Russell and Company in Shanghai, 1843-1891: U. S. Trade and Diplomacy in Treaty Port China

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In his introduction to America’s China Trade in Historical Perspective, John K. Fairbank speculates that one “may find it hard to discover a material substructure adequate to account for the superstructure of religious, cultural, and strategic interests that dominated the Chinese-American relationship.” Guided by this presumption, some scholars have attempted to demonstrate "how comparatively little of a material nature was ever at stake" in the course of American approach to China.  

1 America's China trade, they propound, has been only tangentially important to the overall economy of both nations. These studies, however, are by no means conclusive on the subject. More concrete case studies of the trade, as Fairbank admits, are still needed in order to vindicate the conjecture that the American approach to China was "a phenomenon of the mind and spirit more than of the pocketbook."  

2 Michael H. Hunt also stresses the need for case studies of prominent American firms in China, such as Russell and Company.  


2 May and Fairbank, America's China Trade in Historical Perspective, 7.

As the dramatic economic growth in recent decades has put China on course to become the world's largest economy in the next decade, the huge China market is no longer merely an illusion as some American historians previously claimed. It is this substantial material interest at stake that drives the United States to engage China persistently despite the current troubled relationship between the two nations, which has lurched from one crisis to another. A clearer picture of American commercial firms’ endeavor in treaty port China may help us gain a better understanding of the approach of the present U.S. policymakers and their constituents to China in historical perspective.

This paper surveys Russell and Company’s mercantile and related activities in light of its economic as well as diplomatic role in treaty port China in order to gain a more exact view about the role of the trade and the relations between government policy and the economic interests of the private merchant. Focusing upon both organization and operation of Russell & Co. in Shanghai, this study will examine the firm's management and maneuvers within the framework of the Chinese economy and international trade, providing a politic-economic background for discussing the theme issue of this colloquium—Sino-American intellectual exchange.

**From the Pearl River Delta to the Yangtze River Valley**

America’s China Trade began in the late eighteenth century, mainly for the sake of obtaining tea from Canton. During the early period of the Canton trade, Macao functioned as an adjunct of the Canton market and American traders formed mercantile communities in these two port cities in the Pearl River delta which became the first Chinese-American contact zone. As a traditional entrepôt and the only European settlement on the periphery of the Chinese empire, Macao played a pivotal role in the evolution of early Sino-US relations. Russell & Co. was founded in Canton in 1824 at a propitious moment in the development of early American trade.

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Its predecessor was Samuel Russell & Company, founded in 1818. After Russell & Co. took over the business of Perkins & Company in 1830, it subsequently emerged as the leading American commercial house in East Asia.

The Anglo-Chinese Treaty of Nanjing ended the Canton System designed by the Qing government to manipulate foreign trade, and marked the beginning of an era of intensive imperialism of free trade. Modeled after their British counterparts, American China traders led by Russell & Co. seized this opportunity to call upon Washington to negotiate a treaty with China, demanding privileges similar to those granted to the British. The first Sino-U.S. treaty signed at the village of Wangxia in the Macao peninsula in 1844 indicates that American trading companies had successfully lobbied their government to forge its informal empire in East Asia.

Under the treaty port system, Shanghai gradually replaced Canton as a center for foreign trade because of its favorable geographical location and its merchants controlled access to the trade of the Yangtze valley, the richest, most commercialized area of China. In 1849 Canton exported green tea in quantities four times greater than Shanghai. Two years later Shanghai was shipping twice as much tea as Canton. The Shanghai share of total China exports increased from one-seventh in 1846 to over one-half in 1852. Western merchants were quick to take advantage of the new circumstances, extending their operations from the Pearl River delta region to the treaty ports along the Yangtze River. Russell & Co., expeditiously adapting to the new business

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environments, maintained a leading position in American trade with China during this period. It was the first American firm to establish in Shanghai. After the Second Opium War, when China was forced to open more treaty ports to foreign trade, the company promptly set up several branches or agencies in Tianjin, Hankou, Zhenjiang and Jiujiang between 1861 and 1864. In addition, the company established new branches in Ningbo and Amoy, which had been designated treaty ports after the First Opium War. Through these establishments, Russell & Co. extended its activities to not only the coastal areas but also the interior of China. Meanwhile, basing its operations upon family ties, the company successfully established worldwide connections. Its interests transcended China to include India, the Philippines, Japan, England, and Continental Europe. From the old trade days of the early nineteenth century to the time of the rise of trading corporations in international commerce at that century’s end, the firm occupied a dominant position in America’s China trade.

The Emergence of the American Community in Shanghai

The first British consul at Shanghai, Captain George Balfour, arrived in the port city in November 1843 and formally declared the post open to foreign trade. British and American trading firms soon rushed to Shanghai, the gateway to the Yangtze valley, in order to gain access to the richest market in central China. This regional entrepôt was immediately transformed into the center of international trade. Henry G. Wolcott, the representative of Russell & Co., went to Shanghai soon after the city was made a treaty port in 1843. In the same year, Russell & Co. also sent G. F. Davidson to the newly established British Crown Colony of Hong Kong to serve as its agent. By 1844, only a year after opening as a treaty port, Shanghai housed eleven British and American mercantile firms with a total of twenty-three traders, including the prominent British firms, Jardine, Matheson & Company and Dent & Company.


In May 1845 Wolcott acquired a slot in the British settlement from the Chinese authorities to establish his office without registration with the British consul. After receiving an appointment as acting consul for Shanghai, he immediately raised the American flag in spite of protests from the British consul. Wolcott’s action was fully affirmed by the U.S. envoy James Biddle. In his reply to Captain Balfour’s memorandum, Commodore Biddle stated that “it is the right and duty of Mr Wolcott to display the Flag of his Nation within his own premises at all times that he may see fit.” The Treaty of Wangxia gave the Americans as many rights as the British in the treaty ports, the Commodore stressed, even though the settlement at Shanghai had been assigned to British use by the Chinese authorities. In the face of strong reaction from the U.S. official, the British had to back down and the issue was settled by modifying the Land Regulations in August 1846. This episode did not have much negative impact on Anglo-American cooperation in the treaty ports.

In August 1846, Russell & Co. officially opened a branch in Shanghai, under the charge of W. P. Peirce. Two other American firms, Wetmore & Co. and Augustine Heard & Co., also established their offices in the city. By the end of 1846, there were twenty-one British firms and three American companies in operation at Shanghai. Russell & Company’s headquarters was shifted from Canton to Shanghai in 1852. In the next year, the company set up an agency in Fuzhou to expand its operations to the tea-producing area. Russell’s Hong Kong branch was established in 1855, with Warren Delano, Jr. and George Tyson in charge, for access to the foreign and Chinese social networks of capital in the burgeoning British colony when it had


13 U.S. Envoy James Biddle at Ningbo to British Consul George Balfour at Shanghai, 1 July 1846, Jarman, Shanghai Political & Economic Reports, 2:63-70.

replaced Macao and Canton as an entrepôt and trade service center. After the foreign factories at Canton were entirely burnt down by fire at the beginning of the Second Opium War in 1856, many of foreign firms moved down to Hong Kong. During the 1860s the majority of American China traders were based in either Hong Kong or Shanghai, where the infrastructures for international commerce and finance had been established. The rise of Hong Kong and Shanghai to prominent in international trade directly contributed to the decline of Canton and Macao. By the end of the 1850’s, the Shanghai merchant agglomeration was over three times larger than Canton’s and ranked second only to Hong Kong. At that point, Canton had descended to merely becoming a satellite of Hong Kong in the treaty port trading system. Most of major trading companies retained only their regional management in Canton.

However, foreign traders did not abandon Canton. After the Second Opium War, the British and French created the Shamian Island just west of the old factory area to establish their concessions, while the Americans rebuilt their factories on the ruined site of the Thirteen Hongs. Russell & Co. built a grand factory on that spot in 1868 although the firm retained only one partner in its Canton branch. Canton remained attractive to American traders not only because it was still one of the largest Chinese ports, but also because American traders had long-standing ties to its hong merchants as well. The Chinese merchants had closely collaborated with the Americans in the Canton trade beginning from the late eighteenth century. The intimate connections between the Russells and hong merchant Houqua exemplify these symbiotic relationships. Despite the local literati-led antagonism towards foreigners after the Opium War made it a difficult place to live, many of foreign firms remained in Canton, hiring the Chinese

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15 Bard, *Traders of Hong Kong*, 46.


19 The Cantonese led by the local gentry were consistently denying foreigners access to their city after the First Opium War. See Immanuel C. Y. Hsu, *The Rise of Modern China* (New York: Oxford University
merchants they had been closely associated with during the Canton System years as their compradors. Russell & Co., as well as their rivals, brought their Cantonese compradors to the north to open up new markets. This organizational innovation became a key component of the company’s strategic plan for expansion, which significantly enhanced its competitiveness in the Shanghai market.

In sharp contrast to the hostile situation in Canton, the presence of foreign merchants in the city of Shanghai did not encounter overt opposition from local people. The literati in Shanghai could not stir up antagonism against foreigners, probably because this city’s Chinese merchants strongly opposed any actions that would ruin their opportunities to engage in the potentially lucrative foreign trade. Therefore, according to the Land Regulations issued by Daotai Gong Mujiu (宮慕久), the British established their settlement along the riverfront of the Huangpu outside of the walled city of Shanghai in the mid-1840s without much hassle. The foreign residents were allowed to rent land in this strip run by a municipal council composed of foreign nationals. The Chinese referred to the legally semi-autonomous foreign settlement or concession in the treaty ports as “leased territory” (租界). Russell & Co. acquired a large track of riverfront to construct a substantial compound consisted of several buildings in the British Settlement. This spot was marked as lot 34 on an 1855 map of the British Settlement of Shanghai. Like other first generation of buildings on the Bund, the Russell factory was made up of construction that combined offices, warehouses and living quarters, which was located at today’s no. 6-9 on the Bund (外灘). A Cantonese constructor well-known for building compradoric style of architecture was hired to complete the head office compound consisted of two elegant buildings with a grandiose front garden.


In 1848, William Jones Boone, Bishop of the Episcopal Church and head of the American Church Mission in Shanghai, reached an informal agreement with Daotai Wu Jianzhang (吳健彰),\(^\text{22}\) which allowed the Americans to have an area of their own in Hongkou (虹口) on the northern side of the Suzhou Creek. Some of the missionaries purchased land for residences in Hongkou because of low land prices there, and the American settlement began to grow. In recognition of growing American trade and missionary interests in central China, the United States government appointed Robert Murphy the first professional American consul at Shanghai. Upon his arrival in February 1854, Murphy established the U.S. consulate furnished by Russell & Co at 36 Huangpu Road in Hongkou.\(^\text{23}\) This area, which consisted of the American Protestant Episcopal Church Mission, the Shanghai Dock, some wharves, and some taverns and brothels for the entertainment of sailors, would soon become the center of the American Settlement. When Commodore Mathew C. Perry visited Shanghai in May 1853, he found that “numerous splendid dwellings as residences of the foreign merchants have been erected along the margin of the river below the Chinese quarter. Here one sees wide and well-graded streets with beautiful gardens, and all the comforts and conveniences that are to be found in any part of the world.”\(^\text{24}\) But the area he described should be the British Settlement which was regarded as the most respectable part of the foreign settlements. Most of American merchants lived in this ritzy area. The American section, which was a long narrow rectangle along the waterfront, was called the “Cinderella of the settlements,” and the Americans were viewed as “second-class Englishmen.” The approximate boundaries of the American settlement were not fixed until an agreement reached between U.S. consul George F. Seward and Daotai Huang Fang (黃芳) in 1863 when this informal settlement was amalgamated with the British section to form the International Settlement. The distinctive characteristics of the two sections remained after the

\(^{22}\) Daotai Wu Jianzhang was the ex-hong merchant Samqua [爽官]. He established close ties with the Russells in the Canton trade. The Shanghai Daotai was one of the 92 daotais or “circuit intendants” which constituted the secondary-level administrative units of the provincial and local governments of the Qing. See Yuen-sang Leung, *The Shanghai Taotai: Linkage Man in a Changing Society, 1843-1890* (Honolulu: University of Hawaii Press, 1990), 5-6.


amalgamation. But as late as October 1890, a British member of the Shanghai Municipal Council (SMC) stated that “as the Seward boundary of Hong Kew [Hongkou] has never been agreed to by the native authorities, there is really no American settlement at all.”\(^{25}\) In March 1892, the SMC chairman stressed “the greatest importance that the Council should know the limits within which they can collect taxes in Hong Kow,” and he suggested that a letter should be sent to the U.S. consul general to urge him to get the Daotai to define the boundaries.\(^{26}\) The Hongkou boundaries were finally settled in 1893 and the delimitation of the American settlement was 7,856 mu (1,309 acres).\(^{27}\)

The resident American population in Shanghai fluctuated but never reached 400 in the nineteenth century. An unofficial census conducted by the *North China Herald* in 1860 showed that there were 569 foreigners living in Shanghai, including 125 Americans. But it is unclear whether this census includes the population of the American Settlement. According to the official census data published in the Reports of the Shanghai Municipal Council, from the first municipal census of 1865 to 1895, the total American resident population of the entire Shanghai area is as follows:\(^{28}\)

**Population of Foreign Settlement in Shanghai, 1865-1895**

<table>
<thead>
<tr>
<th>Year</th>
<th>American</th>
<th>British</th>
<th>Total Foreign Population</th>
<th>Chinese</th>
</tr>
</thead>
<tbody>
<tr>
<td>1865</td>
<td>378*</td>
<td>1,372</td>
<td>2,297</td>
<td>90,587</td>
</tr>
<tr>
<td>1870</td>
<td>255</td>
<td>897</td>
<td>1,666</td>
<td>75,047</td>
</tr>
<tr>
<td>1876</td>
<td>181</td>
<td>892</td>
<td>1,673</td>
<td>95,662</td>
</tr>
<tr>
<td>1880</td>
<td>230</td>
<td>1,057</td>
<td>2,197</td>
<td>107,812</td>
</tr>
</tbody>
</table>


The majority of the resident Americans were merchants. Russell & Co. played an active role in this mercantile community, representing U.S. interests in foreign settlements in Shanghai. From 1849-1869, seven members of the Russell firm were elected to the municipal councils of foreign settlements. No other firm, British or American, had more representatives serving in the municipal councils than Russell & Co. during this period.29 John N. Alsop Griswold, partner of Russell & Co. and U.S. vice-consul at Shanghai, was elected to the municipal council of the British Settlement in 1849. In 1852 he was succeeded by Edward Cunningham who was also a Russell partner and the succeeding U.S. vice-consul at Shanghai. When the Shanghai Municipal Council of the International Settlement was created on 17 July 1854, Cunningham became one of the seven board members and served on the Taxation and Finance Committee. In May 1868 he was elected chairman of the SMC board. By the end of the 1860s, seven merchants in Russell and Company had served as councilors of the municipal councils.30

<table>
<thead>
<tr>
<th>Years of Municipal Council Membership</th>
<th>Name</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1849-1851</td>
<td>John N. Alsop Griswold</td>
<td>partner of Russell &amp; Co. (1848-54); U.S. vice-consul at Shanghai (1848-51)</td>
</tr>
<tr>
<td>1852-1855 1868-1869</td>
<td>Edward Cunningham</td>
<td>partner of Russell &amp; Co. (1850-57, 1861-63, 1867-77); U.S. acting vice-consul at Shanghai (1851-54); consul for Sweden and Norway (1853-64); chairman of the SMC board (1868-69)</td>
</tr>
<tr>
<td>1856-1857</td>
<td>George Griswold Gray</td>
<td>partner of Russell &amp; Co. (1855-59)</td>
</tr>
<tr>
<td>1857-1858</td>
<td>Charles W. Orne</td>
<td>partner of Russell &amp; Co. (1857-60)</td>
</tr>
<tr>
<td>1862-1863</td>
<td>Henry Sturgis Grew</td>
<td>partner of Russell &amp; Co. (1860-66); vice-consul for Sweden and Norway (1865)</td>
</tr>
<tr>
<td>1864-1865</td>
<td>Frank Blackwell Forbes</td>
<td>partner of Russell &amp; Co. (1863-80s); member of the SMC board</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Year</th>
<th>Name</th>
<th>Position and Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1865</td>
<td>Nichol Latimer</td>
<td>manager of Russell &amp; Company’s Shanghai Steam Navigation Co. (1865) and founder of Nichol Latimer &amp; Co. (1864); died in 1865</td>
</tr>
</tbody>
</table>

As members of the municipal councils, these Russell men actively participated in community affairs and ran the International Settlement jointly with their British counterparts. Cunningham was praised as “one of the most public-spirited men Shanghai has ever known.”

The council meeting minutes recorded the company’s contributions to the community. For example, Russell & Co. contributed Tls 646 to the board for building a new jetty on the Bund in 1861; in 1864 Cunningham, with another Russell partner Friedrich Reide, requested permission from the board to develop a public bund in Russell & Co.’s property in Hongkou; in 1870 the company opened one of its wharfs for public use; in 1873 the firm subscribed Tsl. 3,000 to municipal loan for the Suzhou Creek Bridge project. The company also supported missionary publications and local newspapers. In 1869, Russell & Co. subscribed forty copies of the newly launched Church News (教會新報), the predecessor of The Chinese Globe Magazine (萬國公報), which became the most influential missionary journal in China during the 1870s and 80s. The total number of subscriptions of that magazine in 1869 was over 700 copies. From 1863-1865, Nichol Latimer, one of the managers of Russell & Company’s Shanghai Steam Navigation Co., was also the publisher of The North China Herald (北華捷報), the most important English newspaper published in treaty port China. The company also supported the effort to reissue the Chinese Repository (中國叢報), a Protestant journal published in Canton and Macao from 1832-1851, which had greatly contributed to American-Chinese intellectual exchanges. In 1868, Frank

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B. Forbes, a prominent Russell partner, served on the North China Branch of the Royal Asiatic Society’s committee on publishing a reprint of that magazine.35

During General Ulysses S. Grant’s high-profile visit to Shanghai in 1879, Russell & Co. was one of the main sponsors to host the American dignitaries. The company not only sponsored a banquet to welcome their former president (18th president of the U.S., 1869–77), but also held a garden party at the residence of Francis B. Forbes to honor this Civil War hero on May 22.36 According to David H. Bailey, U.S. consul-general at Shanghai, Grant’s reception in Shanghai “by the entire community, Foreign and Native, marks an era in the history of Shanghai, as being the grandest ovation ever given to any person since the establishment of Foreign Relations with China.”37 By playing a major role in this well-publicized event, the Russell merchants certainly hoped it would enhance their company’s reputation as the leading American commercial establishment in China.

**Merchant-Consuls and Gunboats**

Under the consular establishment of the early nineteenth century, an American consul had neither privilege of immunity from the civil, criminal, or municipal jurisdiction of the place he resided nor judicial authority before 1848.38 Until 1855, when a reform act was adopted by Congress to remodel the diplomatic and consular system, all American consuls in China were merchant-consuls.39 The Chinese authorities regarded them as merchant headmen instead of diplomatic representatives before the Treaty of Wangxia. With the establishment of formal

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37 David H. Bailey to Charles Payson, 3rd Assistant Secretary of State, 2 June 1879, *Papers of Ulysses S. Grant*, 29:136. Soon after his appointment as consul-general at Shanghai on 26 May 1879, Bailey was charged with corruption when he served as U.S. consul at Hong Kong in the early 1870s.
diplomatic relations, the institution of extraterritoriality, and the constantly stationed warships in
the treaty ports, American consuls' position was greatly strengthened.

Owing to its predominant financial position in American business communities in China
and its partners' wide connections in Washington, Russell and Co. controlled the U.S.
consulates in Shanghai and Canton, the most important treaty ports in China. Members of the
company occupied the consulate in Canton for over twenty years. After Paul S. Forbes of Russell
& Co. was appointed as U.S. consul at Canton in 1843, he presented his credentials to Imperial
Commissioner Qiying on 2 October of that year in a ceremony and thus became the first U.S.
consul to be recognized by the Qing government. This event marked the beginning of China’s
official contact with the United States on an equal basis although the formal relations were not
established until the next July when the first Sino-U.S. treaty was signed. Other partners of the
company, including R. B. Forbes, D. N. Spooner and R. S. Sturgis, also took the position of vice
consul. In Shanghai, H. G. Wolcott, E. Cunningham, and J. N. A. Griswold dominated that office
during the mid-century. Wolcott was also appointed as vice consul in Ningbo in March 1844.
Russell's control of consulship continued until 1854, when P. S. Forbes was forced to resign his
position as consul for public condemnation of his involvement in the opium trade, which ended
the “Russell & Co. era.” Although three Russell merchants, Francis Blackwell Forbes, William

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40 The following evidence reveals Russell's connection with Secretary of State Daniel Webster. In 1849,
Robert B. Forbes sent Webster a small schooner as a “small token” to acknowledge the Secretary's
“kindness” to him and his cousin Paul S. Forbes who was then U.S. consul in Canton, by Webster's
appointment. See Robert B. Forbes to Daniel Webster, Boston, 30 May 1849, The Papers of Daniel
Webster: Correspondence, 1850-1852, edited by Charles M. Wiltse and Michael J. Birkner (Hanover,
Webster tea as gift. See Daniel Webster to Robert B. Forbes, 24 May 1852, Ibid., 7:564. When Boston's
leading bankers, merchants, industrialists, and lawyers established a Webster fund for his personal
expenses, John Cushing and John Forbes of Russell & Co. were among the major subscribers, donating
$2,000 and $500 respectively. See Agreement Regarding the Webster Annuity, Boston, 5 January 1846,

41 In 1853, of over 118,000 taels collected by the consulate from American residents and firms, over
38,000 taels were contributed by Russell & Co. See Griffin, Clippers and Consuls, 428.

42 Te-kong Tong, United States Diplomacy in China, 1844-1860 (Seattle: University of Washington Press,

43 P. S. Forbes to the Secretary of State, 1 July 1844, Davids, American Diplomatic and Public Papers,
ser. 1, 19: 15.
Breck, and Edward King, were appointed as acting consul or consul at Tianjin, Jiujiang, Hankou and Canton in the 1860s, respectively, the company's direct control of consular services was over.

Russell's domination of consular services greatly benefited its business since it not only enabled the firm to directly utilize government source to facilitate its business operation but also provided access to confidential information of its commercial rivals. This became a source of grievance of other American firms. In his reply to Secretary of State Daniel Webster's circular of 1843, China trader Edwin M. Lewis criticized the existing consul system, appealing to Washington for ending the merchant-consul system. He proposed that a consul should be sufficiently paid so that he might be forbidden from involving in business. The merchants' opposition, with other elements, undoubtedly contributed to the abolition of the merchant-consul system in 1855. But before that day, the head of Russell's agency house was often the consul in the city. For example, Edward Cunningham succeeded John Griswold as local head of Russell & Co. in Shanghai; simultaneously, he took over Griswold's position as acting vice-consul on 10 December 1851. These merchant-consuls were at all times alert to protect their company's interests. "I shall have to act as U.S. Consul in the absence of P. S. F. [P. S. Forbes]," as R. B. Forbes stated in 1849, "but shall do nothing that I would not obliged to do as Russell & Co." A merchant-consul even defied the American commissioner when his instruction was in conflict with merchants' interests. Cunningham, for example, overtly challenged Commissioner Humphrey Marshall's instructions regarding the payment of customs duties to the Chinese by calling the American merchants in Shanghai to disregard the commissioner's orders. Supported by American traders in the city, the acting vice-consul forced the commissioner to reverse his

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In order to pursue economic goals, Russell & Co.'s merchant-consuls took an uncompromising stand toward the Chinese government. For example, when William Breck acted as agent of the Shanghai Steam Navigation Company as well as U.S. consul at Jiujiang and Hankou, his aggressive conduct in these two port cities seriously agitated the Chinese. He was accused of engaging in smuggling and showing no respect for the Chinese authorities. In 1864 Zongliyamen (總理各國事務衙門, The Office for the General Administration of the Affairs of the Different Nations) requested U.S. Minister Anson Burlingame to appoint another consul to replace Breck on the grounds that merchant could not serve as consul according to the treaty.\footnote{總署致美使浦安臣照會, 同治三年四月十三日 [Zongliyamen to Minster Anson Burlingame, 18 May 1864], 《中美關係史料 · 同治朝》, 卷一 (1862-1867 年), 中央研究院近代史研究所編 (臺北: 中央研究院近代史研究所, 1968 年), 頁 167-170 [Source Materials of Sino-U.S. Relations, Reign of Tongzhi, part 1 (1862-1867), edited by the Institute of Modern History, Academia Sinica, (Taipei: Institute of Modern History, Academia Sinica, 1968) ], 167-70.} But the request was ignored.

The Russell merchants consistently urged their government to adopt an aggressive policy toward China, particularly when an event threatened the welfare of the company. The Panama Affair was a case in point. On 23 September 1851, two Chinese customs boats seized Russell & Co.'s cargo of lead shipped on the American vessel Panama and unloaded to two Chinese boats. Two Chinese boatmen in the employ of the company were arrested during this incident, and the lead was exhibited in the customs house yard as smuggled goods. The Chinese officials claimed that the boats had not gone to the customs jetty for examination. On the following day, Griswold informed Daotai Wu Jianzhang that the seizure of goods on Panama was illegal, requesting that the goods were to be returned immediately or payment remitted.\footnote{Griswold to Woo [Wu], 24 September 1851, Davids, American Diplomatic and Public Papers, ser. 1, 19:397-98.} Griswold also determined to extend Americans’ extraterritorial privileges and immunities to their Chinese employees. On the 26th he forwarded three formal demands: first, "immediate and unconditional" release of the boatmen; second, public censure of the headmen of the customs boats; third, payment of the full
value of the lead seized and of all loss and damage to the cargo boats. If the demands were not met, Griswold warned, the American treaty would be terminated and all relations broken off "until this difficulty is settled by higher powers."\(^{50}\) Under the pressure of the Americans, Wu was forced to release the two boatmen. But Griswold was not satisfied. On the 29th, he proposed to submit the remaining issues of the Panama affair to a board composed of the other foreign consuls and two Chinese officers.\(^{51}\) On October 4, the board concluded that the Daotai did not intend to show disrespect to America, and proposed that the Daotai make an apology for his actions in order to restore good will.\(^{52}\) Both sides accepted this arbitration, which closed the case.

Griswold succeeded in using the termination of the treaty and withholding of duties as a means of coercion. His diplomatic maneuvers on this affair were fully affirmed by the American charge d'affaires Peter Parker. Furthermore, Parker requested that the East India Squadron put in more frequent visits to the Shanghai area to support the American merchants there.\(^{53}\) This case exhibited how the merchant-consul successfully used coercive treaties and the support of naval forces to implement the “portable, transferable, almost irrevocable” extrality\(^{54}\) in treaty port China.

Cunningham continued Griswold's policy. Three months after becoming the acting vice-consul, he suspended the American treaty when Daotai Wu failed to satisfy demands of land purchase by Americans in foreign settlement. According to the Land Regulations of 1845, a land buyer should register his deed with the British consul. But an American registered his deed with his own consul instead. Daotai Wu refused to seal the deed accordingly. Cunningham accused Wu of being guilty of a "scandalous violation of the treaty," and declared that he prepared to take

\(^{50}\) Griswold to Woo, 26 September 1851, Davids, *American Diplomatic and Public Papers*, ser. 1, 19:400-4.


\(^{53}\) P. Parker to J. Griswold, 17 October 1851; Parker to the Secretary of State Daniel Webster, 27 October 1851, Davids, *American Diplomatic and Public Papers*, ser. 1, 19:422-27.

"extreme measures" to protect the rights of American citizens. On 15 March 1852, he suspended payment of duties in Shanghai and threatened to request that a war vessel be dispatched to Shanghai. He gave Wu 48 hours to reply before taking action. Once again, Wu yielded to America’s gunboat policy and affixed his seal to the deeds of land sold to the American on the 16th.

U.S. naval vessels were present in East Asian seas first on individual missions. From 1835 to the Civil War, they sailed to Asian waters as units of the East India Squadron. After 1865 American naval ships were assigned to the Asiatic Station. Dispatched to Asia primarily to protect American commercial interests, the U.S. Navy did its utmost to back the merchants. The naval officers clearly understood that the “commerce between China and our Western Coast is attracting great attention and will, beyond all doubt, at no very distant day, become of vast importance to the United States.” In the early nineteen century, the American mercantile communities in the Canton-Macao area welcomed occasional appearance of U.S. warships in Chinese waters although American traders by and large were unwilling to challenge the Canton system with the support of naval forces. In 1831, the frigate Potomac commanded by Commodore John Downs anchored at Macao for nearly a month to check the status of American trade. During this visit, the commodore resided in Russell & Co. Following his example, all of his successors thereafter stayed with one of the leading mercantile houses when they were visiting the Chinese ports.

During the Japan expedition of 1852-54, Commodore Perry lodged at Russell & Co.’s “magnificent residence” in Canton, Macao and Shanghai with his entourage en route for Japan (American consulates in Canton and Shanghai were located at the premises of that firm at that time). In these “hospitable” mansions, wrote Perry in his journal, “one may imagine himself in a

55 Cunningham to Woo, 13 March 1852, Davids, American Diplomatic and Public Papers, ser. 1, 8:321-23.
56 Cunningham to Woo, 23 March 1852, Davids, American Diplomatic and Public Papers, ser. 1, 8:324-26.
58 J. C. Dobbin, Secretary of the Navy to Commodore James Armstrong, 29 September 1855, quoted in Yuan Chung Teng, Americans and the Taiping Rebellion: A Study of American-Chinese Relationship, 1847-1864 (Taipei: China Academy, 1982), 115.
well organized French hotel where he has only to express a wish to have it gratified, the only difference is, in one the guest pays roundly for these conveniencieies, and the other absolutely nothing beyond suitable gratuities to the servants.” And he found himself “quite at home in the enjoyment of most agreeable society.”\(^{59}\) Russell & Co. not only voluntarily provided extravagant accommodation for the mission, but was also contracted to provide supplies to the squadron. A junk belonging to the firm was lost on the north shoal when it was transporting coal to one of Perry’s “black ships” at the mouth of the Yangtze.\(^{60}\) Actually, the primary objective of Perry’s expedition was to seek a coaling station in Japan for America’s China trade steamers. Both Daniel Webster and Caleb Cushing, Russell’s political connections in Washington, were proponents of the Japan expedition.\(^{61}\) As the most highly capitalized firm, Russell & Co. desired to expand to Japan. No wonder it enthusiastically assisted the emissaries and the U.S. navy to open up the Japan market for “free trade.”

From 1835 until the East India Squadron's recall in 1860 to fight in the American Civil War, forty squadron ships were stationed in China. The success of the East India Squadron-assisted Cushing mission convinced the merchants of the effectiveness of a continued naval presence on the China coast. As a part of a broader diplomatic mission, the squadron cooperated with merchant-consuls ashore, extending the authority of the United States government abroad through implementing extraterritoriality. Although only two squadron ships are recorded as having shot at the Chinese, the appearance of a regular naval force served as a psychological threat and demonstrated the availability of U.S. military forces should the need arise.\(^{62}\)

The Taiping Rebellion, which started in the southern province Guangxi in 1851, spread to the Yangtze valley by the end of 1852. After the seizure of Wuchang in January 1853, the rebels immediately proceeded down the river, threatening the treaty port of Shanghai. Impressed by this


\(^{60}\) Perry, *The Japan Expedition, 1852-1854*, 60-61.


\(^{62}\) Henson, *Commissioners and Commodores*, 181.
success and assuming that the Christian Taipings would be in favor of foreign trade, some Americans began to fancy the future of the Taipings. Cunningham reported on January 28 to Commissioner Marshall in Macao that it was very likely that the Taipings would capture Nanjing. If that city was seized, Cunningham believed, the rebels “will take possession of the cities to the eastward, including Shanghai,” which would provide the rebels with much revenue. The Monthly Circular Advice of Russell & Co. dated 18 May 1853 revealed Russell’s illusion that the Taipings were to be the future rulers of the empire. American officialdom and public opinion at home shared the China traders’ view that the Taiping victory would lead to the complete opening of China for American trade and Christianity. This expectation induced some Americans to establish contact with the rebels and even to risk their lives to assist the Taipings. Russell & Co. and some other Western merchants traded with the rebels, supplying them with weapons and grain secretly. A series of incidents resulted in a violent conflict known as the Battle of Muddy Flat between Anglo-American forces and Qing troops in April 1854. Led by U.S. consul Robert Murphy, the armed American merchants in the nascent Shanghai Volunteer Corps (SVC) participated in this battle, when the SVC fought beside British and American troops to defeat Qing soldiers. Russell partner George G. Gray was seriously wounded in this battle. In the same year, a Russell ship carried 148 bars of lead from Suzhou to Shanghai. The Qing officials detained the ship, believing that the metal was destined for use by the rebels for the manufacturing of bullets. This ship was later released by Daotai Wu, who was suspected of helping Russell & Co. in which he had business interests. A secret investigation of the Daotai’s misconduct was underway.

The situation began to change when the Taipings suffered losses. Russell & Co. leased an opium receiving ship to Daotai Wu at 50,000 taels, which was used as a warship by the Chinese troops in the Yangtze for defense against the Taipings. At the end of 1855, Russell & Co.

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63 Edward Cunningham to Humphrey Marshall, Shanghai, 28 January 1853, Davids, American Diplomatic and Public Papers, ser. 1, 4:261.

64 North China Herald 193 (8 April 1854):142-43.

65 浙江巡撫黃宗漢奏摺，咸豐五年二月二十七日，《籌辦夷務始末》，咸豐朝，（北平：故宫博物院，1929-1931年），巻十，頁205-207. [Memorial: Reports of Huang Zonghan, Xunfu of Zhejiang, 3 April 1855, The Account of Management of Barbarians Affairs of the Qing Dynasty, reign of xiangfeng (Beijing: Palace Museum, 1929-1931), 10:205-7].

66 Wei, Shanghai: Crucible of Modern China, 50.
dispatched a Chinese agent to the forward command post of the Qing army outside Nanjing, the capital of the Taipings. The agent, who had close relations with the main commanders there, reported that the Taiping rebellion was "upon the point of being extinguished." Learning that the internal strife among the rebels further weakened the Taipings in 1856, American merchants now turned away from the Rebellion and supported the Qing government. The change in attitude was dictated by a concern for business.\(^{67}\) The direct reason that the China traders turned away from the Taipings was the rebellion's devastating impact on the import trade, which suffered the most from turmoil of the civil war. Many merchants, therefore, blamed the rebels for the difficulties in the trade.

After their hopes for the readjustment of relations with China through the Taipings was broken, the China traders returned to formulate new approaches to China in order to maximize their trade opportunities. When England and France decided to resort to force against the Qing government at the end of 1856, many American traders urged their government to join forces with the European powers. They even sent lobbyists to Washington in 1856 in an attempt to persuade the new administration to adopt their ideas. In February 1857, R. B. Forbes wrote a letter to Caleb Cushing, in which he suggested the formulation of a new policy toward China. Americans, the Russell man claimed, now had "a just ground for quarrel" and should not lose this good opportunity to make a permanent treaty with China. The American government should "act in concert with England and France;" "the show of force will bring the Emperor to terms without much bloodshed."\(^{68}\) Forbes's statement explicitly indicated the China merchants' change of attitudes. They desired for a shift in their government’s neutral policy, favoring a collaboration with the British.

The Pierce administration, however, did not believe that the situation in China warranted war. As long as the trade did not suffer serious interruption, the United States should remain passive and neutral. The trade obstacles created by the Chinese, officials in Washington predicted, would be resolved by the British and French. Facing the threat of civil war in America, moreover, Congress was unlikely to approve involvement in a conflict in distant China.

\(^{67}\) Teng, “American China Trade,” 106, 115.

\(^{68}\) Quoted in Tong, United States Diplomacy in China, 196-97.
Continuing his predecessor's China policy, President James Buchanan was not absorbed in immediate commercial interests; instead, he sought to formulate a policy based on the long-term goals of the nation. Accordingly, the United States avoided involvement in the Second Opium War and tried to take advantage of the conflict between China and the European powers in order to negotiate a new treaty more favorable to the American trade. The Americans finally had their wish fulfilled in the Treaty of Tianjin of 1858.69

Russell and Company in Its Heyday

By the mid-1850s, Russell & Co. had successfully shifted its major operation from south China to the Yangtze valley. Opium remained the most important commodity imported to China after the First Opium War. “Although opium is a prohibited article and presumed to be ignored by the Chinese authorities, yet it forms so essential a portion of the foreign trade that no return would be complete without it,” wrote the British consul at Shanghai in 1856.70 Russell & Co. continued to profit from the opium business by operating four opium ships on the China coast. According to a New York China trader Townsend Harris's letter to the Secretary of State William L. Marcy, Russell & Co. was deeply involved in the illicit business, and four merchant-consuls of the Russell firm in both Shanghai and Canton engaged in the business. Harris revealed that “heavily armed & strongly manned” opium receiving ships were stationed at Jinxingmen (Cum-sing-moon金星門) near the mouth of the Pearl River and Wusong (Woosung吴淞), the mouth of the Yangtze River, about 8 miles from the city of Shanghai. The company also used a steamer to smuggle opium from Hong Kong to Canton.71 Pushed by public opinion, the United States government condemned the opium trade in principle, but it granted the largest U.S. opium


70 Report by Mr. Robertson, Her Majesty’s Consul at Shanghae on the Trade of that Port during the year 1856, British Parliamentary Papers: China (Shannon: Irish University Press, 1971), 6:61.

71 Townsend Harris to E. L. Marcy, 10 October 1853, Davids, American Diplomatic and Public Papers, ser. 1, 18:339-49.
traders consular status. The principle of extraterritoriality established in the Treaty of Wangxia in practice prevented Chinese authorities from prosecuting American opium traders.

Under the new treaty port trading system, Western mercantile activities were not only extended to the treaty ports on the coast and along the Yangtze River, but also penetrated to their hinterlands. As these areas were integrated into the capitalist world market, foreign merchants more than ever hungered for timely information about domestic market. But they were prohibited to travel to interior China to gain access to its internal economy. Access to social networks of merchants in Chinese ports to be acquainted with local environment and to be engaged in joint-venture business, therefore, was crucial for a foreign company’s operation in the increasingly competitive China market. With the assistance of its efficient compradors, Russell & Co. successfully conducted the upcountry operation to gain direct access to the silk and tea producing areas. Like other Western firms, Russell & Co. depended on compradors to cultivate connections with Chinese merchants and to supervise a large Chinese staff to conduct routine operation. During the firm’s first two decades in Shanghai, it tended to employ Cantonese from Xiangshan (香山) county as its compradors. These Xiangshanese merchants included Ahyue (阿耀, 林顯揚, 1858-65), Sunchong (順昌, 何廉玉, 1858-61), Koofunsing (顧豐盛, 1860s), and Chongfat (昌發, 1860s). But, beginning in the 1860s, Russell & Co. recruited merchants from Zhejiang province for key positions, who apparently had easier access to social networks of capital in the Yangtze Delta region than the Cantonese. In 1865 George Tyson and Frank B. Forbes, Russell’s new managing partners in Shanghai, hired Choping (陳竹坪), an eminent silk merchant from Zhejiang, to replace Ahyue as the company’s chief comprador. He efficiently promoted the business of the Shanghai Steam Navigation Company when he held that position from 1865-1874. This appointment marked the major shift in the firm’s strategy of personnel management.72

As a commission house, Russell & Co. maximized its operations during the period of 1851-1859. The net profit during the single year, 1858-1859, reached $253,000. R. B. Forbes described these years as "the culminating point of the firm as a purely commission house." But, even in this period, changes in China and international trade subverted the firm's normal economic practice. The more attractive domestic investment, the retreat of the old China traders, the increase of individual expenses, the decrease of old constituent firms in America, and the rise of a British tea trade with the United States eroded the traditional commission business. As a consequence, profits from this kind of trade began to decline. Between 1855 and 1859 many newly established Western agency houses emerged in China. With the increase of Western commercial houses, the commission rates dropped. The official rates for commissions on selling or buying declined from four percent in the beginning of the 1850s to three percent at the end of the decade. To survive the intense competition, Russell & Co. had to alter its operations.

In 1856 the company began to invest idle capital and facilities on its own account. New branches of business were undertaken, such as selling cotton commodities in China for British enterprises, participating in the Japan trade and shipping silk and tea directly to the United States on the firm's capital, at its own risk. In addition to its expanded commission business, the firm also ran subsidiary enterprises, such as a steamship company and a machine-operated silk filature in Shanghai, a rope manufacturing company in Hong Kong, a glass manufacturing factory in Macao, and initiated a foreign exchange and insurance business. These operations enabled the company to continue to grow. Russell & Co. earned a net profit of $220,000 in 1849, which

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74 Forbes, Personal Reminiscences, 360-1; Morse, The International Relations of the Chinese Empire, 1:346; Hao, Commercial Revolution in Nineteenth-Century China, 169-70.

75 Forbes, Personal Reminiscences, 364.

increased to $270,000 in 1859-1860. These returns were more than double those of its closest competitor, Augustine Heard & Co. 77

Although British trading firms occupied a predominant position in the nineteenth-century treaty ports, American firms successfully competed with the British in the field of shipping. In the early 1850s, American sailing vessels carried about fifty percent of the foreign-trade merchandise in the Chinese treaty ports. They also pioneered steam navigation in China. In 1856 there were two American river steamers running constantly between Hong Kong, Canton, and Macao. 78 In 1862, Russell & Co. built up the first foreign steamboat enterprise in China—the Shanghai Steam Navigation Company (SSNC). At its peak this joint-stock enterprise had 16 steamships plying the waters between the treaty ports and Hong Kong. In 1870 forty-three percent (three million tons) of China's foreign, coastal and inland water trade was operated by American steamship enterprises. Russell's SSNC controlled much of this business, and was the largest company of this kind in China for fifteen years. In 1877 Russell & Co. sold SSNC to the China Merchants' Steam Navigation Co. supported by the imperial government. The transaction was concluded for $3,900,000, twice the original value. 79 During the same period, Russell & Co. founded the Yangtze Insurance Association, also a joint-stock enterprise. Closely associated with the navigation company, this enterprise owned a capital of Tls.157,000 in 1877. After the steamer firm closed in 1878, the Yangtze Insurance Association continued to operate. Its capital expanded to Tls.420,000. 80 Having closed its steamship enterprise, the company turned to new endeavors. In 1878, the firm established a silk filature in Shanghai which was expanded to


78 Report by Mr. Harr Parkes, British Consul at Canton, on the Trade of that Port during the year 1856, British Parliamentary Papers, 6:41.


become the Keechong Silk Filature Association. When Russell & Co. failed in 1891, the silk filature had become one of the largest enterprises of this kind in China.

**Transformation of the China Trade and the Decline of Russell & Co.**

Innovations in transportation and communication also had profound impact on the China trade. Beginning in the 1850s, clipper ships were gradually replaced by steamers, which greatly shortened the time in transit and accelerated the tempo of the trade. In 1869 the first transcontinental railway crossed the United States. The Suez Canal, completed in the same year, shortened the voyage between London and China from 120 days to less than 60 days. The revolution took place in transportation and communication altered the crucial factors in the traditional China trade. The telegraph connection of Shanghai, Hong Kong, and London in April of 1870 was particularly significant. The efficient telegraphic network enabled commercial firms to receive up-to-date market information instantaneously, which greatly transformed the methods of transaction in the trade.81

In addition to the changes in transportation and communication, other developments also affected the traditional commission companies. Ancillary services, such as banking and insurance, had always been supplied by large firms to small ones. The emergence of the professional establishments, however, seriously undermined the operations of commercial houses. After a decade of cut-throat competition, Russell & Co. had to end its banking operation in the 1870s. Their commission business was also taken over by the new participants who benefited from the faster transmission of purchasing power and orders. In this new environment, competition in commission business became keener and the profits dropped. As a result, many commission houses were too fragile to withstand a financial crisis. During the 1860s and 1870s, many prominent firms failed, including the British firm Dent, Beale & Co., Maitland, Bush & Co., Mackellar & Co.; and the American firm Olyphant & Co. In 1875 Russell & Co.'s major competitor Augustine Heard & Co. failed and Albert Heard was forced to resign from the Hongkong and Shanghai Banking Corporation board. The financial crisis of 1883 in China

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caused still more American firms to fail. The total number of U.S. companies in China decreased from 46 in 1875 to 28 in 1887.  

By the end of the 1880s, Russell & Co. was in serious trouble. When describing the grim trade conditions, Russell merchant Charles Alexander Tomes wrote: "There was no brilliancy at any port" and "there was no great ability anywhere." The company’s partner "C. V. Smith's ill conceived schemes," "wasteful efforts," "the burden of heavy debts and obligation" all contributed to dwindle "the moderate earnings of the day." On the eve of its bankruptcy, the Russells attempted to revive their former banking operation. In 1890 C. V. Smith of Russell & Co. was active in promoting new firms and formed the Trust and Loan Co. in conjunction with London. As one of the initiators, the company next engaged in founding the National Bank of China, Ltd., in April 1891, with the purpose of "securing the cooperation of Russell & Co." The Russell firm was the bank's permanent secretaries. Registered in England, the bank's head office was in Hong Kong, with a committee in Shanghai. One of the objectives of the project was to bring together Chinese and foreign capital in a bank since the Chinese merchants longed for a Western-style financial institution with primarily Chinese interests. The shareholders included the Houqua family and the board of directors contained Chinese shareholders. Its founders included Paul S. Forbes's two sons, William H. Forbes and Henry de C. Forbes. Both were Russell partners and had served as chairman or deputy chairman of the powerful Hongkong and Shanghai Banking Corporation. But some of Russell & Co.'s partners did not support their company’s sponsorship of the National Bank of China because the new bank was viewed as rival of the Hongkong and Shanghai Bank which the Russells had been closely associated with since the 1860s.

By making enemies of the Hongkong and Shanghai Bank, in C. T. Tomes's words, the firm lost its "prestige and character." S. W. Pomeroy, a Russell partner and former director of the Hongkong and Shanghai Bank, with other members of the company, criticized Forbes brothers, which led to William Forbes's resignation from the Board of the Hongkong and Shanghai Bank in March 1891. As a result, credit from that bank to Russell & Co. was curtailed. This, as Tomes

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82 Peter Schran, "The Minor Significance of Commercial Relations Between the United States and China, 1850-1931," in May and Fairbank, America's China Trade in Historical Perspective, 245. For the financial crisis of 1883, see Hao, Commercial Revolution in Nineteenth-Century China, 323-30.

83 Charles A. Tomes, Autobiography, Charles Alexander Tomes Papers, Massachusetts Historical Society.
Among those who especially deplored the court's decision in 1819 was Senator Daniel Webster (1782-1852), a towering figure of the 19th-century American political scene. Webster, a Massachusetts lawyer and politician, served as the U.S. Secretary of State and later as the U.S. Supreme Court Justice. His speech against the decision was so powerful that it became known as the "Webster's Farewell." He argued that the court's decision was an affront to the democracy and the spirit of the Constitution. He maintained that the court should not be allowed to interpret the law in a way that it was not intended. His arguments were so compelling that they were published in newspapers throughout the United States, influencing public opinion and leading to a shift in the court's composition in favor of those who supported the rights of the states to regulate themselves.

Although Webster succeeded in his battle against the court's decision, his advocacy against the court's overreach had consequences that would shape the course of American political history. His influence contributed to the ascendancy of states' rights and local autonomy in the 19th century. His work laid the foundation for the development of a federal system that would ensure a balance between central authority and state power in the United States.
After the First Opium War, supported by the first Sino-U.S. treaty, the company's position was greatly strengthened. It fully utilized the foreign and Chinese social networks of capital in Shanghai, successfully expanding their operations from the edge of empires to the treaty ports and their hinterlands. The partners accumulated handsome profits by means of normal operations as well as in the illegal drug traffic. Owing to its dominant financial position and its close connections with prominent politicians in Washington, the firm controlled the important U.S. consulates in China at midcentury. As guardians of American interests in China, they adopted an intransigent attitude toward the Chinese government, which was backed by the U.S. navy.

Changes at home following the Civil War, a new environment in China after the Second Opium War, and the impact of innovations in transportation and communication, however, resulted in the decline of the commission business. To survive the keen competition, the company adapted to the changing circumstances by altering its traditional operations and branching out into new areas. Although these efforts delayed the liquidation of the firm, they could not permanently reverse the declining trend. The failure of Russell & Co. indicated that the traditional family house was out-of-date. By the end of the century, all of the old American mercantile houses had failed. The new American enterprises, such as the American Tobacco Co., Standard Oil, Carlowitz & Co., the China and Japan Trading Co., and the American Trading Co., rapidly replaced the old China traders, specializing in exporting American products to China.87

The rise and fall of Russell & Co. was concurrent with the crucial period in modern Chinese economic history in which a fundamental commercial change was in the making. The emergence of the British and American agency houses on the Chinese coast accelerated the tempo of change in China's foreign trade. This commercial revolution, as Yen'ping Hao observes, became apparent in the 1820s, came into full bloom by the 1860s and maintained strong momentum into the 1880s.88 In this process, China's coastal areas became transformed into the periphery of the worldwide capitalistic systems dominated by Western powers.


88 Hao, Commercial Revolution in Nineteenth-Century China.
The demand for tea and silk in American as well as other Western markets stimulated the development of commercial agriculture in China, which accelerated the emergence of a commodity economy and the collapse of the traditional self-sufficient economy. On the other hand, the enormous importation of opium, which resulted in a silver outflow, produced specie contraction in China. In the late nineteenth century, the emergence of the enterprises operated by Americans, such as the steamship company and modern silk filature, introduced new technologies and new methods of management into China, which provided prerequisites for the development of Chinese modern industry. Western merchant's operations also stimulated the rise of Chinese national capitalism. American trade with China certainly had positive influence on China. But, ultimately, this trade, conducted under the auspices of unequal treaties, was exploitative and imperialist. It was detrimental to China in many aspects. The exchange was unequal as Americans gained capital essential for domestic development while Chinese indigenous industry suffered decline. The pernicious effects of Western imperialism partially contributed to the technical stagnation of the Chinese industry.  

Although the China trade was of minor significance to the United States in terms of aggregate value, the trade proved very important and rewarding for individual participants. What was most spectacular about this highly lucrative trade was not its volume, but the enormous profits which resulted from the business. In the case of Russell & Co., the partners accumulated handsome profits. From the very beginning, profits from the China trade were invested in enterprises such as railroad companies in the United States. Through the agents of Russell & Co., money from Chinese investors also flowed into the United States. Certainly these activities contributed to the internal development of the United States.

By the end of the century, America's share in the China trade was still small, but the huge Chinese market was regarded as capable of indefinite expansion. Its failure to materialize in no way subsided the sanguineness of participants or of their government. With the most-favored-nation clauses and extraterritoriality in their treaties with China, American traders hoped to gain the lion's share of the trade. For these reasons, the support of economic interests constituted the basic focus of U.S. policy toward China.