-April)	23.7
1927	-	24.0
1928	-1.9	29.4
1929	3.9	20.6
1930	3.9	14.5
1931	3.9	11.4
1932	3.3	12.1
1933	3.6	9.4
1934	4.4	6.8
1935	4.9	7.6
1936	7.1	6.8
1937	8.7	13.6
1938	8.9	17.1
1939	10.2	13.0
1940	10.3	11.6

Notes:-

The figures for the Chinese Engineering and Mining Co., Ltd. are derived from division of "Profit after all charges in China" as in TABLE AA above by the equivalent production figures given in TABLE W. The figures for the Kailan Mining Administration are similarly derived from "Profits of the whole enterprise" given in TABLE GG above and the production figures given in the same table. Conversion into Sterling is made by utilising the parities used by the Chinese Engineering and Mining Company itself as given in TABLE CC.

The UK figures are derived from the convenient consolidation of Government figures given in the *Colliery Year Book and Coal Trades Directory*. Figures for 1920-1940 are given in the 1949 edition (pages 588 and 590) and those for 1910 and 1914 in the 1924 edition. The earlier figures are given in *A Compilation of Statistics of the Coal Mining Industry of the United Kingdom*, Prepared by Finlay A. Gibson. Cardiff: The Western Mail, Limited, 1922. Page 149.

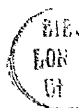


TABLE UUU
RATIO OF LABOUR COSTS TO VALUE OF COAL OUTPUT – PERCENT.

	<u>United Kingdom Mines</u>	<u>Kailan Mining Administration</u>
1914	62.4	12.9
1920	68.9	12.1
1921	77.0	13.5
1922	63.5	17.5
1923	62.4	17.8
1924	67.0	19.6
1925	64.4	19.2
1926	60.9	19.9
1927	70.3	20.0
1928	71.4	17.1
1929	65.9	20.0
1930	71.2	22.1
1931	66.5	19.6
1932	65.5	24.5
1933	64.9	31.3
1934	64.7	30.1
1935	63.3	36.2
1936	62.7	33.2
1937	61.8	23.1
1938	60.7	25.4
1939	60.5	19.5
1940	62.4	26.2

Sources:-

The figures for the Kailan Mining Administration are taken from the last column of TABLE FF above. The UK figures are derived from the *Colliery Year Book and Coal Trades Directory*. Figures for 1920-1940 are given in the 1949 edition (pages 588 and 590) and those for 1914 in the 1924 edition.