

Original Research Article

The leading role of Shanxi merchants in trade along the tea road

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Abstract: The Tea Road was the third international business road, second to the Land Silk Road and Sea Silk Road. Shanxi merchants in Qing Dynasty played an important role in the Tea Road international trade. They initiated the chain operation of tea trade, pioneered the tea transportation route, initiated and improved the financial system as well as the managerial system of the businesses associated with the Tea Road trade.

Keywords: Shanxi Merchants; the tea road; sino-russia trade

1. Introduction

Tea, originated in China, was one of the country's major export commodities in earlier period. Foreign trade of tea started in Tang and Song dynasties and reached climax in Ming and Qing dynasties. Historically, China's tea was transported to foreign countries by overland or sea routes. The overland route to the north branched into the eastern one, the west one and the middle one. The west one ended in Xinjiang, the east one ended in Northeast China and the middle one was right the Ten-Thousand-Mile Tea Road, with the busiest flow of goods.

It is impossible to talk about the Tea Road without mentioning Shanxi Merchants. Although, as a channel to deliver goods, it was shared by all business civilians neighboring the line during Qing Dynasty, the important trade route was pioneered and predominantly used by Shanxi Merchants. Being 13,000 kilometers in total length from Wuyishan China to Kyakhta Russia with even further extension to Moscow and St. Petersburg, it was the third international business road, second to the Land Silk Road and Sea Silk Road, and once took up a superior niche in the international trade field due to the huge commercial and cultural value it contained.

Earlier in Ming Dynasty, with the implementation of the law of Supplying Garrison with Provisions in Exchange for Salt, Shanxi Merchants, taking the advantage of their location, became the first to enter the frontier markets by transporting and selling supplies to frontier garrison troops. Into Qing Dynasty, they helped the Qing government transport food and grain to garrison soldiers defending the northwest frontier. After the Treaty of Nerchinsk and the Treaty of Kyakhta, frontier exchange between Russia and China boomed and Shanxi Merchants participated in it actively and diversified their categories of commodities.

2. Shanxi Merchants initiated the chain operation of tea trade

One of the characteristics of Shanxi Merchants in running tea business was their chain operation integrating processing, supply, transportation, and sale into one.

Tea processing. Historical literature says that "Yanloudong in Hubei was hilly, hence a great place to produce tea. Although the earliest time of growing tea in this place was unknown, a local book said that when merchants from Shanxi and Anhui passed here inevitably on their way to Hunan for business, they discovered the advantage and started to teach the indigenous people to plant the shrubs and produce black tea and green tea with the tree leaves." By Emperor Xianfeng and Emperor Tongzhi's reigns, the local people, under the instruction of Shanxi Merchants, had been able to produce high-quality green tea. Black tea was the most popular variety produced around Yangloudong, and its annual output reached between 200,000 and 300,000 dan (1dan=100 jin=50 kg), so it was one of Hubei Province's bulk goods. However, the tea was mostly loose, so Shanxi Merchants had to take efforts to pack it. By the middle stage of Emperor Guangxu's reign, Shanxi Merchants had set up factories to process tea leaves. They built nearly 20 factories, with several thousand employees working there, most of whom were local farmers who had lost land.

Long distance Transportation. The transportation of processed tea started from origin places with loads of tea and arrived in Shanxi after traveling by both water and land through several provinces. From Shanxi, they went

on to transport the goods into Russia and Europe via Kyakhta. The whole journey was arduous because they had to cross mountains and rivers and exposed themselves to winds and rains in most time.

Sales. Besides trading with Russia through the port Kyakhta, Shanxi Merchants also sold tea to Mongolia and northwest China including Xinjiang. In Mongolia, most large firms offered the tea and daily necessities to the local government office such as those of aimag or hoso or to the imperial families. Only a small number of them were delivered to ordinary Mongolian yurts by camels led by a local person employed, who was familiar with the ways. The goods were dispatched by several groups, and each group hired one local resident to help deliver the goods. Then the Chinese merchants would purchase leather sheets, livestock and other native products, and transport them back to their parent companies. Most minor firms, however, did their business in the following mode: they went to different residential communities around the base they had established to peddle their goods. Except for a small part which needed cash pay, most of the transactions between the "outsiders" and herdsmen were barter. For example, one sheep could be bartered for two pieces of "three by nine" brick tea; one horse for fourteen "three by nine" brick tea; 3.5. kg wool for one "three by nine" brick tea, etc.

3. Shanxi Merchants were the veritable pioneer of the Tea Road

In the past, due to backward transportation conditions, the global trade of luxury goods such as tea, silk and spices earned huge profits dozens of times higher than their actual value, but the huge risks caused by long-distance transportation were beyond the ordinary business men's ability. Shanxi Merchants, however, were the ones who braved it.

In earlier times of Qing, the goods of tea went by the following route: pass through Fenshuiguan in Chongan County of Nanping Prefecture of Fujian Province into Qianshan County of Jiangxi, where tea was loaded onto ships, which sailed into Poyang Lake by the Xinjiang River. Out of the lake by Jiujiang Outlet, the ships went into the Yangtze River, where they sailed up the stream and then reached Wuchang. In Wuchang, they branched into the Hanshui River, which took them to Xiangfan, where they disembarked and changed to overland route. In Tanghe or Sheqi Town (present-day Sheqi County, called Shilidian in old times) of Henan, they hired mules and horses to carry the goods further north. After passing by Luoyang, crossing the Yellow River, passing through Zezhou of Shanxi, they arrived at Lu'an. Off there, they went by Pingyao, Qixian, Taigu, Taiyuan, Xinzhou, Datong respectively until arriving at Zhangjiakou, where they changed to camel caravans, which traversed the prairies in Mongolia to get to Kulun and further to Kyakhta at the frontier between China and Russia. Furtherly, the goods went to Irkutsk, Ural, Tyumen, and finally St. Petersburg and Moscow.

In Mid-Qing, Shanxi Merchants' goods departed at Anhua of Hunan and then separated into two flows: the overland caravans passed Changde, Shashi, Xiangyang, Zhengzhou into Zezhou of Shanxi, and then went further north to Kyakhta via Zhangjiakou; the goods going by water crossed Dongting Lake, passed by Yueyang into the Yangtze River, which took them to Hankou, where they branched into the Hanshui River. The river led them to Fancheng, where they changed to land road. The road then took them to Zhangjiakou by the ways of Henan and Shanxi. From Zhangjiakou, the goods reached Kyakhta finally.

In the late period of Qing Dynasty, the water way was blocked due to the Taiping Revolt. so, they chose Yangludong and Yanglousi in southeast Hubei as their places of tea resources. From there, goods went by land way to reach the destination.

In summary, the whole journey of the Tea Road in China can be divided into three sections: the south section was from Wuyishan in Fujian to Sheqi in Henan and the main transportation tool was ship; the middle section was from Henan to Zhangjiakou in Hebei and the main transportation tool was cart; the north section was from Zhangjiakou to Kyakhta and the main transportation tool was camel. The final section was especially arduous. As was written in some book: "...for fear of theft, they always joined up to become large caravans. Each caravan was composed of one hundred carts at most. The cart has large wheels, and the wheel difference was small. Each cart was loaded with 250 kilograms of goods, driven by an ox, reined by one person, and followed by a cluster of 10 other carts at least. They travelled during the day and stopped at midnight. Since the oxen had to be fed, they must seek camping sites where there was water to drink. Therefore, their schedule was not fixed, usually thirty or forty miles daily. Each caravan took several dogs with them. When it was time to stop for the night, the carts

would be arranged into an oval array with their dogs staying aside for the convenience of defense. The drivers would stay together outside the tents, and several guards patrolled from time to time. When all the members went to sleep, the dog would take the place of the guards to stay alert.

The following data would explain the size of Shanxi Merchants doing foreign business then: there were only a few businesses in Kyakhta when the international trading port was first established in Emperor Yongzheng's reign while it grew to more than 60 at the beginning of Emperor Jiaqing's reign. Even later, in Emperor Daoguang's reign, the number of tea houses here grew to about 100 (all run by Shanxi natives). In addition, shops run by Shanxi Merchants and Russian merchants for international business also appeared in Uliastay and Chovd.

Four families, namely, the Caos in Taigu, the Qus and the Qiaos in Qixian, the Changs in Yuci, together with Dashengkui, a big tea shop, constituted the five major tea selling groups of Shanxi Merchants. The commonly known "Tea Road" was a main road, and each family had their specific branch lines.

4. Shanxi Merchants initiated and improved the financial system serving the Tea Road trade

To facilitate transactions, Shanxi Merchants invented or used the services of several different financial institutions.

Money shops (old-style Chinese private banks) could be seen commonly in places where tea traders bustled, and money shop bills were widely used in business transactions, which were originally receipts issued by the money shop as the proof of deposits and gradually circulated in the market. The bill, being not quite different from cash and appearing in different forms such as Pingtie, Duitie, Shangtie and so on, were especially popular among Shanxi businessmen, especially in Guihua City.

Another kind of financial institutions was called accounting bureau. Although appeared later than the money shop, it was closely linked to commerce.

Accounting bureau was mainly engaged in the deposit and loan business of industrial and commercial stores. For long-haul tea trade, the commodity circulation cycle lasted for several months, and the funds were occupied, so merchants set up accounting bureaus in important places along the transportation route to facilitate money use.

According to the archives of Qing Dynasty, the earliest accounting bureau was set up in Zhangjiakou in 1736, the first year of the reign of Emperor Qianlong, with an investment of 40,000 taels of silver by a merchant surnamed Wang from Shanxi Province. After that, some Shanxi merchants set up accounting bureaus one after another, and their organizations and businesses developed from Zhangjiakou to Hankou, Duolun, Guihua City and other important towns in Shanxi.

The draft bank specially dealt with the remittance between different areas. The establishment of the draft bank was undoubtedly an important financial invention, which promoted long-distance trade. The first draft bank opened was Rishengchang in Pingyao, Shanxi province, which was established in the early reigning years of Emperor Daoguang. Later, many other shops in Pingyao County and Taigu County modelled on it and switched to exchange business. They set up branches in various important cities and transferred funds to each other. According to statistics, by the end of the 1840s, Shanxi merchants had set up more than 20 draft banks in more than 20 cities, with dozens of branches.

5. Shanxi Merchants initiated and improved the managerial system of the businesses associated with the Tea Road trade

With their perseverance and pioneering spirit, Shanxi Merchants not only promoted the emergence of barter trade and long-distance peddling and the formation of spontaneous Sino-Russian mutual market, but also perfected their managerial system. Internally, they developed the earliest joint-stock management system, where the owner hired managers to run the business and shares were divided into the investment and the non-investment ones. Externally, they created huge nets to enlarge their business.

5.1. Setting up branches to transmit information

To transmit information quickly and timely, some tea merchants set up branches in important areas. These branches exchanged letters with the head office to transmit information in time. For example, Changyuchuan

Tea House had established a nationwide tea marketing network, with its general headquarter situated in Qixian County and 11 branches all over the country. Among them, the branch in Changsha played an important role in collecting market information from tea producing areas while the branch in Hankou was fully responsible for foreign trade business, hence the tea house's window to Britain, Russia and other countries. The head office took its responsibility as well. For example, the experienced general manager in head office of the Chang family would gather the information from the whole country and put forward suggestions based on experience, and then relayed the information to the branches for reference.

5.2. Applying the parent-subsidiary company system

In Qing Dynasty, a new form of business organization, the Lianhao System appeared, similar to the modern parent-subsidiary company system. Funded by an owner, enterprises engaging in different businesses were set into a corporation under the parent company. Entitled to independent accounting, the subsidiary companies could often exchange and share information with each other and support each other in purchasing materials and selling goods.

5.3. Establishing guilds to communicate with townsmen

Shanxi businessmen established guild halls wherever they went. The purpose of this was to unite the fellow villagers and to support each other because these guilds provided places where they would gather, discuss business and deal with all kinds of business affairs, so they were conducive to information communication and transmission. In addition, the guild hall would restrain the improper behavior of the fellow villagers and businessmen, resist the unreasonable demands by the government, and discuss the ways of doing good deeds.

Businessmen usually paid special attention to the construction of guild hall. Sometimes, they would build union guild hall. For example, the Shanxi and Shaanxi Guild Hall in Sheqi, covering an area of about 1.3 hectares, cost more than 100,000 taels of silver and had been built and rebuilt for three times.

5.4. Formulating trade standards

Merchant societies organization was sometimes responsible for recording the trade regulations that needed to be followed by peers. For example, a tablet entitled the General Rules and Regulations of the Merchants Meeting erected in a time unknown recorded that the merchants gathering at Guan Yu Temple at that time stipulated that "a public scale should be able to weigh goods at least 16 taels, and a small steelyard should be rectified by the balance". Those who had violated the rules would be punished by paying for three theatrical performances or in other ways. The tablet named Regulation on Groceries Approved through Public Discussion recorded 18 business regulations, such as "no stopping at the door to meet guests, and render customers freedom to make choices in selecting shop; the violator will be fined fifty taels of silver", "goods is not allowed to sell by the pile, and goods must be weighed one by one", etc. These regulations played a positive role in the establishment and maintenance of the trade order at that time.

From the beginning to the end of the route of tea trade, from the production to sales of tea, Shanxi merchants could be seen everywhere; the historical materials and inscriptions found along the route were mostly related to Shanxi merchants; the cities and guild halls built for the tea trade were also engraved with the marks of Shanxi merchants. Shanxi was not a province to grow and produce tea, but it was its merchants who expended the tea market to Russia and other European countries and became the dominator of the trade along the Tea Road.

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