

Hong Merchants

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Hong merchants were licensed by the Qing dynasty government to trade with foreign merchants at Guangzhou (Canton), the only Chinese port open to foreign trade from 1759 to 1842. Many became prominent and wealthy.

Since the early days of Sino-Western trade in Guangzhou (Canton), Chinese merchants who were licensed by the Qing dynasty (1644–1912) to trade with foreign merchants were known as “hong merchants.” The term came from the name of the trading guild, Cohong, established in 1720, to which they all belonged. Because their number was restricted to about a dozen or fewer at any one time, and as the trade volume grew to substantial size by around 1775, many hong merchants became some of the most prominent and wealthy merchants in China.

During the early nineteenth century the most powerful hong merchant was Houqua (d. 1843). The full extent of his wealth is not known because besides running extensive business enterprises in China, Houqua formed joint ventures and partnerships with Russell & Company, a U.S. firm that did business in China. He consigned specific shipments of goods to Russell & Company for sale overseas without the knowledge of the Chinese state. He also invested directly in the United States, including in stocks in the transcontinental railroad. From what can be gleaned from various accounts, Houqua appears to have been worth several million U.S. dollars and thus may well have been the richest man in the world at that time.

Not all hong merchants were as successful. Indeed, many, for a variety of reasons—highly speculative ventures, poor management, unduly heavy pressure from government officials, conspicuous consumption, simple bad luck, among others—had to declare bankruptcy. These failures became so prevalent in some years that by 1775 the Cohong decided to establish a kind of self-insurance fund, called the “Consoo Fund,” to cover the debts left behind by its bankrupt members. The fund was officially recognized in 1780. Each member paid 10 percent of his previous year’s profit to the fund annually. In 1789, in order to ensure that no debts would be owed to foreign merchants, the Qing authorities imposed a 3 percent levy on foreign imports that went to augment the fund.

Although the main functions of the hong merchants were the buying and selling of goods for the foreign merchants who congregated at Guangzhou, the only Chinese port opened to foreign trade from 1759 to 1842, they were also assigned to secure the port, to collect all the port charges and papers for each arriving or departing foreign vessel, and to guarantee the good behavior of individual foreign merchants. With respect to the goods they sold to foreigners, hong merchants also stood behind quality and authenticity thereof, and if goods were returned, then the hong merchants were obligated to replace them without charge. They also gave advice to supercargoes (officers on merchant ships who were in charge of the voyage’s commercial concerns) and to private traders. Indeed, many lifelong friendships were struck between Western and hong merchants, and their advice often extended from the professional to the social and personal. These friendly relationships, however, did not result in greater mutual

understanding of each other's culture. Because Chinese officials refused to have direct dealings with European and U.S. merchants, hong merchants had to serve as intermediaries.

Thus, in addition to handling business matters, they took care of foreign merchants' personal needs, such as petitioning grievances, finding living quarters and household servants, and getting official permits to leave their living compounds for occasional outings in the countryside. These official functions, together with the considerable customs fees that they collected for the Imperial Household Bureau—because all taxes levied from foreign trade went directly into the emperor's private purse—gave them access to senior officials and opportunities to receive official commendations. Several second- or third-generation hong merchants were scholars who had passed the state examinations and were therefore treated as social equals by the local officials. As a group, they occupied a rather unique place among the Chinese merchant class. But the hong merchants' exclusive trading privileges with foreigners and their position as intermediaries between foreign merchants and Chinese officials came to an end in 1842 with Great Britain's victory over China in the First Opium War (1839–1842). The hong merchants and their Cohong guild were disbanded, and they came to be regarded as relics of a period when the Chinese world and the Western world came together without much mutual understanding. The Chinese government did not recognize foreign trading as a private citizen's right. According to normative Confucian values, trading with foreigners was an element of diplomacy and therefore ought to be highly controlled and limited in scope. Nevertheless, it was not a matter of sufficient importance to involve the state directly, and hence, any communication between Chinese officials and foreign merchants was channeled through hong merchants. On the other hand, both the Chinese and the foreign merchants worked successfully together because they shared a similar set of values about private enterprise and profit



A series of factories in Hong Kong in the 1800s.

motives. After 1842 many of the hong merchants, joined by newcomers, continued to engage in foreign trade in the form of compradors (Chinese agents in the employ of foreign firms). The Chinese worldview itself remained fractured, and another generation or two would pass before the Chinese state gave proper recognition to international trade and the critical role played by the hong merchants.

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Further Reading

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