

# From Supercargo to Mutual Commissioned Trade: Traditional Junk Trade between Lugang Guild Merchants and China Proper during the Qing Dynasty

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## Introduction

Jiaoshang 郊商 (Guild merchants) were merchants who dominated trade between Taiwan and China proper during the Qing Dynasty (1644–1911) and played a key role in the economic history of Taiwan during this period. They formed larger merchant organizations similar to the guild (會館 *huiguan* or 公所 *gongsuo*, merchants or craftsmen associations), in China proper.<sup>1</sup> These merchant organizations, known as *jiao* (郊 guilds, *hangjiao*), quickly became popular in Southern Fujian and Taiwan. Previous research has focused mainly on guilds, rather than discussing the operations of individual guild merchants. It describes the types, organization, function and membership composition of the guild and has furthered our understanding in these specific areas;<sup>2</sup> however, further research into the operational mechanisms of the external trade of guild merchants is still much needed.

The recent discovery of the nineteenth century trade letters of the Xu family (hereafter *Xu Trade Letters*) in Lugang 鹿港, a port city in central Taiwan, has paved the way for more in-depth research into the patterns of traditional junk trade. The Xu family was one of the Quan Guild merchants in Lugang, and became one of the six most successful trade merchants and the wealthiest family in Lugang during the period of Japanese occupation.<sup>3</sup> While the Xu Trade letters date from the late nine-

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1 For discussions on the *huiguan* and *gongsuo* in China proper, see Ch'üan Han-sheng 全漢昇, *Zhongguo hanghui zhidu shi* 中國行會制度史. (Shanghai: Shengming publishing, 1935); Ho Ping-ti 何炳棣, *Zhongguo huiguan shilun* 中國會館史論. (Taipei: Xuesheng publishing, 1966); Kwang-ching Liu, "Chinese Merchant Guilds: An Historical Inquiry", *The Pacific Historical Review* 1:57 (1988), pp. 1–23; Ch'iu P'eng-sheng 邱澎生, *Shiba, shijiu shiji Suzhou cheng de xinxing gongshangye tuanti* 十八、十九世紀蘇州城的新興工商團體, 1700–1900. (Taipei: National Taiwan University Press, 1990).

2 Lin Yu-ju 林玉茹, Lee Yu-Zhung 李毓中, *Zhanhou Taiwan de lishixue yanjiu: Taiwanshi, 1945–2000* 戰後臺灣的歷史學研究回顧 1945–2000: 臺灣史. (Taipei: National Council of Science, 2004), chap. 3, pp. 33–74.

3 For an analysis of the characteristics and importance of Xu's Trade Letters, see Lin Yu-ju 林玉茹, "Daodu: luelun shijiu shijimo bianjuxia lugang jiaoshang de siyin yu maoyi—yi xu zhihu jia maoyi wenshu wei zhongxin 導讀: 略論十九世紀末變局下鹿港郊商的肆應與貿易——以許志湖家貿易文書為中心", *Lugang jiaoshang xu zhibu jia yu dalu de maoyi wenshu, 1895–1897*

teenth century, they detail the deployment of traditional Chinese junks, thus shedding light on the mechanisms of trade of the Lugang guild merchants with the outside world as early as the eighteenth century, when Lugang became a main trading port.

During the Qing Dynasty, Lugang (see map 1) emerged as one of Taiwan's three main ports. In 1784, the Qing government officially declared it the matching official port (正口 *zhengkou*) of Hanjiang 蚶江, Quanzhou 泉州, making it the foremost import and export center in Central Taiwan<sup>4</sup> (see map 2). Its importance as a collection and distribution center in Central Taiwan remained unchallenged until the completion of the Central Railway in 1905.<sup>5</sup>

Throughout the Qing Dynasty, Lugang was widely recognized as a trade center for traditional Chinese junks and the Quan Guild (泉郊 *Quanjiao*),<sup>6</sup> a situation that had emerged long before it was officially opened for trade. The Quan Guild was an organization of merchants conducting business between the ports of Lugang and Quanzhou. In its financial heyday, it had over one hundred firms (商號 *shanghao*, commercial houses).<sup>7</sup> Lin Rimao 林日茂, the most powerful firm in Lugang during the Qianlong and Daoguang periods (1736–1850) of the Qing Dynasty, was one of its members.<sup>8</sup>

In addition to the active commercial trade between Lugang and Quanzhou, there was also an ongoing migration from Quanzhou to Lugang.<sup>9</sup> Interestingly, the Quan Guild in Lugang and the Lu Guild (鹿郊 *Lujiao*) in Quanzhou were both part of the same merchant organization.<sup>10</sup> That is to say, Quan Guild was made up of

鹿港郊商許志湖家與大陸的貿易文書 1895–1897. Edited by Lin Yu-ju and Liu Hsü-feng. (Taipei: Institute of Taiwan History, Academia Sinica, 2006).

- 4 The development of Lugang and how it came to be one of three biggest ports in Taiwan, cf. Lin Yu-ju, *Qingdai Taiwan ganggo de kongjian jiegou* 清代臺灣港口的空間結構. (Taipei: Zhishufan, 1995), chaps. 5 and 6, pp. 169–260.
- 5 Donald R. DeGlopper, *Lukang: Commerce and Community in a Chinese city*. (Albany: State University of New York Press, 1995), p. 77.
- 6 Kuo Yung-k'un 郭永坤, "Lugang jiao zhi shiliao jiling 鹿港「郊」之史料集零", *Sbilian* 6 (May 1985), pp. 24, 33–35.
- 7 This can be observed from the large amount of donations and high membership of the Quan Guild. Liu Chih-wan 劉枝萬, *Taiwan zhongbu beiven jicheng* 臺灣中部碑文集成, *Taiwan wenxian congkan* 臺灣文獻叢刊, issue 151, p. 129; Donald R. DeGlopper, *Lukang: Commerce and Community in a Chinese city* (1995), p. 163.
- 8 Yang Yen-chieh 楊彥杰, "Lin Ri-mao jiazhu jiqi wenhua 「林日茂」家族及其文化", *Taiwan yanjiu jikan* 臺灣研究集刊, issue 4 (Dec. 2001), pp. 23–33.
- 9 *Luko fuzoku ichihan* 鹿港風俗一斑. (Manuscript copy, 1896). Originally preserved in the Guoli Taiwan daxue renleixue xi tushuguan 國立臺灣大學人類學系圖書館, this manuscript basically reports on the situation of markets, customs, official system, trade and commerce, population and local products in 1896. Cf. also Ch'en Ch'i-nan 陳其南, *Taiwan de chuantong Zhongguo shehui* 臺灣的傳統中國社會. (Taipei: Yunzhen wenhua, 1987), pp. 186–187.
- 10 The *jiao* in Taiwan and Fujian that matched with the same name should be deemed to be the same merchant organization. For example, the Quan Guild of Mengxia 艋舺 and the Dan Guild (淡郊 *Danjiao*) of Quanzhou were both called Jinjinshun 金晉順. Zhuang Weiji 莊為磯, Wang Lianmao 王連茂, *Mintai guanxi zhupu ziliao xuanbian* 閩臺關係族譜資料選編. (Fuzhou:

both mainland<sup>11</sup> and local Lugang merchants. Large mainland firms also opened branch stores in Lugang, known as *liancaiduibao* (聯財對號 firms operating businesses in both places under the same name and same owner).<sup>12</sup> Some firms also established their head offices in Lugang,<sup>13</sup> such as that of Xu Zhihu's 許志湖 family.

Since the junk trade patterns of individual guild merchants are so rarely examined, using Xu Zhihu's family as a case study, this paper attempts to reconstruct the mechanisms through which traditional guild merchants in Lugang conducted business with the outside world, in order to illuminate and understand the variety of business strategies used by guild merchants during the Qing Dynasty. Further, this paper explores the following issues: First, what skills did guild merchants utilize and what role did land acquisition play in the Taiwanese guild merchants' business strategy? Second, how and why did the mechanisms of junk trade between Lugang and Quanzhou during the Qing Dynasty develop from the more common supercargo enterprise to a unique system of mutual commissioned trade? And how did the new system promote the creation of cooperative trade blocks? Third, given Taiwan's prosperous external trade during the Qing Dynasty, why did remittance banks and native banks not become as popular in Taiwan as they were in China proper?

The above mentioned issues will be discussed in three sections below. Section one describes how the Xu family established and developed their business. Section two uses the Xu family trade letters as a case study to better understand their business pattern of junk trade. Section three analyzes how the trade mechanism of the Quan guild merchants led to the emergence of mutual commissioned trade.

### From rice merchant to guild merchant

Originally from Jinjiang County 晉江縣, Quanzhou Prefecture, Fujian Province, the family of Xu Zhihu 許志湖 (1841–1901) migrated to Taiwan as late as the Qianlong Period (1736–1796).<sup>14</sup> They settled in Niuxutou 牛墟頭, a village in Lugang, where Xu established the Chunsheng firm 春盛號 and Qianhe firm 謙和號<sup>15</sup>. Niuxutou

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Fuzhou Renmin chubanshe, 1984), p. 469; Huang Tien-ch'uan 黃典權, *Nanbu Taiwan beiben jicheng* 南部臺灣碑文集成. *Taiwan wenxian congkan*, fasc. 218, p. 322.

11 Mainland China is a term used in this paper to describe China proper, and geographically describes the area of the Chinese empire during the Qing dynasty. During that period, Taiwan was a prefecture of Mainland China.

12 *Lukō fuzoku ichiban*; according to the epitaphs of Rebuilding Qixing 七星 Bridge in Hanjiang in 1881, Lin Xiexing 林協興 and Wang Shunan 王順安 of Hanlu 蚶鹿 were two firms with branches in both Hanjiang and Lugang. Lin Tsu-wu 林祖武, "Hanjiang lulu jiaotong gaikuang 蚶江陸路交通概況", collected by the Shishi City Historical Data Group, *Shishi menshi ziliao* 石獅文史資料, vol. 3. (Shishi: published by the editor, 1994), pp. 58–59.

13 For discussions on the evolvement of local guild merchants in Taiwan, cf. Lin Yu-ju, *Qingdai zhuqian diqu de zaidi shangren jiqi huodong wangluo* 清代竹塹地區的在地商人及其活動網絡. (Taipei: Lianjing Books, 2000), pp. 183–184.

14 According to an interview with Mr. Xu Zide on May 11, 2005.

15 These two firms were used by the Xu family to purchase a great deal of land in Zhanghua county; however, the Qianhe firm was more commonly used and thus better known.

was a distribution center for agricultural products and the production base of Lugang rice and the central location of the Xu's lineage.<sup>16</sup>

Xu Zhihu (also called Xu Hu) grew up in a poor family, and lost his father at the age of seven. However, his rise was not a surprise since he exhibited diligence and frugality<sup>17</sup> and was greatly helped by the power and many social connections of his family clan.<sup>18</sup> The partnership between the Qianhe firm and Xu Zhihu's relative, Xu Yousheng (許友生), in creating the Qiafa firm (洽發號) for transporting goods from the mainland, serves as a good example of such cooperative relationships.

As late as the 1870s, Xu Zhihu started his business in wholesaling rice and importing and exporting various commodities. He also rented out three storefronts to cover his business and family expenses.<sup>19</sup> Furthermore, Xu lent money to other firms and residents in Lugang and earned interest from these loans.<sup>20</sup> He also lent rice to them and collected a percentage of the rice harvest from subsequent seasons as payment. This form of payment was known as "interest-rice" (利息穀 *lixigu*).<sup>21</sup>

Towards the end of the 1890s, Xu Zhihu purchased large pieces of land in Zhanghua County 彰化縣, in particular in the Lugang area, making himself a great landowner (大租戶 *da zūhu*) as well as a small landowner (小租戶 *xiao zūhu*).<sup>22</sup> At times, the annual rent rice of the Chunsheng firm surpassed 2,000 picul (石 *dan*),<sup>23</sup> not including the "interest-rice" brought about by redemption sale (典 *dian*) and conditional sale (胎 *tai*).<sup>24</sup>

16 Lin Huicheng 林會承, *Qingmo lugang de jiejhen jiego* 清末鹿港的街鎮結構. (Taipei: Jing and Xiang Publishing, 1983), pp.77–78.

17 *Taiwan nichinichi shinpo* 台灣日日新報, June 12, 1907, 4th edition.

18 Traditional Chinese merchants tend to operate business within the family or lineage, see: Cynthia J. Brokaw, "Commercial Publishing in Late Imperial China: The Zou and Ma Businesses of Sibao, Fujian", *Late Imperial China* 17.1 (1996), pp. 79–80; Madeleine Zelin, *The Merchants of Zigong*. (New York: Columbia University, 2005), chapt. 4, pp. 74–115; Robert Gardella, "Contracting Business Partnerships in Late Qing and Republican China", in Madeleine Zelin, K. O. Jonathan, Robert Garadella (eds.), *Contract and Property in Early Modern China*. (Stanford: Stanford University Press, 2004), p. 338.

19 *Xu's Trade Letters*, nos. 038, 032.

20 In 1896, the Xu family loaned 200 Yuan to the Xumiansheng firm 許綿盛號; 65.85 taels to the Jinmaochun firm 錦茂春號; 28 Yuan to the Xingyuan firm 興源號; 100 Yuan to the Rige firm and 400 Yuan to the Cheng Quan'an 陳泉安. *Xu's Trade Letters*, nos. 028, 032, 034, 045, 047.

21 *Xu's Trade Letters*, no. 030.

22 During the Qing Taiwan, almost every piece of land had two owners: the great landowner and the small landowner. The great landowner had the right of ownership in the form of a government license and thus paid property tax, while the small landowner was responsible for cultivating the land and so paid rent to the great landowner. The land of the Xu family was mostly located in Lugang Township, Fuxing Township 福興鄉 and Dacun Township 大村鄉, cf. Lin Yu-ju, "Guided Reading".

23 *Xu's Trade Letters*, no. 028.

24 Both *Dian* and *Tai* were carried out by both "small right" and "large right" landowners who collected rents directly from tenants. *Dian* refers to cases in the landowner transfers rights when the full rent from a piece of land is collected in exchange for a loan. *Tai* refers to cases

The “interest-rice” derived from loans, redemption sale and conditional sale were three other major sources that supplemented the Xu family’s rice income. For each one hundred foreign silver coins (佛銀 *foyin*) lent, the annual interest-rice was ten piculs, 70% of which was collected at the first rice harvest while the last 30% was collected at the second rice harvest.<sup>25</sup> The Xu family attached great importance to the rice of the first harvest as it was considered to be of better quality and could thus fetch a higher market price.<sup>26</sup>

With large amounts of rice income, the Xu family not only established traditional mills (土礱間 *thô-lâng-keng*, Taiwanese term) to husk its own rice, but also opened up a rice warehouse (米行 *mihang*). The rice would be sold to rice brokers, sold directly at its own rice shops, or at mainland markets.<sup>27</sup> Moreover, the Chunsheng firm also sold rice to other rice shops and warehouses in Lugang, such as those of the Ruixing 瑞興號 and Jinyi 錦義號 firms.<sup>28</sup> Generally, the Xu family controlled the production of rice, for their business encompassed wholesale rice, brokering and exporting, demonstrating the flexibility and diversity of its rice business.

It is recorded in the *Zhanghua County Gazetteer* 彰化縣志 that: “Those who hoarded grain in their native-place for speculation purposes are mostly local rich families.”<sup>29</sup> Typical of its kind, the Xu family owned a great deal of land while running its own rice business. Apart from selling rice at local markets, they also sought access to the mainland market by selling to mainland junks or on occasion organizing a transportation fleet.<sup>30</sup> Hence, some of these rice merchants got involved in the import business through the rice trade,<sup>31</sup> and developed into local guild merchants that later dominated the cross-strait export and import trade.

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in the landowner transfers rights when only part of the rent due on a piece of land is collected in exchange for a smaller loan.

25 “Lugang jiaohang chunsheng jishi liyi beivanghu”, manuscript.

26 Taiwan ginkou sōmubu kesanka 臺灣銀行總務部計算課, *Daichiji Taiwan kinyō jikō sankōsho furoku* 第一次臺灣金融事項參考書附錄. (Taipei: published by the author, 1902), p. 278; Daizōjō lisaikyō 大藏省理財局, *Taiwan keizai jijō shisatsu fukumyosho* 臺灣經濟事情視察復命書. (Tōkyō: Ōkurashō rizaikyoku 大藏省理財局, 1899), p. 101.

27 *Xu’s Trade Letters*, No. 023, 024, 028, 041, 052.

28 *Ibid.*, no. 032.

29 Zhou Xi 周璽 (*jinshi* 1799), *Zhanghua xianzhi* 彰化縣志 (1830). (Taipei: Taiwan yinhang jingji yanjiu-shi 台灣銀行經濟研究室, 1962). *Taiwan wenxian congkan* 臺灣文獻叢刊, fasc. 156, p. 290.

30 *Taiwan keizai jijō shisatsu fukumyosho* (1899), p. 112.

31 According to Wang Shih-ch’ing’s research, a small landowner in Taipei, Guangji 廣記, received 1000 dan of rent rice every year, while also managing one rice firm and one cloth firm, and investing in other firms in Quanzhou. Cf. “Shijiu shiji zhongye Taiwan beibu nongchun jinrong zhi yanjiu 十九世紀中葉臺灣社會經濟”, *Qingdai Taiwan shehui jingji* 清代臺灣社會經濟. (Taipei: Lianjing Books, 1994), pp. 1–72.

The operational pattern of the Chunsheng firm was similar to that of other traditional family-owned firms,<sup>32</sup> hiring five employees bound to the Xu family by blood, marriage or place of origin.<sup>33</sup> To ensure business stability, the relationship between the business owner and the manager was also based upon friendship, family ties and loyalty. Yang Qia (楊鉗 1866–?), who had the absolute confidence of Xu Zhihu, was a bookkeeper (記帳 *jizhang*) who later rose to be manager (家長 *jiazhang*) of overall business operations.<sup>34</sup> Yang was also a son-in-law of the Xu family.

Apart from the rice import and export business, they received other income from investments in firms in Lugang and Quanzhou. The Xu family had a joint venture with the Zhencheng firm 振成號 of Lugang, and invested in the Lianxing firm 連興號 in Lugang, the Qinglongtai firm 慶隆泰號, Dongcheng firm 東成號 and Youyi firm 有益號 in Yongning 永寧 County, Quanzhou, each with an investment ranging from two to five hundred yuan.<sup>35</sup> Though the risk of bankruptcy (倒號 *daohao*) existed,<sup>36</sup> such investment could be very profitable, with a two-year return rate of nearly 50%.<sup>37</sup> Partnerships between merchants in Lugang and Quanzhou were very popular in the form of cross-strait trading partners, holding shares in each other's businesses, or establishing joint ventures.<sup>38</sup> Thus, we can see that, apart from investing in land, guild merchants also engaged in various other kinds of business investment using their trading network.

Towards the end of the Qing Dynasty, the Xu family's settlement in Lugang, together with their extensive social network, made them one of Lugang's most successful local guild merchants. After China lost the first Sino-Japanese war and Taiwan was ceded to Japan in 1895, the Xu family temporarily moved to Jinjiang County, Fujian Province, but returned to Lugang soon after the situation had stabilized.<sup>39</sup> During the Japanese occupation, Xu Zhihu continued his import and export business and became a powerful trade merchant in Lugang. In particular, the in-

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32 Of course, family-run businesses were also popular in other parts of Asia, in Europe and the United States during the 19th century, and remain so today. Geoffrey Jones and Mary B. Rose describe many benefits in flexibility and development of 'family capitalism' in their article entitled "Family Capitalism", *Business History* 35, no. 4 (October 1993), pp. 1–16, and many such benefits are apparent when examining the history of the Xu family. This recent research contradicts many of the previous stereotypes on the limited success of such businesses.

33 Wellington K. K. Chan, "The Organizational Structure of the Traditional Chinese Firm and Its Modern Reform", *The Business History Review* 56:2 (1982), pp. 219–222.

34 For more information about Jizhang and Jiazhang, cf. Taiwan sotokufu rinji Taiwan kyukan chōsakai 臺灣總督府臨時臺灣舊慣調査會 (ed.), *Taiwan shihō* 臺灣私法. (Tōkyō: printed by the author, 1911), vol. 3, pp. 252–254.

35 *Xu's Trade Letters*, nos. 001, 041, 063, 082, 083.

36 *Xu's Trade Letters*, no. 001.

37 In 1895, the Zhanyushun firm 詹裕順號 invested 500 Yuan in the Dongyi firm and cashed out in two years for 700 to 756 Yuan. *Xu's Trade Letters*, no. 082.

38 For example, the Dongyi, Qifa and Qianhe firms all invested in the Youyi firm in Quanzhou.

39 For more information about the movement of the Xu family between Lugang and Quanzhou, see: Yu-ju Lin, "Guided Reading".

creasing demand for rice in Northern Taiwan at the end of the nineteenth century<sup>40</sup> provided numerous business opportunities for Lugang rice merchants, who made big profits selling rice to Danshui 淡水, giving rise to the Lugang Guild (also called the Danshui Guild in Lugang). The Danshui Jiao comprised 50% of the total business volume of the Xu family in 1898. Furthermore, the geographical scope of their trade was no longer only confined to Lugang and Quanzhou, but extended to Taipei, Fuzhou 福州, Quanzhou and Xiamen.<sup>41</sup>

On the other hand, the transfer of sovereignty from the Qing Dynasty to Japan clearly influenced the traditional patterns of guild merchants' trade operations in Taiwan. After the Japanese annexation, transportation between Taiwan and the mainland ports was re-categorized from one of domestic distribution to foreign trade. Due to shifts in Japanese colonial policy and the introduction of steamboat transportation, after 1899 the Xu family gradually became focused on Taipei, Fuzhou and Xiamen, and began transporting rice and other various commodities by steamboat in 1900. Traded commodities also changed from cloth and tobacco, to metal, pottery and bricks.<sup>42</sup> After five years of Japanese rule, the trade pattern of the Xu family had changed, departing from the traditional junk transportation of the Qing Dynasty and the original operational pattern that focused on trade between Lugang and Quanzhou.

In general, up until 1898, the Xu family maintained a traditional operational pattern of Taiwanese merchants, and was skilled at diversifying investments and conducting junk trade with Quanzhou. Drawing upon the Xu Family Trade letters, the next section will examine the Xu family's business pattern that featured the Chinese junk operation.

### A case study of the evolution of the business pattern of the Qianhe firm

The firms in Quanzhou and Lugang often referred to their trade activities as Pei 配, also known as “*peiji-shengli* 配寄生理” and “*peiyun-shengli* 配運生理” in official documents.<sup>43</sup> *Peiji shengli* referred to activities conducted by guild merchants, such as purchasing native products (*zhongzai* 重載, heavy loads) at the production areas and transporting them to cities in Taiwan and the mainland for sale, while importing articles for daily use (*qinghuo* 輕貨, light commodities) from the mainland to sell in Taiwan. Some bigger guild merchants even had their own junks and were called shipping firms (船頭行 *chuantou hang*) while the smaller ones brokered the purchase of local products and the sale of commodities from other ports and charged a commission of 2%, which gave them the name of “98% firms” (九八行 *jiuba*

40 Lin Man-hung 林滿紅, *Cha, tang, zhangnao ye yu wangqing Taiwan zhi shehui jingji bianqian* 茶、糖、樟腦業與臺灣之社會經濟變遷 1860–1895. (Taipei: Lianjing, 1997); Wen Zhenhua 溫振華, “Qingdai Taiwan hanren de qiye jingshen 清代臺灣漢人的企業精神”, *Shida lishi xuebao* 師大歷史學報 9 (1978), p. 14.

41 “*Lugang jiaohang chunsheng jisi liyi beiwangbu*”.

42 Ibid.

43 Lin Yu-ju, *Qingdai zhuqian diqu de zaidi shangren jiqi huodong wangluo*, Appendix 3.

*hang*).<sup>44</sup> Xu's Qianhe firm was a typical broker of this kind. From December 1895 to November 1897, the Xu family engaged in at least 23 trading activities between Lugang and Quanzhou. This period could be subdivided into three different business patterns (Fig 1).

(1) *From December 1895 to July 1896: Commissioning Dongyi and Fengsheng firms in Quanzhou to do business*

The business pattern of this period was to commission the purchase and sale of products between the Chunsheng firm of Lugang and the Dongyi firm 東益號 and Fengsheng firm 豐盛號 in Yongning City, Jinjiang County, Quanzhou Prefecture, Fujian Province. From December 1895 to April 1896, such trade was conducted eight times, of which four times involved exporting rice from Lugang to Quanzhou, and four engaged in the import of products from Shanghai and Quanzhou to Lugang. The transporting of rice occurred nearly every four to six weeks. Altogether, the amount of the first-harvest rice (螺米 *luomi*) was 120 *dan*, and that of the second-harvest rice (萬米 *wanmi*) was 50 *dan*. The import commodities included tobacco, cloth and peanut oil. During the period from January 1895 to April 1896, tobacco was imported to Lugang every four months. Transportation was carried out by three junks, the most significant of which was the "Jinfengshun 金豐順"<sup>45</sup>. This junk belonged to the Dongyi firm and travelled between Xiamen, Quanzhou and Lugang,<sup>46</sup> and undertook 75% of the total transportation volume during this period, making it the main transportation force. With the exception of the transportation of peanut oil from Shanghai, the firms in Quanzhou mostly transported their products using their own junks.

The commissioning relationship between firms in different overseas locations can be defined as follows: the Fengsheng firm or Dongyi firm in Quanzhou acted as brokers in charge of the sale of rice from the Chunsheng firm and this led to transporting products back to Lugang. Products purchased included tobacco from the Hengcheng firm 恆成號 in Xiamen, and cloth from the Fengshen or Dongyi firms in Quanzhou. The trade between Shanghai and Lugang was also commissioned to the Fengsheng firm, which acted as a middleman: ordering peanut oil from the Hengyi firm 恆益號 in Shanghai and transporting it directly to Lugang by junks. Once the shipment was aboard, the Hengyi firm would simultaneously inform the Chunsheng firm in Lugang and Fengsheng firm in Quanzhou by giving them an itemized manifest of the ship's cargo. However, all transportation fees, taxes and products would be commissioned by the Fengsheng firm.<sup>47</sup>

44 *Taiwan shihō*, vol. 3 (1), p. 212.

45 Documentation for the "Jinfengshun" had a "corporate seal" meaning it was a joint venture. *Xu's Trade Letters*, nos. 002, 007, 076.

46 *Ibid.*, nos. 053, 076.

47 *Ibid.*, nos. 060, 061.



In Lugang, the Lianxing firm was a joint venture of several local families including the Xu's, and sold ceremonial gold paper in Lugang on commission for the Dongyi firm. Additionally, the Chunsheng firm would buy products on commission for the Dongyi firm and send them back to the mainland.

The Xu family's two brokers in Quanzhou, the firms of Fengsheng and Dongyi, both belonged to Gao Majin's 高媽禁 family of Yongning, the captain (出海 *chubai*)<sup>48</sup> of the "Jinfengshun". Dongyi was a 98% firm that was also involved in shipping, while the Fengsheng firm was only a 98% firm that sold Chunsheng's rice and purchased peanut oil from Shanghai.<sup>49</sup>

Generally, at this stage, the Chunsheng firm was based in Quanzhou, and was engaged in a triangular trade pattern between Quanzhou, Shanghai and Lugang, in addition to Quanzhou, Xiamen and Lugang. This triangular network established the commissioned trade between the Xu and Gao families in Lugang and Quanzhou respectively. In turn, the Gaos served as Xu's broker for trade between Ximen and Shanghai.

(2) *From July 1896 to May 1897: Conducting business directly through the Qianhe firm*

Owing to the uncertain conditions arising from the Japanese takeover in 1895, the Xu family, and many other merchant families, moved back to Quanzhou temporarily. On July 30, the Zhencheng firm in Lugang began transporting its own rice along with that of the Chunsheng firm to Zhihu in Quanzhou, rather than using a broker or middleman as they had done in the past. This marked the beginning of the second stage of business development, and demonstrated the flexibility of Lugang's guild merchants.

At that time, the Chunsheng firm was managed by Yang Qian and supervised by Wang Jinpo 王金波 from the Zhencheng firm in Lugang.<sup>50</sup> Meanwhile, the Chunsheng firm also sold its own rice to the Jinyi firm, which belonged to Xu Zhihu's brother's son-in-law, Cai Dunpo 蔡敦波, who transported it to mainland markets.<sup>51</sup> As suggested by Wang Jinpo, Xu Zhihu opened a firm in Yongning, Quanzhou, to handle product purchases in Quanzhou and the sale of rice from Lugang. As the Zhencheng firm's junks arrived at Quanzhou, Xu Zhihu also chose local business sponsors for them (*yibang* 倚行).<sup>52</sup> Before Xu Zhihu moved the family back to Lugang in May 1897, trade between the Qianhe firm in Quanzhou and the Chunsheng and Zhencheng firms in Lugang played a dominant role.

From July 1896 to March 1897, trade between the two places was carried out nine times, and it mainly involved selling rice of the Zhencheng or Chunsheng firms from Lugang to the Qianhe firm in Quanzhou. The Chunsheng rice was pri-

48 *Chubai* is a Chinese term combining the role of captain with that of a supercargo officer: purchasing on behalf of a Mainland or Taiwanese firm.

49 Ibid., nos. 003, 006, 060.

50 Ibid., nos. 022, 023, 052.

51 Ibid., nos. 023, 028, 052.

52 Ibid., no. 031.

marily transported to the mainland by the Zhencheng firm. It differed from the first stage of transportation in that Xu Zhihu shipped the rice himself without using another local Quanzhou company to distribute his product for sale while also purchasing commodities. The transportation was frequent and mostly during the first rice harvest season. Rice exported was from the first harvest. Even at the end of November, which was the season of the second harvest, first harvest rice was still the main rice exported. It is clear that the first harvest rice was warmly welcomed in Quanzhou and thus favored by guild merchants.

Despite the absence of records of products transported from the Qianhe firm to the Zhencheng firm in Lugang, letters between them show that products, such as cloth, tobacco, and ceremonial gold paper purchased by the Xu family, were sold by the Zhencheng firm on commission, or by the Zhenfengcheng firm 振豐成號, a joint venture of the two firms.<sup>53</sup> The products purchased by the Qianhe firm for the Zhencheng firm were fir, wood, cloth, ceremonial gold paper, kerosene and matches (see Fig 1).

In the first stage the Xu family used the junk “Jinfengshun” to transport the majority of its cargo, but during the second stage, the Zhencheng firm shipped products of the Xu family using two junks of their own, in addition to five other hired junks. These boats all travelled between Meilin 梅林, Shenhū 深滬 and Lugang.<sup>54</sup> The boats of the Zhencheng firm were the most frequently used ones in its trade with the Qianhe firm in Quanzhou. However, during the hot season of rice exports, other boats were hired to meet the tremendous demand.<sup>55</sup>

The Zhencheng firm was the main broker of the Qianhe firm in Lugang. It was founded as early as the Jiaqing 嘉慶 period of the Qing Dynasty, and was a member of the Quan Guild.<sup>56</sup> With three boats, two of which were used to ship Xu family cargo,<sup>57</sup> its business covered transportation, rice and wholesale commodities. The partnership between the Zhencheng and Qianhe firm was a close one. As early as 1895, they began to jointly transport sugar to Ningpo 寧波, carried products from Fujian to Lugang, and set up a joint venture: the Zhenfengcheng firm.<sup>58</sup> It is no wonder that, when the Xu family moved to Quanzhou, it asked the Zhencheng firm to take care of its business,<sup>59</sup> while Xu Zhihu took care of Wang Jinpo’s family in Quanzhou.<sup>60</sup> It is apparent that both sides were closely bound to each other by way of long-term cooperation and friendship, permitting Xu Zhihu to entrust business to Wang Jinpo and to run a cooperative business between Lugang and Quanzhou.

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53 Ibid., nos. 041, 043.

54 Ibid., nos. 024, 025.

55 Ibid., nos. 025, 029, 043.

56 Liu Chih-wan, *Taiwan zhongbu beimen jicheng*, p. 129.

57 *Xu’s Trade Letters*, nos. 025, 033.

58 Ibid., nos. 041, 042, 063.

59 Ibid., nos. 028, 041.

60 Ibid., nos. 025, 043.

However, it was not without difficulty that the Qianhe firm started its business in Quanzhou. As product purchases required the support of local business connections and because the business of the Xu family had formerly been limited to Quanzhou, Xu Zhihu had great difficulty purchasing goods in Xiamen and Shanghai, to the extent that he “was totally clueless where to purchase goods”, because he was unfamiliar with these new locations and had not established a network there.<sup>61</sup> The Qianhe and Zhencheng firms also commissioned a former partner, the Huoyuan firm 活源號, to purchase goods on their behalf.<sup>62</sup> This shows that, in addition to complementary trade between Lugang and Quanzhou, Lugang’s guild merchants would sometimes ask other shipping firms to purchase mainland goods.

*(3) From May 1897 to December 1897: Commissioning the Dongcheng firm in Quanzhou to purchase cloth*

In May 1897, the Xu family decided to accept Japanese nationality and move back to Lugang, shifting their business pattern accordingly. Upon arriving in Lugang, Xu Zhihu immediately sent a message to the Dongcheng firm in Yongning, Quanzhou, informing it of the latest business situation and commissioned it to purchase cloth and transport it to Lugang.<sup>63</sup> Thus the trade relationship of the first stage between the Qianhe firm and Gao’s family in Yongning was revived and would last until the sinking of the “Jinfengshun” in December.

The business cooperation actually lasted for just over four months, from July to November of 1897, during which time the Dongcheng firm transported cloth from Quanzhou and Shanghai to Lugang four times, with intervals varying from ten days to two months. The total trade volume was 60 rolls.

Importing cloth from Shanghai and Quanzhou and selling it in Lugang characterized the trade of this stage. In the second half of 1897, Xu Zhihu focused exclusively on the cloth trade, frequently commissioning the Dongcheng firm to purchase cloth while giving up tobacco previously bought from Xiamen.<sup>64</sup> This shift of business lines came with Cai Dunpo’s message in May 1897 that due to the outbreak of bubonic plague in Quanzhou, and the resulting shortage of weavers, the price of cloth would skyrocket. He urged Xu Zhihu to stock as much cloth as possible in Lugang in anticipation of huge future profits.

At this time, the Dongcheng firm was the Qianhe’s broker, and was opened by Gao Majin’s family of Yongning. In the winter of 1896, the Dongyi firm merged with the Dongcheng one, and later opened a branch in Lugang.<sup>65</sup> After Xu Zhihu moved the Qianhe firm back to Lugang, the broker-relationship with the Gao family was resumed. The Dongcheng firm was not only commissioned to purchase

61 Ibid., nos. 012, 033.

62 Ibid., no. 041.

63 Ibid., no. 039, collected by the National Museum of History (NMH), no. 229.

64 Ibid., nos. 039, 069, NMH, no. 229.

65 Ibid., nos. 077, 081, 082. The Dongcheng firm’s branch in Lugang was run by Xu Jinqiu 許金秋. The son of Gao Majin was learning to do business in Lugang too.

cloth and tobacco in Shanghai and Quanzhou by the Qianhe firm, but also collected loan interests on behalf of the Xu family and dealt with their luggage in Quanzhou.<sup>66</sup> Meanwhile, the Qianhe firm sold the tobacco of the Dongcheng firm via the Lianxing firm and took care of Gao Majin's son.<sup>67</sup>

In conclusion, after Xu Zhihu decided to move back to Lugang, Xu's Qianhe firm resumed its cooperation with the Gao family in Yongning. In the second half of 1897, the Xu family focused on the cloth business and purchased cloth from Shanghai and Quanzhou via the Dongcheng firm run by the Gao family.

### The trade mechanism of Quan guild merchants

Upon examining the business pattern of the Xu family, two aspects of trade activity of Lugang's Quan Guild merchants become evident: the use of junk transportation as a shipping mechanism and their system of mutually commissioned trade known as “*duijiao*” (對交, 對號配載 *duijiao, duibao peizai*) between firms in Quanzhou and Lugang.

The trade between middle and small-sized ports in Qing Taiwan generally relied on junk captains to bring articles of everyday use from China proper to exchange with the local products of Taiwanese firms. This method is best described as ‘supercargo trade’ (*zhenghuan* 整船) and was the pattern of traditional junk operations.<sup>68</sup> Supercargo trade had several drawbacks, for example: irregularly scheduled trips, inability to consistently meet market demands; credit problems between local firms and boat captains;<sup>69</sup> inability to immediately grasp market conditions, and therefore increased the cost and risk of trade. Furthermore, being one of the three biggest official ports and the largest rice exporting port, there was a substantial and constant volume of trade between Quanzhou and Lugang, gradually giving rise to this new pattern of mutually commissioned trade.<sup>70</sup>

During the later years of the Qing Dynasty, there were only a few shipments from Xiamen, Hong Kong and Ningpo every year. The trade with the Quanzhou area accounted for above 90% of the total volume.<sup>71</sup> According to Xu's Trade Letters, the activities of the fleet were centered around Hanjiang, Meilin and Shenhu in Quanzhou, sometimes also covering Xiamen and Danshui in Taiwan. Only a few junks reached as far as Shanghai.

66 Ibid., nos. 071, 077, 079, 081.

67 Ibid., nos. 039, 081.

68 *Taiwan keizai jijo shisatsu fukumyosho*, p. 41.

69 For example, in 1896, one boat from Lugang travelling to Ningbo bought and sold commodities, and because the amount of the purchased goods surpassed what they had sold, they bought the remainder on credit; however, the borrowed money was never returned to the Ningpo firm. Hao Fang, “Guanxu jiawu dengnian zhanglunju xingao suojianzhi Taiwan hangjiao” (Taiwan Guild Mentioned in the Correspondences in 1895), *Journal of National Cheng Chi University*, 24 (1972), pp. 45–46.

70 *Taiwan shihou*, vol. 3 (2), pp. 38–39.

71 *Lukou funzoku ichibah; Chousa keizai shiryouboukoku* (2), p. 163.

It can be observed in the Xu Family Trade Letters that the business of the majority of guild merchants covered rice wholesale and brokerage. Some of the larger firms, with their own boats, also took up the shipping business. They either had branches in Lugang and Quanzhou, or set up partnerships with local firms to sell and purchase goods on commission.<sup>72</sup> The development of such a commissioning mechanism was only possible after the establishment of three key elements: business blocs across Quanzhou and Lugang, as well as information and financial exchanges between these two places.

### **Business blocs based upon native-place identity, intermarriage between families and business partnerships**

In his book on economics and capitalism, Fernand Braudel defines commissioned trade as a business operation that functions to benefit others.<sup>73</sup> In contrast, according to the business pattern of the Lugang guild merchants during the late Qing period, the mechanisms of commissioned trade between exclusive firms was one in which both adopted a 'strategy of cooperation', each purchasing and selling goods for the other, thus together striving for the greatest profit. Take the Xu family as an example: its business partners included the Fengsheng, Dongyi and Dongcheng firms in Quanzhou, and Zhencheng, Jinyi, and Qianshun firms 謙順號 in Lugang. Mutually commissioned trade, joint ventures, deep friendships, and native-place relationships in Jinjiang County linked all these firms together. In addition to being business partners, and serving as mutual trading agents, they also made joint investments in other firms as well as each other's business to the extent that their revenue would sometimes be mutually invested between the firms.

The commissioning mechanisms could also be found between firms with long cooperative relationships. For example, the mechanism between the Qianhe firm and the Zhencheng one was the result of a long-term partnership in shipping sugar to Ningpo or purchasing goods in Fujian.<sup>74</sup> The friendship between Xu Zhihu and Wang Jinpo helped promote the new business pattern after the Xu family moved to Quanzhou.

The business relationship between the Xu family and Cai Dunpo's Shengxing firm 勝興號 and the Jinyi firm was based upon marriage. The Shengxing firm itself focused on trading cloth and dyes. The Xu family often transferred messages via the Shengxing firm or deposited cargo in Shengxing's warehouses.<sup>75</sup> The Jinyi shipping firm purchased Lugang's rice to sell in mainland markets. While Xu Zhihu's family was in Quanzhou, a certain amount of rice belonging to Xu's Chunsheng

72 Xu's Trade Letters, nos. 025, 043. This was possibly why the trade blocs in Fujian and Taiwan were called "jiao".

73 Fernand Braudel, *Civilisation Matérielle, Economie et Capitalisme*. (Shi Kangqiang and Guliang Trans.) (Beijing: Sanlian, 1993), p. 266. (Original work published in Librairie Armand Colin, Paris: 1979).

74 Ibid., no. 025.

75 Ibid., nos. 021, 022, 027.

firm was sold to the Jinyi firm. On several occasions, the Xu family also received cash advances through the Cai family firms.

Family consciousness and native-place identity were considered to be of crucial importance among traditional Chinese merchants, who often based their business networks upon place of origin, blood or marriage relationships.<sup>76</sup> The Xu family was no exception. Hazards such as storms, piracy, a constantly fluctuating market and cross-strait financial exchange made junk trade a high-risk business. Due to these factors, their relationship was heavily dependent upon personal trust in business and a common identity in addition to their familial consanguinity which served as two of the most reliable guarantees for loyalty in business.<sup>77</sup> These factors are evident in many successful Chinese businesses of a much larger scale as well; take for example Zhu Delan's study of the Taiyi firm, whose business operations and commissioned brokers were also based on familial consanguinity, native-place identity, intermarriage between families and business relationships. Their business network grew rapidly: it successfully spread throughout every region in East Asia.<sup>78</sup> The relatively small business of the Xu family, on the other hand, was restricted to cooperative partnerships and alliances between merchants in Lugang and Quanzhou, but still achieved great success. The consequence of these alliances was a diversification of investment targets, and the ability to jointly raise capital and expand their business network across the Taiwan Strait. The combination of these factors contributed to the establishment of a mature and reliable commissioning mechanism.

### The exchange of goods and market information

The complementary functions between firms in Quanzhou and Lugang gave birth to the commissioned mechanism (*duijiao*). Towards the end of nineteenth century, the export goods of Lugang were rice, sugar, camphor and ramie. Among the total export volume, rice accounted for 75%, making Lugang the largest rice exporting port in Taiwan.<sup>79</sup> The main receiver of sugar was Ningpo. However, after the 1880s, the market was flooded with sugar imported from English merchants, causing Lugang's sugar trade to north China (做北生理 *zuobei shengli*) to come to a stand-

76 David Faure, "The Control of Equity in Chinese Firms within the Pattern Sector from the late Qing to the early Republic", Rajeswary Ampalavanar B. (ed.), *Chinese Business Enterprise in Asia*. (London, New York: Routledge, 1995), pp. 60–79; Ma Ming 馬敏, *Guanshang zhijian: shehui jianzhong de jindai shenshang* 官商之間：社會劇變中的近代紳商. (Tianjin: Tianjin Remin chubanshe, 2003), pp. 155, 166.

77 Takanobu Terada 寺田隆信, *Sanshi shōnin no kenkyū: Mindai shōnin to shōgyō chibō* 山西商人の研究 —明代における商人および商業資本. (Tōkyō: The Society of Oriental History Researches, 1972), p. 319.

78 Chu Te-lan 朱德蘭, *Nakasaki kasho boueki no kengyū* 長崎華商貿易の史的研究. (Tōkyō: Hibicus Books, 1997), pp. 63, 111–112, 131.

79 Taiwan sotokufu rinji Taiwan kyūkan chōsa dainibu 臺灣總督府臨時臺灣舊慣調查會, *Chōsa keizai shiryō hōkoku* 調查經濟史料報告. (Tōkyō: Sanjusha, 1905), vol. 1, pp. 40–41.

still.<sup>80</sup> Sugar was mentioned only once in the Xu Trade letters, while the majority of the documentations described rice. Communication between firms included price quotes for rice, and it can be observed that the Xu family and its related firms all focused their business on rice. That is one of the characteristics of Quan Guild merchants.

The market performance of rice from Lugang was dependent upon the seasons and market demands. It faced competition from Zhangzhou 漳州 and Xiamen. Although the rice from Lugang was priced high,<sup>81</sup> it was always warmly welcomed in the Quanzhou market. 50 *dan* of rice from the Qianhe firm would often be sold out within six months, or during spring when demand was strong, as quickly as two months.<sup>82</sup>

As for the imported goods purchased on commission, products like tobacco, cloth, peanut oil, fir wood, ceremonial gold paper and matches, were numerous and consisted of many different brands,<sup>83</sup> as did the majority of other products like kerosene, gas, day lilies, western flour, paper firecrackers, noodles, wheat, calamari and glutinous rice, all of which were attractive commodities to firms. Tobacco, cloth, ceremonial gold paper and kerosene were the most popular ones in the Lugang market.<sup>84</sup> The Xu family import business was based on tobacco and cloth, demonstrating the market sensibility of the family.

As the markets of rice and other goods were subject to change, the acquisition of market information was very important in an era of poor communication. The main source of information during this time was from a local business counterpart. For example, in August 1896, seeing a sudden upturn and projecting a continued increase in the price of rice in Lugang, the Zhencheng's firm in Lugang informed Xu Zhihu (in Quanzhou) immediately and asked him to hold the rice in stock.<sup>85</sup> Even in 1897, when the Dongcheng firm already had a branch in Lugang and information was provided by the Qianshun firm, it still asked Xu Zhihu to offer more market information in Lugang in the hopes of understanding the local market better. The importance of such an information exchange is best illustrated by a letter written by the Dongcheng firm to Zhihu:

Please keep us fully informed of the condition of the Lugang market. Conducting business without this information would be like riding a horse with your eyes blindfolded.<sup>86</sup>

80 In the trade letters of *Chisu pintong* 尺素頻通, the decline of trade between Lugang and Ningbo is clearly illustrated. Hao Fang 方豪, "Guanxu jiau dengnian zhanglunju xingao suo-jienzhi Taiwan hangjiao 光緒甲午等年仗輪局信稿所見之臺灣行郊", *Journal of National Cheng Chi University* 24 (1972), pp. 21–50.

81 *Xu's Trade Letters*, no. 079: The price of new first harvest rice was only 4 yuan and the market was weak; Zhangzhou new rice was priced at 3.6 yuan, and Xiamen rice was only 2.556 yuan.

82 *Ibid.*, no. 016.

83 For example, there were 16 brands of tobacco and ten brands of cloth.

84 *Xu's Trade Letters*, nos. 031, 040, 043.

85 *Ibid.*, nos. 040, 043.

86 *Ibid.*, nos. 079, 081.

The junk trade required the latest market information in both places. Merchants in Quanzhou and Lugang could exploit their partnership to acquire the latest, multi-channel market information and thus make the most advantageous business decisions.

### Offset accounts and remittance

Remittance banks (票號 *piaobao*) and native banks (錢莊 *qianzhuang*) made their first appearance in China proper in the eighteenth century and expanded rapidly in the nineteenth century.<sup>87</sup> However, it was not until the end of the nineteenth century that *buidui guan* 匯兌館 (or *buidan guan* 匯單館, similar to remittance banks) came into being in the international ports of Taipei and Tainan, Taiwan. Remittance banks and native banks never became as popular as they were in China proper.<sup>88</sup> An issue that requires attention is why Taiwan, with an existing prosperous external trade, did not have such financial organizations. The limited trade volume and the existence of a financial trading mechanism between merchants across the strait might help to explain this situation. According to Xu's Trade Letters, the trade between Lugang and Quanzhou was paid in cash or “*jiaohu jisuan* 交互計算” (an exchange of goods of equal value between two firms by the use of accounting books and credit), with the latter being more prevalent and the accounts between various firms were done by offsetting and remittances through internal channels.

As cross-strait firms were often involved in commissioned trade, it was very popular to make payments in goods or via offset accounts (過帳 *guozhang*). For instance, in January 1896, when the Fengsheng firm sold the rice of the Chunsheng firm they used the profits to offset the cost of commissioned peanut oil in Shanghai and then asked the Chunsheng firm how to handle the remaining money.<sup>89</sup> “*Dui*” (對抵 *duidi*、對除 *duichu*, balance) and “*Guo*” (過 offset)<sup>90</sup> are words often appearing in the accounts contained in the Xu Trade letters, demonstrating that this kind of credit business pattern was popular in the junk trade.<sup>91</sup>

However, as the prices of imported goods were often higher than that of the rice, Lugang's guild merchants sometimes would remit money to their counterparts in Quanzhou. In December 1895, the Chunsheng and Suifeng firms 遂豐號 asked that the boat, the “Jinfengshun”, carry money to the Dongyi firm of Yongning.<sup>92</sup> In addition, as the Xu family moved back and forth between Quanzhou and Lugang,

87 Yang Lien-sheng, *Money and Credit in China: a Short History*. (Cambridge: Harvard University Press, 1952), pp. 84–86.

88 *Taiwan shihō*, vol. 3 (2), pp. 290, 321.

89 *Xu's Trade Letters*, nos. 006, 061.

90 Yang Lien-sheng pointed out that the offset account first appeared in Ningbo in the eighteenth century. Yang Lien-sheng, *ibid.*, p. 86.

91 Michael H. Finegan found the same credit business transactions between Xiamen's and Tainan's merchants through the manuscripts of the Lai family from the eighteenth to nineteenth century, cf. “Merchant Activities and Business Practices as Revealed in Several Manuscripts from Fukien,” *Ch'ing Shih Wen-t'i*, 3:9 (1978), pp. 83–84.

92 *Xu's Trade Letters*, nos. 007, 076.



Xu Zhihu loaned money to several firms and residents in Quanzhou. He also entrusted reliable firms, like Dongcheng, in Quanzhou to collect interest on his behalf to pay for the imported goods.<sup>93</sup>

Due to the complexities of trade, the use of trade on credit requiring detailed documented accounts, firms required manifests (貨單 *huodan*), commissioning lists (*daidui qingdan* 代兌清單), settlement lists (*zongdan* 總單) and account books to settle their accounts. For each shipment, there was a manifest sent to the goods' owner, showing the names of the boat, captain, amount of goods, payment of goods, taxes and various forms of transportation; once the commissioned goods were sold, a commissioning list would be sent to the owner of the merchandise to settle the account. The general statement of accounts would be balanced every six months, showing all the business fees and the liabilities between the two parties concerned.

Apart from the above-mentioned trade letters, most of the transactions between firms were settled face to face using account books.<sup>94</sup> Each shipment would be recorded in detail in account books. The rice business between the Chunsheng, Ruixing, and Jinyi firms were settled with books in person. For instance, in August 1896, Houze 厚澤, an employee of the Jinyi firm, brought account books back to Quanzhou to settle accounts with Xu Zhihu.<sup>95</sup>

The remaining money held by commissioned firms would be brought back to the original firms by junk or by remittance. As the Jinyi firm had a branch, the Jingzhen firm 錦珍號 in Hanjiang, the payment of rice, loans, and daily expenses between Xu Zhihu and Cai's family was remitted in the form of a *buiyindan* 會銀單 (a kind of draft) by the two firms and their respective branches.<sup>96</sup> A *buiyindan* was similar to a traditional money order (會票 *huipiao*) popular in China proper from the end of the seventeenth century onwards.<sup>97</sup> Apparently, although there were no native banks in Taiwan, some firms issued their own bills of exchange and, via firms' main offices and their branches, remitted money.

The financial relationship between the Qianshun firm of Lugang, the Dongcheng firm of Quanzhou and the Xu family was a complicated one. Since Qianshun was an important trading partner of Dongcheng in Lugang, Xu Zhihu usually collected money by remittance from Dongcheng and Qianshun. In May 1897, it happened that the Qianhe firm collected money by remittance from the Dongcheng firm through the Qianshun one. It was not until December 1897, when the Dongcheng firm set up its branch in Lugang, that it asked the Xu family to collect the

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93 Ibid., no. 077.

94 *Taiwan shihou*, Vol. 3 (1), pp. 247–248.

95 *Xu's Trade Letters*, nos. 032, 063.

96 Ibid., no. 034.

97 Huang Jianhui 黃鑒暉, *Shanxi piaobao shi* 山西票號史. (Taiyuan: Shanxi Economic Press, 2002), p. 7.

remaining payment at its branch.<sup>98</sup> The intertwining accounts between different firms were the usual business pattern in both places.

In comparison with the financial exchanges in China proper at that time, which already relied heavily upon remittance banks in Shanxi Province and native banks countrywide, there is little evidence to show that the firms in Lugang followed suit. Owing to the small size of the group and its close cooperative relationship, the joint investment and commissioning mechanisms between firms in Lugang and Quanzhou made it possible that accounts between them could be settled by offsetting and cross-offsetting, making such a financial exchange pattern even more popular.

### Conclusion

Unlike Tainan and Taipei, Taiwan's two major international ports during the Qing Dynasty, Lugang did not open for international trade until the end of the Qing Dynasty. Thus, it was almost immune to western influence, maintaining its trade with the Quanzhou area in the traditional Chinese junk manner. The impact exerted by the new Japanese colonial authorities was not felt until 1900. Although "Xu's Trade Letters" only cover a period of three years, they still provide evidence that the business operations and traditional Chinese junk trade mechanism of Lugang's guild merchants in the Qing Dynasty did not change until 1898.

As both a great and a small landowner, mill owner, moneylender and rice merchant, the Xu family controlled the entire production cycle of rice, from harvest and processing to wholesale. They gradually expanded into the import and export business, brokering and investing in firms in Quanzhou and Lugang, demonstrating the flexibility and diversity of its rice business. It was generally believed that traditional Chinese merchants invested in land to hedge against inflation. Another reason, as Kenneth Pomeranz pointed out, was that northern Chinese merchants only had two choices: investing in land or in business.<sup>99</sup> However, the Xu family represented another choice. As Taiwan was export-oriented and focused on rice export, merchants bought arable land to guarantee themselves a steady supply of rice for export. Accordingly, Taiwanese merchants expanded into the import business, as the scope of their operations included rice, articles for daily use, and other goods from the mainland. Moreover, they also became landlords and bankers, prudently diversifying their cross-strait investments in order to reduce risk and maximize profit.

Secondly, Taiwan's junk trade mechanism during the Qing Dynasty differed by location. In the traditional pattern of junk trade, the captain was responsible for the trading and shipping of goods between ports. This trade pattern was very popular in medium- and small-sized ports. As a high volume official port with the largest market share of the rice export business, Lugang needed the import and export traffic

98 *Xu's Trade Letters*, nos. 069, 077, NMH, no. 229.

99 Kenneth Pomeranz, "Traditional Chinese Business Forms Revisited: Family, Firm, and Financing in the History of the Yutang Company of Jining, 1779–1956", *Late Imperial China* 18:1 (1997), pp. 28–29.

for its longterm prosperity. All these contributed to the birth of the Quanzhou-Lugang commissioned trade system, under which firms traded goods and exchanged market information.

When Jardine, Matheson & Co. expanded its business into Taiwan, it also transitioned from a supercargo to a commission-driven system. Even the Chinese-owned Nagasaki-based Sino-Japanese trading concern firm of Taichang 泰昌號, discussed in De-lan Zhu's 朱德蘭 research, set up commissioned partners in Shanghai.<sup>100</sup> However, previously such a commissioned mechanism has received little attention.

The basic building blocks of commissioned trade were relationships based on business partnerships, native-place identities and family memberships. All of these were essential to reduce the credit risk associated with the junk trade. But the catalysts that led to the formation of exclusive networks among commissioned traders were sine quo non to every business partnerships in Lugang and Quanzhou: long-term cooperative relationships, cost sharing and mutual investments.

Even the complicated pecuniary interchange was done through cash exchange and offset accounting, with the latter being more popular, especially the offset and remittance between several partner firms. Notwithstanding the lack of remittance banks and native banks, such a commissioning mechanism remained functional due to its flexibility. This is one of the reasons why there was no remittance bank or native bank in Taiwan. However, it also shows that the export trade of Lugang was regional, and not an integrated part of the world economy at the end of the nineteenth century.

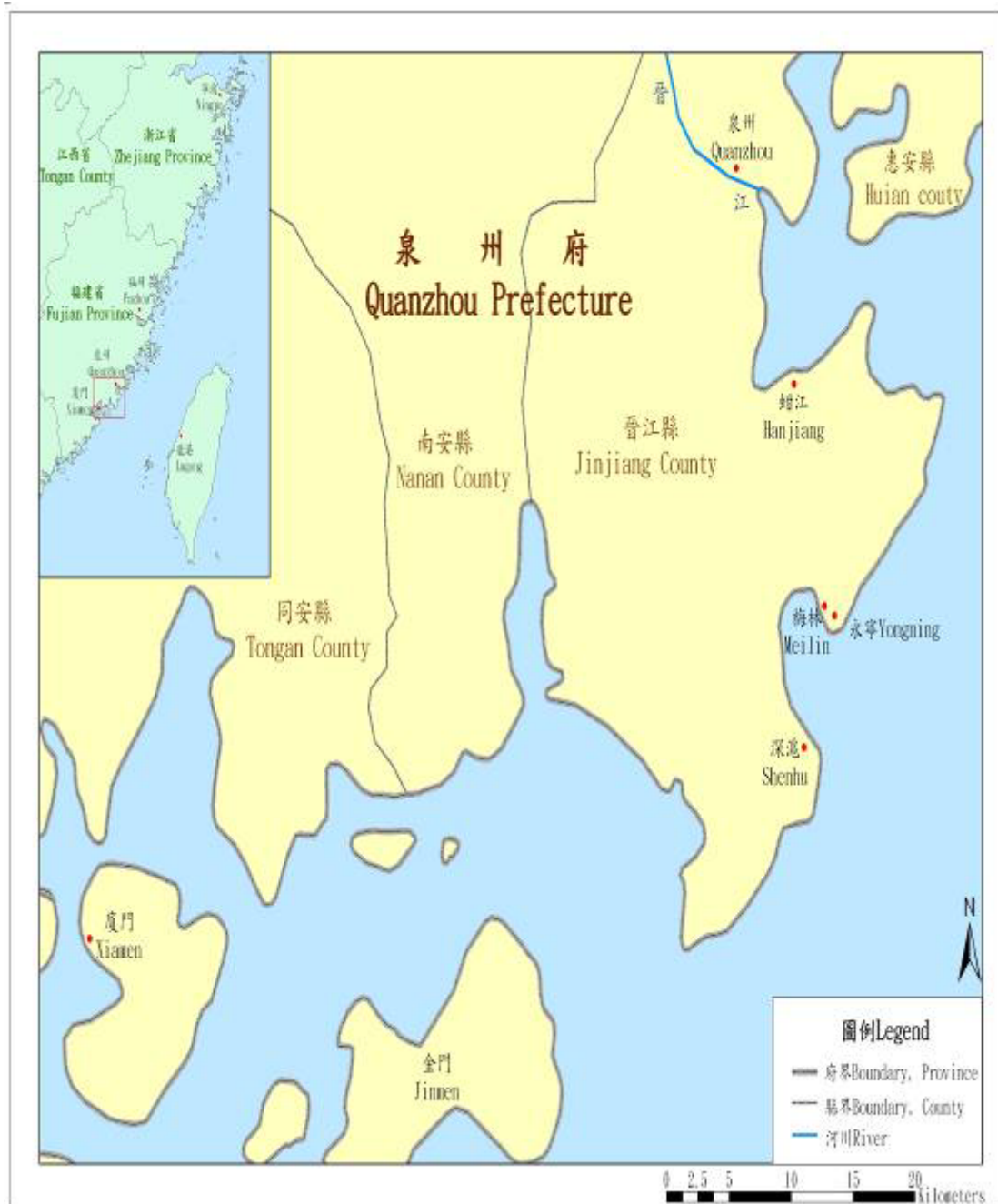
In summary, compared with the big traders operating in international trade and having large capital and large trade areas, the merchants of the Quan Guild in Lugang concentrated their business mainly in Quanzhou, and built a business network based upon native-place identity, marriage and partnership to reduce risks and costs. They cooperated with each other by way of commissioned purchases, financial trade and exchange of market information, to build a mutually beneficial structure that gradually evolved into a trade bloc across Quanzhou and Lugang.

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100 Huang Fu-san 黃富三, "Taiwan kaigang qianhou yihe yanghang dui Tai maoyi tizhi de yanbian 臺灣開港前後怡和洋行對臺貿易體制的演變", *Taiwan Shangye chuantong lunwenji*, pp. 81–106; Chu Te-lan, *Nakasaki kasho bōeki no kenkyū* (1997), p. 38.

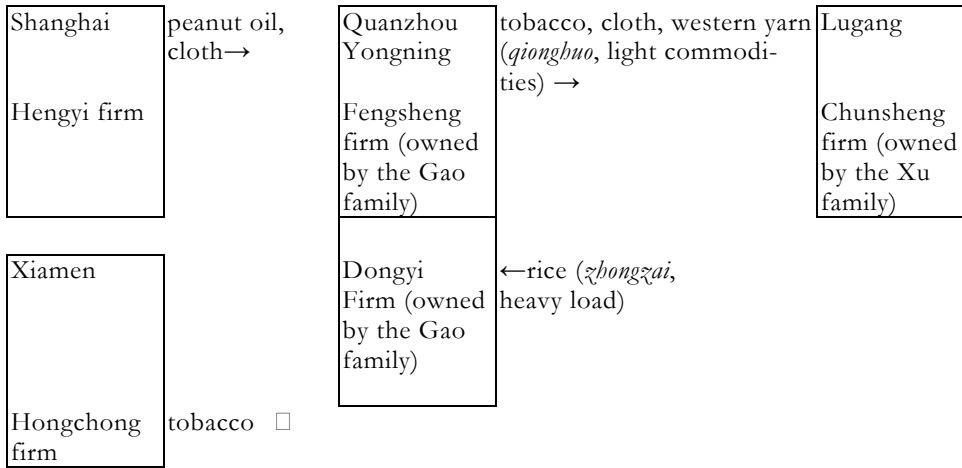


Map 1: Lugang and Quanzhou

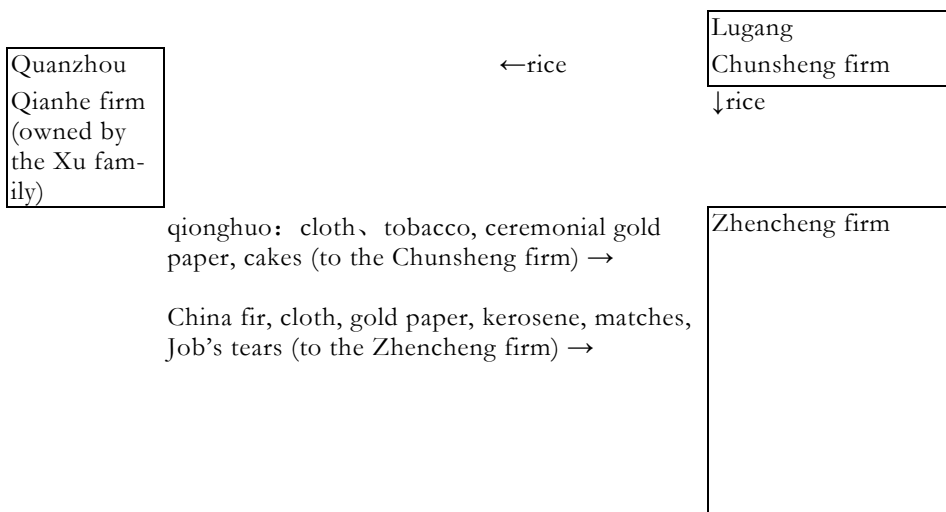


Map 2: Commercial points of contact of the Xu family, 1895–1897.

**The First stage: From December 1895 to July 1896: Commissioning the Dongyi and Fengsheng Firms in Quanzhou to do Business**



**The Second stage: From July 1896 to May 1897: Conducting business directly by the Qianhe firm**



**The third stage: From May 1897 to December 1897: Commissioning the Dongcheng Firm in Quanzhou to Purchase Cloth**



Fig. 1: Diagram of the Xu family's Junk trade from 1895 to 1897

## Glossary

Zhanghua County	彰化縣	<i>jiaoshang</i>	郊商
Cai Dunpo	蔡敦波	<i>jiaqing</i>	嘉慶
Zhanghua County Gazetteer	彰化縣志	Jinbaoshun	金寶順
<i>chuantouhang</i>	船頭行	Jinfengshun	金豐順
Chunsheng firm	春盛號	Jingzhen firm	錦珍號
<i>daidui qingdan</i>	代兌清單	Jinjiang County	晉江縣
Danjiao	淡郊	Jinjinshun	金晉順
Danshui	淡水	Jinjiyuan	金濟源
Daohao	倒號	Jinyi firm	錦義號
<i>da zuhu</i>	大租戶	<i>ji zhang</i>	記帳
<i>dian</i>	典	Lin Rimao	林日茂
Dongcheng firm	東成號	<i>liancai duihao</i>	聯財對號
Dongyi firm	東益號	<i>lixigu</i>	利息穀
<i>dongzhang guanxi</i>	東掌關係	Lianxing firm	連興號
<i>duichu</i>	對除	Lugang	鹿港
<i>duidi</i>	對抵	<i>luomi</i>	螺米
<i>duijiao</i>	對交,對號配載	Meilin	梅林
<i>fansha</i>	番紗	Mengxia	艋舺
Fengsheng firm	豐盛號	Ningpo	寧波
<i>foyin</i>	佛銀	Niuxutou	牛墟頭
Fuzhou	福州	<i>peiyun shengli</i>	配運生理
Gao Majin	高媽禁	<i>peiji shengli</i>	配寄生理
<i>gongsuo</i>	公所	<i>piaobao</i>	票號
<i>guozhang</i>	過帳	rice warehouse	米行
Hanjiang	蚶江	Qiafa firm	洽發號
Hengcheng firm	恆成號	Qianhe firm	謙和號
Hengyi firm	恆益號	Qianshun firm	謙順號
<i>huidui guan</i>	匯兌館	Qianzhuang	錢莊
<i>huidan guan</i>	匯單館	<i>qinghuo</i>	輕貨
Houze	厚澤	Qinglongtai firm	慶隆泰號
<i>huiguan</i>	會館	Quanzhou	泉州
<i>huiyindan</i>	會銀單	Ruixing firm	瑞興號
<i>huodan</i>	貨單	Shengxing firm	勝興號
Huoyuan firm	活源號	Shenhu	深滬
<i>jiao</i>	郊	Shigui	石龜
<i>jiaobu jisuan</i>	交互計算	Suifeng firm	遂豐號
<i>tai</i>	胎	Yongning	永寧
Taichang firm	泰昌號	Yoshio Higashi	東嘉生
<i>tho-lang-keng</i>	土墘間	Youyi firm	有益號
Wang Jinpo	王金波	<i>zhengkou</i>	正口
<i>wanmi</i>	萬米	Zhencheng firm	振成號
Xiaozuhu	小租戶	Zhengfengcheng firm	振豐成號
Xu Zhihu	許志湖	<i>zuobei shengli</i>	做北生理
Yang Qia	楊鉗	<i>zhongzai</i>	重載
Yaolin	瑤林	<i>zongdan</i>	總單
<i>yihang</i>	倚行		

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