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### **Transport Services for the China Market: European Tramp Shipping Companies in East Asia, 1870s-1914**

Between 1860 and 1895, of all economic activities in China, shipping was the most important, and thereafter remained one of the major factors of economic development. According to statistics, shipping in China, especially during the period under review, was dominated by foreign shipping companies taking the largest share of the country’s ocean-going and river shipping activities. From the Chinese nationalistic view, this domination was the expression of foreign imperialism in China.

When taking a closer look at the development of shipping in China, it should be first noted that according to international law, a sovereign state enjoys complete jurisdiction over both land and water within its territory. Inland navigation refers to both coastal and river shipping. Until 1842, China’s strictly limited autonomy over shipping within her own territory was never questioned. The Treaty of Nanking (1843) between Britain and China made no special mention of shipping, referring only in general terms to the carrying on of “mercantile pursuits” but the result was the same as if shipping had been expressly mentioned. In the Treaties of Tientsin (1858/59), navigation rights for British and French vessels were granted even for inland waters and later extended to other treaty powers by virtue of the most-favoured-nation clause. However, navigation of foreign vessels was restricted to the so-called “treaty ports” until this constraint was removed after the lease of Kiaochow to Germany and of Port Arthur to Russia in 1898. The Chinese government then not only agreed to Britain’s demand for her vessels’ access to inland waters but also to further requests such as similar favourable treatment which had been accorded by Peking to Chinese vessels. Afterwards, all restrictions on foreign shipping in China were removed, resulting in absolute freedom of navigation in any part of China. According to a Chinese economic study from the early 1930s, this change signalled that “the zenith of foreign influence over shipping in China was reached and the lowest point of Chinese shipping autonomy”. (Otte, “Shipping Policy in China”, *Chinese Economic Journal*, 8, 4 (1931).

Such a view refers to nationalistic positions which regard the operation of ships under the Chinese flag in Chinese waters as expressions of national autonomy, honour, or pride. From such a point of view, the strong position of foreign flags was and still is regarded as a symbol of Western imperialism in China. The steamship became not only a symbol of modernity in transportation but also a “tool of empire” and the “spearhead of penetration” for opening up the Chinese and East Asian markets. However, such a stance is rather superficial and does not match the historical reality of the time which will be set out further when examining the position of foreign steam coasters in the Chinese shipping market.

In their study on *Western enterprise in Far Eastern economic development* (1954), G. C. Allen and Audrey G. Donnithorne highlighted Western participation in the coastal and river trade of China. The technological superiority of foreign ships fitted the transport requirements of Chinese merchants and this was the main reason why such ships were extensive carriers of Chinese-owned goods. In this field, Chinese and foreigners cooperated closely which resulted in the greater part of the cargoes of foreign vessels engaged in China’s domestic trade being carried for the account of Chinese merchants.

In his study on *Hong Kong as a Global Metropolis* (2000), David R. Meyer introduced the term ‘trade services’ to define various means of services provided by well-capitalised firms to unspecialised, small-scale commodity trades, mostly of Chinese merchants, in the 19<sup>th</sup> century. For example, the trade services of the British company, Butterfield & Swire, included a shipping line, shipping agencies for other lines, insurance, sales and banking agencies which provided increasing profits for the firm until 1900. These huge gains became possible because most Chinese firms had insufficient capital to specialise in these services and especially when it came to owning and operating steamships. In contrast to traditional Chinese junks which dominated shipments of inexpensive, bulk commodities, steamships operated on reliable schedules, almost independent of weather and sea conditions, and offered competitive transport for both low- and high-value commodities, with sufficient insurance.

Even by around 1900, the amassing of the enormous capital required for the purchase, operation and renewal of steamship fleets in China was the exception, not the rule. The most noteworthy exception was the China Merchants Steam Navigation Company which was founded in 1873 with the capital of Chinese merchants in the treaty ports and with Chinese government support. The general impoverishment of China and Southeast Asia (or in Chinese: Nanyang), and the insignificant growth of China’s economy from 1860 to 1910 resulted in trade services, or more specifically transport or shipping services, being provided

by foreign shipping companies. Their main clients were Chinese merchant firms which were parts of efficient domestic and international social networks of capital in Asia. They competed in unspecialised, small-scale commodity trades for which small and medium-sized steam coasters were chartered.

Chartering of foreign steam coasters was done on the basis of trip (or voyage) charters or time charters: in the latter case the shipowner provided the crew and all other necessities to operate the ship. The charterer became the temporary managing owner and was usually allowed to send the vessel wherever he chose, loading it with all kinds of permitted merchandise, the typical feature of tramp shipping. There were no fixed fares for passengers and cargoes but the rates for freight depended on the conditions of the market.

Since the opening of the Suez Canal (1869), the main concern of foreign shipping companies operating in East Asia was their customer base, namely Chinese merchants based in port cities who used steamships to transport their goods around the region. In this respect, mutual benefit was the key factor in business relations between European and other foreign shipowners and Chinese shippers on the China coast. Both relied on smooth day-to-day business relations over a long period to achieve satisfying results and good profits. Taking into account two foreign shipping companies operating in Asia from the 1880s to the First World War – the German M. Jebsen Shipping Company from Apenrade, with its agency Jebsen & Co. in Hong Kong, and the French-Indochinese Tonkin Shipping Company, owned by Auguste Raphael Marty and (until 1904) Jules d'Abbadie in Haiphong – routine dealings with Chinese charterers and shippers were conducted on a co-operative, professional basis. Friendly relations were only strained when external factors became imminent such as political-imperialistic considerations or the appearance of new competition which undercut established sets of rules. In such instances, firstly in 1895 and then from 1909-10, Chinese merchants acted against foreign shipping companies by utilising economic weapons such as boycotts and syndicates (or charter combines), in protest of what were regarded as unfair business practices. The two cases demonstrate that it was costly for both sides: Chinese shippers and foreign shipowners alike suffered huge financial losses as a result. Therefore, it was only to the mutual benefit of both sides that relations should be reconciled.

In the case of 1895, the Frenchman Marty exploited the temporary lack of available steam tonnage for rice shipments on the Haiphong-Hong Kong run to try to monopolize coastal steaming routes in the wider Gulf of Tonkin region. This prompted Chinese shippers in port cities to form a charter syndicate to effectively boycott his ships and they turned instead to the M. Jebsen Shipping Company under the German flag. This event led to an

agreement in the joint organization of shipping services between a Chinese shipping company and the M. Jebsen Shipping Company, paving the way to a close cooperation between the firms for many years. Although the French succeeded in squeezing the Qing government to compensate Marty, his business relations with Chinese shippers were ruined. The backing by an imperialist power such as France was not necessarily to the benefit of foreign business in China. Marty's attempt to monopolize the highly-profitable rice shipping route was not to the advantage of Chinese shippers who regarded mutual benefit as having been destroyed by his unilateral actions. (Bert Becker, "France and the Gulf of Tonkin Region: Shipping Markets and Political Interventions in South China in the 1890s," *Cross-Currents: East Asian History and Culture Review* (Honolulu: University of Hawai'i Press), 4, 2 (November 2015).

The main focus of this paper is the Haiphong Boycott of 1909-10, caused by freight rates on rice between three shipping companies and several Chinese rice shippers in Haiphong, the main port of Tonkin in northern French Indochina. At the time, rice was the main produce of northern French Indochina which was often exported from Haiphong to Hong Kong. Around 690,000 tons of rice, with the value of more than 70 million francs, were shipped annually via the British colony to consumer markets in South China. Rice shipments formed the backbone of coastal shipping in the wider Gulf of Tonkin region. Compared to the often relentless competition in other shipping markets of the Far East, the situation in the Gulf of Tonkin was in some way advantageous. Until early 1907, the German firm Jebsen & Co. and Marty's Tonkin Shipping Company shared almost the entire traffic between themselves. By a kind of tacit agreement, the freight and passage prices of their liners were roughly equal, preventing each from ruining the other in terms of competition.

The expectation that serious competitors would not encroach into their domain proved to be wrong with the sudden appearance of the major British shipping company Butterfield & Swire, generally regarded at the time as the most powerful shipping company in East Asia. Until that moment, the firm was mainly active in northern China where it competed with Japanese shipping companies for lucrative freights. Since company papers of that specific business in this period are not available (the Swire Archives kept by the School of Oriental and African Studies of the University of London do not contain any relevant papers on such aspects), the reasons for the decision to send its ships to southern China remain unknown. However, contemporary observers speculated that the strengthening position of the Japanese flag which brought other flags out of business, and also Butterfield & Swire's expectations of obtaining higher profits in this market triggered the move to establish a new shipping service between Hong Kong, Hoihow, and Haiphong. Beforehand, in April 1907, the British firm

informed Jebsen & Co. about their plans, enquiring confidentially about the German firm's freight tariffs which were duly given. At the time, Jebsen and Marty had fixed the freight rate on rice at 25 cents per rice bag (equivalent to one Chinese picul or 82 kilograms) and also granted the shippers the return commission of 10% on the amount of the freight to be paid at the end of every year.

As a result of Butterfield & Swire's approach, both companies set up a temporary contract about matching lower rates for their rice shipments, namely the reduction from 25 cents to 20 cents per rice bag. With a 20% decrease, the British firm evidently expected to quickly find sufficient transports, settle firmly into the rice shipment market in the Gulf of Tonkin, and keep away the much-feared Japanese competition. Jacob Jebsen, co-owner of Jebsen & Co., agreed to the deal, fearing a ruinous price war with the British company should he, with his smaller firm, not consent. The agreement was valid until Marty had decided whether or not to join the British and German firms. Although the Frenchman and his company was regarded as relatively unfit for business and past their prime, Jebsen feared that, if Marty was pushed out, the French would replace him with a stronger rival which, with the help of government subsidies, would be able to drive Jebsen out of the market, especially when the French would combine with the British.

Jebsen's fear was not unfounded. An article entitled "Against the Germans" appeared in the Haiphong press in June 1907, in which special reference was made to the 'Entente Cordiale' – the Anglo-French entente of April 8, 1904 – and where, as a result of this, it was stated that France in the Far East had the least to fear from Britain, whose successful struggle with Germany would benefit the French.

Having concluded this agreement with Jebsen and later with Marty, the British shipping company officially announced that it would launch the new service which began in early June 1907. The joint agreement worked smoothly but the relatively low freight rate of 20 cents per rice bag, as agreed between the three companies, caused Marty to incur increasing losses. Marty's firm worked less economically than his German and British counterparts, with Jebsen and Butterfield & Swire possessing larger, more modern fleets of steamships which in turn gave them higher flexibility and more profitable businesses. However, any additional agreement such as the number of ships that each firm was permitted to put on the run, was not made.

Freight rates remained the same during most of 1907, as agreed between the three companies and resulting in continuously low profits. On November 10, 1907, and clearly on Marty's initiative, the three firms set up a new joint agreement on the revised uniform freight

rate of 25 cents per rice bag. It marked, in fact, the return to the same rate which had been in force before Butterfield & Swire's entry into the market some months earlier. However, Chinese rice shippers in Haiphong regarded this as an unacceptable price increase of 25%, causing the immediate boycott of the three firms. They instead chartered, in Hong Kong, two steamers under the Norwegian flag offering rice shippers the cut-rate price of 19 cents per rice bag. Since the three firms were not prepared to agree to any reduction in the new rate, their vessels remained idle in Haiphong at the end of November 1907. However, with the high demand for rice in Hong Kong, large stocks of rice in Haiphong, and only a small number of steamers available for such shipments, observers estimated that the boycott would only last for a few weeks.

In the first days of December 1907, the three shipping companies reverted to the previous freight rate of 20 cents per rice bag and business returned to normal later that same month. In 1908, the route between Hong Kong, Hoihow, and Haiphong was frequently served by 6 to 8 Jebsen, 2-3 Butterfield & Swire, and 2 Marty steamers. After their failed attempt to increase the freight rate, the firms once again faced the problem of low profits, only this time those of Butterfield & Swire were always less than Jebsen's, and sometimes even lower than Marty's. As a result of this, the British firm, on March 23, 1909, initiated in Hong Kong a conference with its two rivals in which it was agreed that the freight rate on rice shipped from Haiphong-Hong Kong run should be increased to 26 cents per rice bag, an increase of 30%.

Additionally, after Butterfield & Swire's extra proposal it was agreed that each of the three firms should put only a certain number of ships on the line to avoid an oversupply of tonnage. The step was specifically directed against Jebsen who often put a large number of ships on the run to secure for himself the lion's share of the market. Therefore, Jebsen was only permitted to employ 6 ships, and occasionally another 2 more (which the firm used for coolie shipments to Dutch East India); Butterfield & Swire was allowed to have 4 ships on the run, and Marty would employ his entire fleet of 3 ships and if needed, charter an extra one. The three shipping companies were confident that the Chinese rice shippers in Haiphong, whether they liked it or not, would accept the increased freight rate when facing both the rice harvest of spring 1909 and the difficulty of employing alternative steamers for their rice shipments.

They were frustrated when 6 large rice trading firms based in Haiphong soon formed a syndicate (or charter combine) which then arranged, in Hong Kong, for three Norwegian steamers on trip charter and on time charter the *Victoria* under the Swedish flag for \$5,000 per month. The Chinese combine had collected around \$100,000 from its member firms

which allowed them to offer a cut-rate price of 10 cents per rice bag, an over 61 percent difference from the price fixed by the three firms. According to Jebsen, the minimum price to make such shipments profitable at all was 12 cents per rice bag.

However, from the beginning, three major factors worked against the Chinese:

Firstly, at their meeting on March 23, 1909 in Hong Kong, the three European shipping firms had made contingency plans in case of similar boycott to that of December 1907: they would immediately dispatch their ships after unloading at Haiphong so that they could find other profitable businesses and would not lay them up at the port. In Jebsen's case, he compensated for the lack of rice shipments by instructing his vessels to load other cargoes such as coal and cement shipped from Haiphong and Hongay to Hong Kong and Canton, and also entirely withdrew ships from the run and transferred them to shipping markets in northern China.

Secondly, the *Victoria* had been chartered during an unusual and temporary lull in the freight markets and in May 1909, the charter rates for comparable ships increased to more than 10%. The increase made chartering ships much costlier for the charter syndicate and resulted in lower profitability.

Thirdly, the steamers chartered by the combine returned to Haiphong and were unable to find any considerable cargoes in Hong Kong or Hoihow. Local Chinese shippers in these ports continued loading on vessels belonging to the three firms. Consequently, the actual freight rate for the round trip increased to around 15 cents per rice bag.

In June 1909, the boycott was in full swing after the Haiphong rice shippers had chartered the Swedish steamer *Victoria* and the Norwegian steamer *Fri* on a three-month time charter, in addition to (on trip charter) the *Landrat Scheiff*, belonging to the German trading firm, Siemssen & Co., in Hong Kong. The Chinese position was strengthened by falling freight rates in northern China and shipments from this region to Hong Kong became less profitable for the boycotted shipping companies. Therefore, the rice shippers were not prepared to enter into any agreement but instead time-chartered another Norwegian steamer, the *Fritjof*. Facing the ongoing boycott, Jebsen and Butterfield & Swire decided to lower their freight rate to 10 cents per rice bag, even granting the return commission of 10% on the amount of the freight at the end of every year. It was clear to the firms that at this cut-rate price, any hope of profits was inconceivable. Nevertheless, they undercut prices to defeat the Chinese charter combine.

This hope proved to be premature. In August and September 1909, the Haiphong rice shippers time-chartered the *Victoria* and the *Fritjof* for \$4,400 per month. Jebsen & Co.

countered this by frequently sending one of its vessels to Haiphong just before the chartered steamers called port which resulted in getting around 1,500 rice bags (very little compared to the several thousand bags before) for freight rates ranging from as low as 8 to 10 cents per bag. These small shipments were obtained from Chinese rice shippers who had not yet joined the charter combine. The freight rates could partly be compensated by other shipments, mainly cattle on the Hoihow-Hong Kong run which was almost monopolised by Jebsen. Its strong position in this export trade enabled the firm to hold on and to severely undercut the freight rates of ships chartered by the Chinese combine. Another factor worked against the Haiphong syndicate: rice shipments saw a dramatic decrease because of the heavy floods which had spoilt rice harvests in Tonkin in the summer of 1909, causing the government-general of Indochina to issue an export prohibition on rice. Thus, the combine's two chartered vessels were only able to ship around 8,000 rice bags from Haiphong to Hong Kong. Furthermore, Jebsen had put strong pressure on cattle exporters in Hoihow to make sure that none of the combine's ships could load any livestock at this Chinese port. The dearth of available cargo led to severe financial losses for the charter combine which appeared to crumble when a number of smaller Haiphong rice merchants met Jebsen's comprador, Chau Yue Teng, to discuss the situation with him.

When rice harvests of late autumn 1909 proved to be abundant and the official export prohibition was lifted, the Haiphong rice shippers time-chartered not only the *Victoria* and the *Fritjof* but also the *Fri* and continued boycotting the three firms. Michael Jebsen, the younger brother of Jacob Jebsen, observed: "the Chinese had again declared war on us which will cost them the most. [...] The endurance of the Chinese in this fight is admirable although they lose money with every voyage". He further noted that members of the Chinese combine in Hong Kong had almost nightly meetings where two merchants of the bigger Chinese rice trading companies encouraged the continued boycott of the three firms. Although smaller shareholders of the charter combine were unsatisfied with the financial results achieved, they were suppressed by the power of the two major companies. In view of this, Jebsen kept to his rate of 10 cent per bag which secured him small shipments. By January 1910, according to the German consul in Pakhoi, the members of the Chinese combine, had lost \$30,000 to \$40,000 as a result of the boycott and only carried on in order to save their face and be victorious.

Such hopes seemed to be in vain when, in April 1910, the *Victoria* was re-chartered at the higher rate of \$5,000 per month, reflecting the general trend of increasing charter rates. Having suffered substantial losses from employing vessels which could secure sufficient rice



cargoes from Haiphong but almost no freights from other ports, the Chinese were careful enough to refrain from also chartering the two Norwegian steamers. With only one vessel on hand, it was clear that the expected and abundant rice shipments could not be accommodated and that profits were in danger. With their financial resources drained, these three factors combined gave sufficient motivation for the Chinese to back down.

In joint agreement with Butterfield & Swire and Marty, Heinrich Jessen, the co-owner of Jebsen & Co., then took the lead in arranging negotiations with the shippers. In May 1910, Jessen paid a personal visit to Haiphong to meet the rice shippers and succeeded in convincing them to give up the boycott.

The agreement of May 10, 1910 between the three shipping companies and 6 Haiphong rice shipping companies representing 12 other rice exporting firms, thus 18 “rice hongts” – as they were called in the agreement – fixed freight rates on rice at 22 cents per bag on which the three firms granted the shippers the return commission of 5% ordinary and another 5% extraordinary, altogether 10% in all on the amount of the freight to be paid at the end of every year. Compared to the price of 26 cents fixed in March 1909 which had ignited the boycott, it resulted in the decrease of the freight rate on rice of more than 15% which allowed the Chinese to keep face. The three shipping companies attached conditions to the extraordinary return commission of 5% which was treated as a kind of extra rebate when, for example, rice exporters refrained from shipping on ships other than of the three firms. The most important clause was that the rice shippers promised not to charter any other steamer or steamers for the Hong Kong-Haiphong run while the agreement was in force. They also agreed that a restricted number of steamers of the three European firms should operate on the run to lessen competition and maintain the same freight rates. Only when rice exports increased could more ships be put on the run. Since Jebsen was permitted to occasionally add two extra steamers to his already strong fleet, it was his firm who kept the lion’s share of this market.

On the one hand, the Chinese rice shippers could perceive themselves as victors of the boycott, having brought down the freight rate on rice. On the other hand, the charter combine had, in fact, lost the capital invested in chartering ships while the three boycotted firms had not lost their own capital but their profits. Therefore, there were neither winners nor losers to speak of: both sides had suffered, albeit, in different ways. In the end, it was Jebsen who had defended his strong market position after Butterfield & Swire had consented to put only two ships on the run, in return for Jebsen’s promise to service four of his steamers at the British firm’s dockyard in Hong Kong. Marty’s fleet had already been reduced to three ships after

the French shipowner's steamer, the *Hailan* had been chartered by another French-Indochinese firm in August 1909. These developments led to Jebsen's even larger share in the run and, in future, consolidated his position. However, the low freight rate of May 1910 had eaten into the firm's profits, making Jacob Jebsen, in late 1912, determined to make another attempt to enforce "the urgently needed increase of freight rates on rice".

Patterns of shipping business dealings between Western tramp shipping companies and Chinese shippers can be defined as follows:

1) Imperialist politics only played a role in shipping markets when a foreign government found it important to defend its national prestige and to secure its 'sphere of interest' in China by intervening on behalf of its businesses, as the French did in 1896-97 on behalf of Marty and demanded financial compensation from the Chinese government. However, this was during a period where France was striving to expand its influence in southern China after the Sino-Japanese War of 1894-5. In the end, it ruined Marty's reputation among Chinese merchants and also did not aid France's imperialist ambitions.

2) If such imperialist power-political considerations were not involved, as was usually the case, shipping markets in China were entirely open to competition. In this business, Western shipping companies competed against each other to offer their services to Chinese shippers. Yet they also made joint agreements on freight tariffs and these 'pooling agreements' or 'conferences' were an attempt to avoid damaging competition or even freight wars. In this respect, free market competition was limited to the interest of keeping several firms in the market which was respected by concerned parties, shipping companies and shippers alike. However, conflicts in shipping markets arose when so-called 'outsiders' temporarily entered the market and severely undercut established freight rates. If this led to conflicts with shippers, the firms had to agree to a price reduction or meet harsh reactions from the shippers.

3) Chinese merchants were at liberty to charter ships or load all kinds of cargoes onto ships under all flags. Chinese loaders employed foreign steamers in order to efficiently and safely ship goods around East Asia. Facing joint agreements of shipping companies on freight rates, shippers were principally prepared to accept such arrangements. However, in two cases, such consensus broke: firstly, when 'outsiders' undercut established freight rates and shipping companies were not prepared to agree to certain reductions; secondly, when shipping companies

unilaterally increased freight rates to a level which was seen as unfair by shippers. In both cases, the boycott was the latter's tool to apply pressure on foreign shipping companies.

4) Boycotts in the form of charter syndicates or charter combines, as demonstrated in the case study of the boycotts of 1895 and of 1909-10, required shippers to possess enormous capital to charter ships and to put them on the run. Lacking experience in the shipping business and logistics, this boycott ultimately proved to be costly and was threatened by financial losses, especially when shippers had almost no opportunity of entering their chartered ships into other markets dominated by other shipping companies. However, if carried on long enough, the boycott proved to be an efficient instrument in pushing for reductions and better arrangements with shipping companies.

5) Consulted consular and business correspondences from archives in Denmark, France, Germany, and the UK clearly reveal that conflicts such as boycotts were rather unusual events, and thus they were given more attention and were carefully recorded by foreign consuls and shipowners. In principal, boycotts were exceptions to the usual cooperativeness between foreign shipping companies and Chinese shippers. As outlined here, mutual benefit remained the key factor in business relations on the China coast.