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# Empire of Impartiality: Managing Indebtedness to Foreigners in Eighteenth-Century China

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## Abstract

Recent scholarship highlights the role of commercial credit, often backed by the power of the state, in creating conditions of subordination in the expansion of European empires. Less attention has been paid to how such indebtedness was understood and handled by the counterpart states, thereby missing the opportunity to appreciate other modes of interaction between private credit and imperial construction. This article investigates the framework under which the eighteenth-century Qing empire dealt with accusations brought against indebted Chinese merchants by external parties. I stress the importance of bringing Sino-Western and intra-Asian cases into a single analytic frame to reflect the Qing empire's comprehensive approach to the maritime frontier. In these cases, the Qing emperor intervened to help foreigners recover their funds and even assumed unbound liability as a last resort. Buttressing such practices was a foundational principle of the Qing imperial formation: that the emperor's claim to universal sovereignty rested upon his utmost impartiality toward the 'inner and outer' – a contrasting pair based on shifting relativity rather than fixed territoriality. This study highlights the importance of understanding the different modes of mutual constitution between how an empire imagined and managed different groups of people it ruled over or encountered and the practical parameters of its political economy in global history.

**Keywords:** cross-cultural debt; Qing; Britain; maritime Asia; Sulu; Canton; Amoy; Hong merchants

In 1779, a British Royal Navy frigate arrived at Canton to pressure Qing authorities to help British creditors recover their investments from defaulted Chinese merchants. The unserved 'Chinese debts' in question had been accumulating in the preceding two decades, as British country traders made extensive loans of their surplus funds to Chinese merchants to reap high rates of return (typically 18 to 20 per cent per annum or even higher), despite a full recognition that compound interest at such rates could often ruin the borrowers' already shaky finance and undermine the security of such investments.<sup>1</sup> Historian Jessica Hanser juxtaposes this 'Chinese debts' crisis in 1779–80 with the contemporaneous debt crisis in Madras to reveal the role of private credit in British imperial expansion. When speculative lending by private British actors to Indian rulers and Chinese merchants ultimately ended in defaults, the lenders made greater demands upon the Crown to intervene on their behalf diplomatically and militarily, thus escalating imperial intervention to define the terms of economic and political engagement with their trading partners. Such dynamics sparked a mutiny in Madras and turned initially voluntary credit relations into a form of colonial debt that eventually cost the independence of the nawab of Arcot. Canton avoided the same fate because, Hanser argues, a more stable bureaucracy in Qing China was able to address

<sup>1</sup>For the 'Chinese Debts' crisis in 1779–80 and its settlement, see Kuo-Tung Ch'en, *The Insolvency of the Chinese Hong Merchants, 1760–1843* (Taipei: Institute of Economics, Academia Sinica, 1990), 192–208.

the British creditors' demands at least partially and, more importantly, exerted more control over foreign traders under the rubric of the 'Canton system' to maintain security.<sup>2</sup> The two simultaneous debt crises, despite their different outcomes, brought into sharp resolution the importance of credit relations to British imperial expansion, anticipating similar financial entanglements in nineteenth- and twentieth-century imperialism.<sup>3</sup>

Less clear, however, is how such cases of cross-cultural indebtedness and insolvency were viewed and approached by the counterparts of the British empire, especially in the early modern period before the paradigm of Western finance was normalized as the global standard. This article, therefore, looks at the issue from the other side and investigates the framework under which the eighteenth-century Qing empire understood and managed the commercial or credit relations forged between private Chinese merchants and foreign sovereigns or individuals, especially when such engagements went sour. Just like the 1780 Sino-British debt crisis, many other accusations brought against Chinese traders by Western and Asian parties alike were resolved when the Qing government ultimately took it upon itself to bring about justice as it saw fit and protect the interests of the foreign parties. If the Qing court's conciliatory attitude in the 1780 Sino-British debt crisis was catalyzed by the British naval threat, its similar approach toward players from much weaker domains is puzzling if one sees the underlying logic as a purely confrontational one based on military might. In these cases, the legal and jurisdictional attributes were fluid, and the intervention by the Qing state – let alone assuming the merchants' unfulfilled liabilities upon itself – should not be taken for granted. Its logic for doing so is the central question of this essay. I argue that the key to understanding why the Qing court handled debt disputes between different ethnocultural groups in the way it did was the empire's overarching discourse of impartiality toward the 'inner and outer' (*zhongwai* 中外). The pair 'inner and outer' did not correspond to a territorial separation of domestic and foreign by fixed borders, but denoted relative degrees of closeness to the imperial centre that might alter a particular group's designation as 'inner' or 'outer' according to different points of reference.

Instead of restricting this study to Chinese indebtedness to British and other Western traders, it is important to bring them into a single analytic frame with similar cases in intra-Asian relations. The credit relationship between Chinese and Western traders has been richly studied in the context of the Old China Trade before the Opium War.<sup>4</sup> The use of Western-language sources in these studies, ranging from the archives of various East India companies to merchant correspondence, diaries, and ship logs, illuminates many operational details on the ground in the Canton market that the paucity of comparable Chinese sources fails to cover. However, the very nature of such Western archives means that their creators had a very limited understanding of the Qing court, so they often recorded Chinese documents out of context and speculated on imperial intentions. Moreover, by singling out Chinese–Western relations, existing studies anachronistically distort the integrated maritime geography as imagined by eighteenth-century Qing policymakers. The eighteenth-century Qing state approached the maritime frontier as a whole, which can only be understood properly if we adopt a similarly comprehensive view that includes both its Asian and Western counterparts. The main concern here is less with the practical, opportunistic manoeuvres in the local market that existing literature on Sino-foreign trade has done much to uncover, but more about the overarching schema of beliefs, discourses, and

<sup>2</sup>Jessica Hanser, 'From Cross-Cultural Credit to Colonial Debt: British Expansion in Madras and Canton, 1750–1800', *The American Historical Review* 124, no. 1 (2019): 87–107.

<sup>3</sup>Emily S. Rosenberg, *Financial Missionaries to the World: The Politics and Culture of Dollar Diplomacy, 1900–1930* (Durham: Duke University Press, 1999); Aaron Jakes, *Egypt's Occupation: Colonial Economism and the Crises of Capitalism* (Stanford: Stanford University Press, 2020); Michael Schiltz, *The Money Doctors from Japan: Finance, Imperialism, and the Building of the Yen Bloc, 1895–1937* (Cambridge, MA: Harvard University Asia Center, 2012).

<sup>4</sup>Ch'en, *Insolvency*; W. E. Cheong, *The Hong Merchants of Canton: Chinese Merchants in Sino-Western Trade* (Richmond, Surrey: Curzon, 1997); Paul Arthur Van Dyke, *The Canton Trade: Life and Enterprise on the China Coast, 1700–1845* (Hong Kong: Hong Kong University Press, 2005).

practices that guided the Qing court's rationale for dealing with cross-domianial debt disputes as it did. For this purpose, it is appropriate to rely more on official Qing documents and the correspondence between the emperor and his officials.

In what follows, we first look at the Qing approach to the maritime world in the eighteenth century. Several key features are particularly important for understanding the context that structured how the Qing handled cross-domianial debt disputes: the encouragement of open foreign trade, the suspicion of Han Chinese who had extended foreign contacts both at home and abroad, and the construction of inter-domain relations under the discourse of universal rulership. We will see how these factors played a role in the Qing interventions in accusations against fraudulent Chinese merchants by the sultan of Sulu, an archipelagic Islamic sultanate sandwiched between the Spanish Philippines and the Dutch East Indies. In substantiating his claim to unbounded sovereignty, the Qing emperor was eager to demonstrate his impartiality toward the 'inner and outer' without discrimination. This often meant supporting the claims of those who, in the Qing imagination of imperial geography, were considered peripheral yet vulnerable to treacherous behaviour by some of the Qing's own subjects, particularly the Han Chinese. Those who could be painted in such a fashion included internal minorities like the Miao, tribute states like Sulu, and foreign traders like the British. Indeed, we can see the same logic at work in the Qing handling of Chinese indebtedness to the British.

The larger stake is to understand how particular forms of political economy were shaped by and in turn shaped the construction of particular forms of imperial authority, both discursively and corporeally. Recent developments in Chinese historiography urge scholars to take the Qing imperial formation seriously.<sup>5</sup> A fruitful result is the recognition that all empires, European and Asian alike, seek to reconfigure their social worlds with universalistic pretensions, which are buttressed by complex metaphysical systems. The Qing empire had its own view of the meaning of sovereignty and constructed hegemonic relations of power among its subjects and within its formation in particular ways, which only faded away after losing out to the competing hegemonic discourse of the nation-state and international relations defined through international law during nineteenth-century imperial competitions. How the eighteenth-century Qing empire handled cases of its subjects in commercial disputes with foreign entities must be understood in the broader terms of its imperial construction, including such metaphysical discourses as universal rulership and organizational principles in relative gradations of 'inner and outer'. The Qing emperor's universalist claim was buttressed by his demonstration of utmost impartiality, that his 'imperial benevolence extends compassion to outer domains in the same way as it does to the interior' and 'the celestial dynasty's governance does not discriminate against the outer'.<sup>6</sup> With the power of its empire constructed on such a discourse, the Qing behaved rather differently than the British empire's willingness to take on an active role in defending private British mercantile interests in the wider world. Such willingness certainly was not readily extended by the British state in every case, nor was it given without hesitation or objection by some statesmen, but when contrasted with the Qing state, the difference was striking.<sup>7</sup> This contrast was not simply one in terms

<sup>5</sup>Important works include James Louis Hevia, *Cherishing Men from Afar: Qing Guest Ritual and the Macartney Embassy of 1793* (Durham: Duke University Press, 1995); Peter C. Perdue, *China Marches West: The Qing Conquest of Central Eurasia* (Cambridge, MA: Belknap Press of Harvard University Press, 2005); Matthew W. Mosca, *From Frontier Policy to Foreign Policy: The Question of India and the Transformation of Geopolitics in Qing China* (Stanford: Stanford University Press, 2013).

<sup>6</sup>Zhongguo diyi lishi dang'an guan, ed., *Qingdai Zhongguo yu Dongnanya geguo guanxi dang'an shiliao huibian (di er ce) Feilubin juan* (Archival materials on the relations between Qing China and Southeast Asia (vol. 2) The Philippines) (Beijing: Guoji wenhua chubans gongsi, 2004) [hereafter QDNY2], 130.

<sup>7</sup>Even with John Darwin's emphasis on the contingency of British empire-making, what he describes as the 'equivocal' role of the British government in supporting the expansionist 'bridgeheads' at the margins of the empire was still far more prominent than what the Qing ever contemplated before its last decades. See John Darwin, 'Imperialism and the Victorians:

of an empire's favourability or antagonism to commerce or the merchant class. Rather, debt disputes across ethnocultural and territorial boundaries give us a lens to look more comprehensively and comparatively at the complex interplay between the discursive construction of imperial authority, the politics of maintaining or mitigating inter-group differences, and the practical parameters of political economy in the global history of empires.

### Open ocean, suspicious Chinese, and cherished people from afar

Despite recent scholarship that debunks the stereotype of a 'closed' Qing thrown open by the unstoppable forces of modern globalization brought by the West, discussions of Qing maritime policies still centre more on those aspects that directly affected European traders with an eye toward the Opium War.<sup>8</sup> A comprehensive view of the Qing approach to the maritime frontier, as Gang Zhao points out, must recognize that the Qing policy brought a revolutionary change to that of the Ming (1368–1644) and was remarkable for its openness in the eighteenth-century world, especially in comparison to the protectionist restrictions adopted by contemporary European states.<sup>9</sup> After the conquest of Taiwan in 1683, the Kangxi emperor formulated one of the most open trade policies that had been seen for many centuries: restrictions on outgoing Chinese ships and incoming foreign traders were generally lifted.<sup>10</sup> Most significantly, he abolished the Ming dynasty's bundling of tribute and trade that had been dysfunctional in practice since the mid-Ming. Under the new policy of Kangxi, private parties from all foreign domains, from tribute or non-tribute states alike, could trade legally at any of China's coastal ports as long as they followed the inspection rules and paid taxes at the maritime customs. England, for example, was clearly indicated as a country that was connected to the Qing through commerce but remained outside of the tribute system, as were Japan and many polities in Southeast Asia.<sup>11</sup> Although the hierarchic tribute system still largely framed how the Qing approached diplomacy with other states, the existence of such a diplomatic relation was no longer necessary for individuals from any given country to come and trade in China. Taking a longer-term view, the Qing approach reverted to the long tradition of open foreign trade during the Song-Yuan period (c. tenth to fourteenth centuries), which had been disrupted in the Ming.<sup>12</sup>

For the convenience of inspection and regulation, there were restrictions on the ports through which Chinese persons could venture out and the ports through which foreign persons could enter based on their area of origin and purpose.<sup>13</sup> There was also a licensing system to regulate who

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The Dynamics of Territorial Expansion', *The English Historical Review* 112, no. 447 (1997): 614–42. The role of metropolitan political elites in backing British economic expansion overseas is given much more emphasis in P. J. Cain and A. G. Hopkins, *British Imperialism: Innovation and Expansion, 1688–1914* (London: Longman, 1993).

<sup>8</sup>Traditional formulation holds the Canton system for Sino-Western trade as the epitome of Qing closedness, see John K. Fairbank, *Trade and Diplomacy on the China Coast: The Opening of the Treaty Ports, 1842–1854* (Cambridge, MA: Harvard University Press, 1953). For examples of recent scholarship that paints a different picture, see Van Dyke, *The Canton Trade*; John Wong, *Global Trade in the Nineteenth Century: The House of Houqua and the Canton System* (Cambridge: Cambridge University Press, 2016).

<sup>9</sup>Gang Zhao, *The Qing Opening to the Ocean: Chinese Maritime Policies, 1684–1757* (Honolulu: University of Hawai'i Press, 2013).

<sup>10</sup>Zhao, *Qing Opening to the Ocean*, 92.

<sup>11</sup>*Huangchao wenxian tongkao*, juan 298.

<sup>12</sup>For an updated overview of China's foreign trade in the middle and late imperial period, see Angela Schottenhammer, 'Foreign Trade', in *The Cambridge Economic History of China*, ed. Debin Ma and Richard von Glahn, vol. 1 (Cambridge: Cambridge University Press, 2022), 637–75.

<sup>13</sup>For the rationale and ramifications of this approach of partitioning its external relations into segments, see Matthew W. Mosca, 'The Qing State and Its Awareness of Eurasian Interconnections, 1789–1806', *Eighteenth-Century Studies* 47, no. 2 (2014): 103–16.

could directly deal with foreign traders at each open port. Amoy (Xiamen), the main port for Chinese junks venturing into Southeast Asia, and Canton (Guangzhou), the main port for incoming traffic from Western countries, shared the same set of basic regulatory and institutional frameworks. For Western traders, specifically, these restrictions on location and personnel eventually crystallized into the so-called ‘Canton system’, under which Western merchants could only trade in Canton through the licensed ‘Hong merchants’. The Canton system was often demonized as the archenemy to the principle of ‘free trade’ in the European construction of Qing China (spearheaded by the British East India Company [EIC], which ironically had a royal charter granting a monopoly on Asian trade), and such a perspective became embedded in the archives and lived on to influence scholarly narratives. But we should recognize that, first, this system was not specific to Sino-Western trade, but a slightly modified form of a standard, empire-wide system for long-distance trade; and second, and more importantly, it essentially allowed for the free coming and going to China for commerce. Indeed, a British encyclopaedia of commerce published in London in 1751 lauds the Qing for its positive disposition toward foreign trade:

They now not only suffer, but encourage both near and distant nations . . . to come and trade with them; . . . and, at the same time, allow their own people unto a great number of foreign parts. . . . No wonder then that it is so opulent and powerful, when all the four parts of the globe contribute to make it so.<sup>14</sup>

Equally noteworthy was the Qing state’s relationship with its mercantile subjects who bridged cross-cultural trade, whether they were maritime traders who frequented the China Seas or licensed dealers who hosted foreigners at home. Whereas considerations of coastal livelihood and fiscal benefits committed the Qing state to open trade at designated ports, suspicion of possible collusions between internal and external subversive forces prompted strict security measures to maintain control, such as limitations on the duration of time people could spend abroad and the prohibition for long-term strayers to return to China.<sup>15</sup> The Manchu identity of the Qing emperor and the politics of difference in his multi-ethnic empire were important factors in understanding the distrust toward long-term absentees and the characterization of Han merchants as ‘treacherous’ in their commercial transactions with non-Han peoples. During the long eighteenth century, the three High Qing monarchs (Kangxi, Yongzheng, and Qianlong) saw themselves more as controlling rather than aiding Han merchants in their dealings with other ethnic groups both within and beyond the territorial empire. This was evident from the controlling measures aimed at Han merchants and migrants who ventured into newly conquered territories of the empire such as Taiwan, the Miao territories, and Xinjiang, to say nothing of the restrictions on Han traffic into the Manchu homeland. Indebtedness to Han merchants and the consequent loss of valuable collateral (usually land) led to ethnic tensions and even outright rebellions on multiple frontiers during the eighteenth century. The contrast between the ‘treacherous’ Han and their simple, gullible counterparts became an often-invoked idiom in Qing official rhetoric.<sup>16</sup> Maritime connections of

<sup>14</sup>Malachy Postlethwayt, *The Universal Dictionary of Trade and Commerce, Translated from the French of the Celebrated Monsieur Savary* (London: J. and P. Knapton, 1751), 1:492. The quoted passage was added by the English author to the French original, which was published 30 years earlier. Cited in Richard von Glahn, ‘The Changing Significance of Latin American Silver in the Chinese Economy, 16th–19th Centuries’, *Revista de Historia Económica – Journal of Iberian and Latin American Economic History* 38, no. 3 (2020): 566.

<sup>15</sup>The Yongzheng emperor’s thoughts behind introducing these measures can be found in National Palace Museum, ‘Gongzhong dang zouzhe’ (Database of Palace Memorials) [hereafter GG], 009573, Memorial of Yang Wenqian et al., YZ5/9/9.

<sup>16</sup>For selective references for Qing ethnic and frontier policies, see John Robert Sheperd, *Statecraft and Political Economy on the Taiwan Frontier, 1600–1800* (Stanford: Stanford University Press, 1993); James A. Millward, *Beyond the Pass: Economy, Ethnicity, and Empire in Qing Central Asia, 1759–1864* (Stanford: Stanford University Press, 1998); Peter Perdue, ‘Nature and Nurture on Imperial China’s Frontiers’, *Modern Asian Studies* 43, no. 1 (2009): 245–67.

the Han with Southeast Asia and the Europeans were particularly worrisome as potential anti-Manchu forces in the early Qing. What prompted the Kangxi emperor to issue his short-lived ban on outgoing voyages to Southeast Asia in 1717 was precisely the congregation of a big Han diaspora in the European colonies of Southeast Asia. The Philippines, controlled by a ‘Western Ocean country’, and Batavia, controlled by the ‘red-haired country’, were highlighted by the Manchu emperor as safe havens for suspicious Han rebels and pirates.<sup>17</sup> The Dutch ordinance for all resident Chinese in Batavia to maintain their traditional hairstyle certainly contributed to the reputation of Batavia as a haven for Ming loyalists who refused to wear the queue as stipulated by Qing law.<sup>18</sup>

Han Chinese who had mingled with foreigners for a long time were suspicious. This suspicion was not only cast upon those who had resided abroad for years and suddenly came back, but also on merchants and civilians on the mainland who conducted business with foreign visitors. Therefore, foreigners who called on Chinese ports, whether they were tribute embassies or just traders, were allowed to stay only in designated quarters for the duration of their business and interact only with official persons or specially licensed brokers. These licensed brokers (行, differently Romanized as *hang* or *hong*) were known as the ‘Hong merchants’ by the Westerners in Canton, but essentially, they were no different from their counterparts in Amoy or any other major coastal or overland port; in domestic trans-local trade, as well, itinerant merchants were required to make transactions through the mediation of licensed brokers.<sup>19</sup> The state relied on licensed brokers as both economic and administrative intermediaries to oversee long-distance trade. Among other things, they guaranteed the tax payments of their patrons and were held accountable for their proper behaviour in the marketplace.<sup>20</sup> But the profits generated by such exclusive rights also came at a cost: when something went wrong – whether it was unruly foreigners, tax arrears, or uncleared debts – they were first to be blamed for their mismanagement, treachery, or collusion, and this was all the more true in the realm of foreign trade.

If the Qing emperor was not enthusiastic about the return of long-strayed Han Chinese, he had a different attitude toward foreign guests who came to his court to offer tribute and submit to the transformative power of his exemplary virtue. As expressed by the set phrase that permeates documents on such matters, the emperor ‘cherishes people from afar’ (*huairuo yuanren* 懷柔遠人; *huaiyuan* in short).<sup>21</sup> As a paradigm for organizing foreign relations, the tribute system required the foreign lords’ acknowledgment of the supremacy of the Qing emperor, which they expressed by sending embassies to the Qing capital to present tribute according to a set of elaborate rituals and accepting investiture from the Qing court.<sup>22</sup> Whereas the tribute system signified and reproduced the asymmetric hierarchy between a supreme lord and many lesser lords,

<sup>17</sup>The Kangxi emperor’s reasoning can be seen in *Qing shilu*, Scripta Sinica [hereafter QSL], Kangxi 55/10/25 (the 55th year of the Kangxi reign, month 10, day 25 in the Chinese calendar).

<sup>18</sup>This order was issued at the request of the leaders of the local Chinese community who had established themselves in Batavia during the Ming and aimed to differentiate between long-term residents like themselves and new-coming seasonal traders. See Leonard Blussé, *Strange Company: Chinese Settlers, Mestizo Women and the Dutch in VOC Batavia* (Dordrecht: Foris Publications, 1986), 127.

<sup>19</sup>A difference did emerge, in that licensed brokers in foreign trade tended to deal on their own account, whereas those in domestic trade mostly acted as intermediaries to earn a commission. But this distinction was by no means absolute. For the fluidity between intermediation and proprietary dealing, see Meng Zhang, *Timber and Forestry in Qing China: Sustaining the Market* (Seattle: University of Washington Press, 2021), 123–4.

<sup>20</sup>Zhang, *Timber and Forestry in Qing China*, 117–19; Paul Arthur Van Dyke, *Merchants of Canton and Macao: Success and Failure in Eighteenth-Century Chinese Trade* (Hong Kong: Hong Kong University Press, 2016), 9–10.

<sup>21</sup>For a detailed exposition of this term in its multi-lingual manifestations, see James A. Millward, ‘What Did the Qianlong Court Mean by *Huairuo Yuanren* 懷柔遠人? An Examination of Manchu, Mongol and Tibetan Translations of the Term as It Appears in Chengde Steles, as a Defense of ‘New Qing History’’, in *How Mongolia Matters: War, Law, and Society*, ed. Morris Rossabi (Leiden: Brill, 2017), 19–34.

<sup>22</sup>The scholarship on the tribute system is too extensive to list here. For the original formulation, see J. K. Fairbank and S. Y. Teng, ‘On the Ch’ing Tributary System’, *Harvard Journal of Asiatic Studies* 6, no. 2 (1941): 135–246. For subsequent

it nevertheless rested on the very basic fact that guests could not be forced to come; they could only be attracted. When they do come, it is testimony to the ‘transformative virtue of the Qing emperor that knew no boundary and distance’.<sup>23</sup> Rather than unilaterally imposed by the Chinese court, the hierarchic structure was constructed by different actors with multiple perceptions and innovative expressions of the principle of reciprocity between the centre’s ‘cherishing the small’ and the vassal’s ‘serving the great’.<sup>24</sup> If an initial embassy was a meritorious enrolment in the tribute system, it was the subsequent, recurring engagement that reproduced the process of inclusion, which required continuous renegotiation and refashioning as conditions in the world changed. And if engagement became choppy or even stopped, the bilateral relationship would quietly lapse.<sup>25</sup>

Take Sulu for instance. Formal relations between China and Sulu had atrophied for a long while after the initial tributary connection in the early Ming. When the two states reconnected in the early eighteenth century, both had undergone a sea of change from their fifteenth-century predecessors. After the first successful embassy in 1726, the Qing–Sulu connection continued to intensify over the next few decades. Before the British came on the scene in the 1760s and ‘drew [the Sulu zone] into a systemic network of economic traffic on a global scale’, trade and connections between the Qing and Sulu had already begun to intensify at an unprecedented level under new political-economic frameworks and at the initiative of the sultanate and the Chinese maritime traders.<sup>26</sup>

### ‘Interior people’ cheating ‘barbarians’

Intensified contact also meant more open channels to voice complaints and demand redress. From the mid-eighteenth century, several Sulu accusations against Chinese traders for their ‘fraudulent’ practices reached the Qing court. By zooming in on one of these cases, we will see how the factors discussed above – the construction of inter-domain relations under the tribute rhetoric and an innate suspicious attitude toward Han emigrants – structured the legal, ideological, and political-economic framework under which the Qing court approached the accusations against Chinese merchants.

In the summer of 1780, the sultan of Sulu consigned to Wang Sanyang, a veteran trader to his country, pearls, edible bird’s nests, and other commodities to sell in Amoy.<sup>27</sup> Wang immediately took out some of the bird’s nests to pay off his personal debt. Upon returning to Amoy, he sold most of the remaining commodities, the proceeds of which he quickly squandered away. He sent his nephew to Canton to sell what was left, hoping to fetch a good price to make up for his embezzlement. But the yield was disappointing. To make things worse, Wang’s business partners demanded that he repay his earlier debts and bear his share of the loss of joint business ventures. Some of these partners took the matter into their own hands and extracted money directly from the nephew in Canton, whereas others launched a court suit in Fujian province.

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rebuttals and revisions, see John E. Wills, ‘Tribute, Defensiveness, and Dependency: Uses and Limits of Some Basic Ideas About Mid-Qing Dynasty Foreign Relations’, *American Neptune* 48 (1988): 225–9; Hevia, *Cherishing Men from Afar*.

<sup>23</sup>Quotation is from QDNY2, 124.

<sup>24</sup>Yuanhong Wang, *Remaking the Chinese Empire: Manchu-Korean Relations, 1616–1911* (Ithaca: Cornell University Press, 2018), 3–6; Nianshen Song, ‘“Tributary” from a Multilateral and Multilayered Perspective’, *The Chinese Journal of International Politics* 5, no. 2 (2012): 155–82.

<sup>25</sup>For cases of how the Sinocentric tribute system was modified, manipulated, challenged, and ignored from the seventh century to the turn of the twentieth, see Stephan Haggard and David C. Kang, eds., *East Asia in the World: Twelve Events That Shaped the Modern International Order* (Cambridge: Cambridge University Press, 2020).

<sup>26</sup>James Warren’s authoritative account of the ‘Sulu Zone’ traces the prosperity of this sultanate to the British expansion into the region in the 1760s, but inaccurately depicts Sulu’s prior engagement with China ‘for several centuries’ as changeless. James Francis Warren, *The Sulu Zone: The World Capitalist Economy and the Historical Imagination* (Amsterdam: VU University Press, 1998), 46.

<sup>27</sup>The following details of this case are based on GG 068647, Yade memorial, QL47/10/13.

The desperate Wang resorted to making fabricated accusations against his creditors and business partners. He composed a letter and asked an outbound Chinese merchant to deliver it to the Sulu sultan in early 1781. Wang claimed that he had delegated the sultan's commodities to his business partners, who dared to embezzle the proceeds. He further asserted that two other Chinese merchants with operations in Sulu – who were, in fact, his creditors – owed him money, and he asked the sultan to seize their properties in Sulu as compensation for the consigned commodities. Naturally, the wronged merchants vehemently protested. Finding himself in such an unsolvable mess, the sultan had yet another Chinese merchant deliver a letter to the subprefect of Amoy, who was the direct overseer of the Chinese ocean-going merchants. Accompanying the sultan's letter were Wang Sangyang's original report to the sultan and some bird's nests as a gift to the subprefect.

Upon receiving the sultan's letter, officials in Fujian set in motion the full repertoire of bureaucratic reporting and investigating protocols that exposed the sequence of events laid out above. The result of the investigation identified Wang Sanyang as the sole culprit, guilty of embezzling the commodities consigned by the Sulu ruler, falsely accusing others of his own crime, and deceiving the Sulu ruler into confiscating others' properties to pay for his mistake. The sultan and the wronged Chinese merchants should all be fully compensated for their losses – the former with funds drawn from the government coffer, the cost of which was to be recovered from Wang Sanyang's properties to the extent possible. Fujian governor Yade proposed to sentence Wang to exile to Xinjiang as a servant in the military-agricultural colonies.

To arrive at this sentence, Yade drew an allegory to a statute in the section on 'guard posts and fords' in the 'laws relating to the Board of War' in the *Great Qing Code*. This statute (*lü* 律), titled 'interrogating spies', was inherited from the *Ming Code*, which stipulated that spies from abroad as well as those within the country who pass out information to foreigners are punishable by death.<sup>28</sup> Apparently, this main statute was hardly relevant to the case at hand. What Yade applied was a substatute listed under it. Whereas the Qing Code mostly preserved Ming statutes unchanged, significant legal innovations took the form of codifying important cases into precedents as substatutes (*li* 例). If a substatute was applicable either directly or by analogy, it took precedence over the main statute as the basis for judgment.<sup>29</sup> The substatute that Yade referenced as the basis for his judgment was modified in the early Qing and took its final shape in 1740:

Those who have private contact with outer domains or the native Miao, engage in trade and loans with them, defraud them of money and commodities, and [thence] cause turmoil on the frontier; and those who secretly settle in Miao areas, incite people to make trouble . . . and inflict harm on the local society: except for those who have committed crimes that are punishable by death . . . all should be sentenced to exiles in remote places.<sup>30</sup>

What was remarkable about this substatute was the parallel drawn between outer domains (*waiguo* 外國) and the Miao areas in the interior. In his *Notes from Reading the Qing Code*, the famous late-Qing legal commentator Xue Yunsheng makes a list of all the stipulations pertaining to 'interior people (*neidi minren* 內地民人) interacting with "barbarians" (*fanyi* 番夷), contracting loans, and such' in his annotation to this substatute. In his annotation, the *fanyi* in question ranged from various native chieftains and non-Han groups in Taiwan, Guizhou, Hunan,

<sup>28</sup>Yonglin Jiang, *The Great Ming Code: Da Ming Lu* (Seattle: University of Washington Press, 2014), 140; William C. Jones, ed., *The Great Qing Code* (Oxford: Clarendon Press, 1994), 215–16.

<sup>29</sup>Derk Bodde and Clarence Morris, *Law in Imperial China: Exemplified by 190 Ch'ing Dynasty Cases (Translated from the Hsing-an hui-lan), With Historical, Social, and Juridical Commentaries* (Cambridge, MA: Harvard University Press, 1967), 64–8.

<sup>30</sup>Yulu, *Da Qing lüli genyuan* (Origins of the Great Qing Code), ed. Wu Kunxiu, reprint of 1871 edition (Shanghai: Shanghai cishu chubanshe, 2012), vol. 2, *juan* 47, p. 755.



Gansu, Qinghai, and other southern and western provinces to foreigners who came to China on tribute missions as well as those residing in foreign domains.<sup>31</sup>

'Barbarians' is probably not a proper translation for *fanyi* in this context, for what was conveyed by this term in these stipulations was not so much a sense of cultural superiority as a denotation of potentially problematic contact with 'others' – the distinction between internal and external others came only as second-order and was circumstantial rather than cardinal.<sup>32</sup> The dominant concern was security. Note that the main statute deals with spies, and it falls under the section about border control in the 'laws relating to the Board of War', instead of the sections on monetary obligations and market affairs in the 'laws relating to the Board of Revenue', where most stipulations about commerce and debt are to be found. Economic engagement *per se* was not the problem here; rather, what caused concern were cases where the fraudulent behaviour of 'interior civilians' (almost always indicating Han Chinese) instigated unrest among *fanyi* and brought about security risks. And such was the crime committed by Wang Sanyang.

### 'Utmost impartiality', utmost liability

While the Qianlong emperor accepted the factual basis of Yade's disposal, he found fault in Yade's draft of the official communication to the Sulu ruler. The emperor took issue with wording that seemed to hold the sultan accountable for putting his trust in the wrong person and uncritically accepting Wang Sanyang's one-sided statement to seize other merchants' properties. Although Yade's full draft is not available, these expressions seemed to indicate an understanding that the sultan, as the ruler of his realm, was responsible for discerning people's characters and meting out impartial judgment within his territory, as all rulers should. That the parties involved were of Chinese heritage had no bearing on it. Whether seen as a private contract that had gone awry or an internal affair between a foreign ruler and subjects residing in his realm, there was no intrinsic reason to assume that the Qing court should or would take responsibility in cases like this. This is the position that Yade seemed to hold. The Qianlong emperor, however, saw the matter differently and issued a stern reprimand:

A treacherous civilian from the interior defrauded a foreign lord of the proceeds from his goods; how could the said lord foresee that Wang Sanyang was indeed a villainous person? . . . Therefore, this lord has done nothing blameworthy. The Central Kingdom cherishes people from afar and naturally should demonstrate utmost impartiality and uprightness. Even though this is a trivial matter of monetary obligations, we should distinguish right from wrong on his behalf so that he is convinced wholeheartedly. Now the drafted correspondence, on the contrary, blames this lord for mishandling the matter – this is the contemptible custom of the Ming dynasty to protect the interior people, demean outer domains, and aggrieve small states; and when such practices stirred up trouble, [the Ming] was intimidated and succumbed to pressure against its own will. This practice is gravely inappropriate.<sup>33</sup>

Qianlong's boundless cultural sovereignty rested on his 'utmost impartiality'. The demonstration of such impartiality was certainly important for dealing with matters within the domains directly ruled by the emperor, but its manifestation was especially crucial for dealing with disputes between parties that were of different gradations of inner and outer, close and distant. Seen in such

<sup>31</sup>Xue Yunsheng, *Dulü cunyi*, 1905 edition, *juan* 22, art. 5, substatute 1.

<sup>32</sup>For the problematic British colonial origin of forging and enforcing the equivalence between the Chinese character *yi* and 'barbarian', see Lydia H. Liu, *The Clash of Empires: The Invention of China in Modern World Making* (Cambridge, MA: Harvard University Press, 2004), chap. 2.

<sup>33</sup>QSL, QL47/11/9; QDNY2, 100.

relative gradations, it is not hard to understand why foreign domains and internal frontiers were lined up together in the legal statute discussed above. The emperor saw it as his responsibility to uphold justice and give protection when the presumably simpler people of foreign domains or newly conquered territories were cheated by ‘treacherous civilians from the interior’ – a label reserved almost exclusively to the Han Chinese and including both people who originated from the mainland and those who bore such a heritage even though they might have spent their whole life abroad in Southeast Asia. Under the universality of the emperor’s impartial sovereignty, the territorial distinction between domains was not as significant as one’s cultural heritage in determining his relative position on the spectrum of ‘inner and outer’. So, people like Wang Sanyang had to be disciplined as members of the ‘inner’. Indeed, the emperor raised the severity of Wang Sanyang’s sentence from exile to immediate strangulation, and the execution was to be witnessed in Amoy by Chinese and foreign merchants alike, intended as a warning lesson to the former and reassurance to the latter:

The Central Kingdom placates and shepherds ‘outer barbarians’ [*waiyi* 外夷]. When unlawful villains from the interior stir up trouble over there [in outer domains], they should be punished with special rigor to fully placate the hearts of *waiyi*. Instruct Yade to notify the Sulunese who reside in Amoy to observe Wang Sanyang’s execution so that they know that the Central Kingdom would not condone culprits who provoke troubles while being abroad, and all the merchant-civilians engaging in trade should be in awe.<sup>34</sup>

Yade soon arranged for the execution at the wharf in Amoy. The only difficulty in implementing the emperor’s instruction was that very few Sulunese actually came to Amoy for trade. Rather, the spectre of the execution was watched by Chinese ocean-going merchants, who received the proclamation that ‘if anyone who goes abroad to trade in outer domains dares to stir up trouble over there, he shall be dealt with in the same manner following Wang Sanyang’s precedent and will receive no condonement whatsoever’.<sup>35</sup> The merchants were duly awed and were expected to spread the pedagogical message as they travelled abroad.

With this severe punishment, Qianlong aimed to demonstrate the Qing’s departure from the partiality shown by the Ming’s penchant for ‘protecting the interior people, demeaning outer domains, and aggrieving small states’. An allusion to the Manchu founding story was apparent in this part of the emperor’s admonition. The Seven Grievances enumerated by the Qing founder Nurhaci in 1618 to launch attacks on the Ming focused mostly on the latter’s partiality in dealing with the conflicts among Jurchen tribes and its bullying of Nurhaci’s Jianzhou tribes.<sup>36</sup> This inability to uphold impartiality also had grave practical consequences: when such practices stirred up trouble – such as when the Manchus rose to rebel – the Ming was ‘intimidated and succumbed to pressure against its own will’. All of this was profoundly improper according to the Qianlong emperor.

By manifesting the utmost impartiality and righteousness, the Qing emperor laid claim to overlordship, as the ‘supreme lord’ or ‘king of kings’, over an encompassing imperial formation that ranged from Inner Asia to the China Seas.<sup>37</sup> Such considerations led the Qing emperor and his local delegates to intervene in cases like that of Wang Sanyang by sorting out right from wrong on behalf of both sides, even stepping in to shoulder the ultimate liability. In an earlier case of 1743, Zhejiang Governor Chang’an won the emperor’s praise when he readily appropriated funds from the provincial treasury to compensate for the embezzlement committed by a long-term

<sup>34</sup>QDNY2, 100.

<sup>35</sup>GG 069543, Yade memorial, QL47/12/12.

<sup>36</sup>Mark C Elliott, *The Manchu Way: Eight Banners and Ethnic Identity in Late Imperial China* (Stanford: Stanford University Press, 2001), 52–6.

<sup>37</sup>Hevia, *Cherishing Men from Afar*, 30–31.

Chinese sojourner while in the service of the Sulu sultan. Under the strict requirement for reporting and pre-approval in the Qing fiscal system, Chang'an's spontaneous resolution was remarkable. He dared to deviate from his usual prudence and deploy unauthorized funds only because 'the essence of the polity was at stake' (*zhengti youguan* 政體攸關). When Chang'an personally communicated with the Sulunese, he conveyed that 'the emperor's benevolence extends compassion to outer domains in the same way as it does to the interior. This is why his official dares to draw from the state treasury to issue compensation, which is to manifest the celestial dynasty's governance without discriminating against the outer'.<sup>38</sup> The confidence and deftness shown by Chang'an in his on-the-spot decision demonstrated that the discourse and practice of imperial impartiality were not the emperor's personal flimsy capriciousness but a widely shared tenet in the Qing officialdom.

In these cases, the Qing empire held itself responsible and liable for the conduct of 'interior merchants and civilians', a category that mapped more onto Han descent and cultural heritage than a concept of citizenship based on territoriality. A Chinese person did not cease to be the emperor's subject by emigration or putting himself in the service of a foreign lord. To claim the supreme position in the hierarchy of lords, where no external higher authority was imagined to be binding for all, the Qing emperor was to act as a sort of last-resort guarantor so that the lesser lords of foreign domains and their individuals could expect justice in their dealings with the Qing empire and any of its subjects. But the reverse was not true: the Qing emperor or his officials would not invoke the authority of a lesser lord to help a Chinese merchant recover his defrauded proceeds in a foreign domain; the merchant was supposed to bear full consequences of his own decision in that case. To use historian Wang Gungwu's formulation, overseas Chinese operated as 'merchants without empire', as they were rarely, if ever, backed by Qing support in seeking to address their grievances in foreign domains.<sup>39</sup>

This emphasis on the emperor's role as an impartial dispenser of justice was echoed in the Ottoman empire, where justice formed the core discourse of the sultan's legitimacy. Justice was 'the reference point of all political activity and the resource of all social actors seeking accommodation'. This idiom of justice was inseparable from the Ottoman empire's mode of rule, which sought to secure the priority of maintaining social harmony through negotiations and particularistic settlements between the ruler and different groups.<sup>40</sup> The Mughal empire, similarly, founded the idiom of its rule on a notion of social equilibrium based on 'peace towards all'.<sup>41</sup> Such similarities seem to be rooted in the shared challenges faced by these early modern Eurasian empires in accommodating diverse regional, ethnic, and religious/denominational groups. For the Qing emperor, the principles for accommodating and maintaining harmony among different groups within his delimited territorial empire were also extended to the even more diverse groups under the boundless sovereignty of his politico-cultural empire.<sup>42</sup> This is a different set of rhetoric and rationale than that which motivated the British state to represent and advance the interests of its own citizens against citizens of other domains through diplomacy and violence if necessary.

<sup>38</sup>QDNY2, 128–30; QSL, QL8/8/29.

<sup>39</sup>Wang Gungwu, 'Merchants without Empire: The Hokkien Sojourning Communities', in *The Rise of Merchant Empires: Long Distance Trade in the Early Modern World 1350–1750*, ed. James D. Tracy (Cambridge: Cambridge University Press, 1990), 400–422. For the nonstatist and informal character of the Chinese expansion into Southeast Asia, see also Melissa Macauley, *Distant Shores: Colonial Encounters on China's Maritime Frontier* (Princeton: Princeton University Press, 2021).

<sup>40</sup>Quotation is from Huri Islamoglu and Peter C Perdue, eds., *Shared Histories of Modernity: China, India, and the Ottoman Empire* (London: Routledge, 2009), 10. For the full development of this point, see in the same volume Huri Islamoglu, 'Modernities Compared: State Transformations and Constitutions of Property in the Qing and Ottoman Empires', 109–46; Serif Mardin, 'Heaven and the Administration of Things: Some Remarks on Law in the Tanzimat Era', 255–72.

<sup>41</sup>Sanjay Subrahmanyam, 'The Fate of Empires: Rethinking Mughals, Ottomans and Habsburgs', in *Shared Histories of Modernity*, 93.

<sup>42</sup>I follow Yuanchong Wang's distinction between the territorial empire and the politico-cultural empire. See Wang, *Remaking the Chinese Empire*, 10–13.

The latter logic seems more familiar to us only because modern-day diplomacy has evolved from such Western roots and holds as its premise (however far from reality it might be) the principle of parity among states, each equally bound by and capable of mobilizing the commonly recognized external authority of law and treaty.

### ‘Governing over the inner and outer without discrimination’

Around the time when Wang Sanyang’s case was brewing in Amoy, the problem of indebtedness of Chinese merchants to the British East India Company (EIC) and country traders preoccupied officials in Canton. But before turning to the ‘Chinese debts’ crisis that reached its zenith with the arrival of a British warship in 1779–80, an earlier case in calmer times may better illustrate the Qing disposition under no imminent military threat. The insolvency of Ni Hongwen (known by his trade name Wayqua) was an important, precedent-setting case for Sino-Western credit relations. Moreover, as the first case of this kind that received the emperor’s personal handling, it revealed Qianlong’s thought process, which put Chinese merchants’ debts to Westerners under his overall framework of ‘governing over the inner and outer without discrimination’.<sup>43</sup> This was no trivial matter, according to the emperor, as the downfall of previous dynasties could be attributed to their failure to uphold this principle. As the emperor unpacked the ‘inner and outer’ paradigm, it became clear that not only were Sino-Western disputes (like the Ni Hongwen case) and maritime Asian disputes (like the Wang Sanyang case) put under the purview of this principle, but also were all sorts of disputes between different ethnocultural groups both within the territorial empire and in relation to foreign domains.

In 1772, the Council of Supercargoes of the EIC brought Ni Hongwen to the Canton authorities for his unpaid debt of more than 11,000 taels of silver.<sup>44</sup> Local officials treated this as a common case of bad debts and exhausted the usual measures of giving orders to press for repayment and inflicting light beatings, all to no avail. When this case eventually reached Beijing in 1776, the Board of Punishment rebutted Guangdong Governor Li Zhiying’s punishment of Ni for being too lenient. Instead, the board recommended that Ni should be beaten, imprisoned for one year to discharge his debt, and then banished to Xinjiang. The Qianlong emperor not only approved the board’s suggestion but also intended to commit official funds to remedy this injustice: Should Ni fail to clear his debts within the one-year limit, the amount in arrears should be deployed from official funds so that the foreign merchants could be paid in a timely manner.<sup>45</sup>

In addition to announcing this adjudication publicly, the emperor issued a lengthy edict to all of his major governors to elaborate on his position.<sup>46</sup> He stated that an interior person’s indebtedness to visiting foreign traders, especially when the amount reached tens of thousands, was a more serious matter than ‘internal disputes for money and debts’ – the kind of local miscellaneous matters that seldom needed the central court’s attention.<sup>47</sup> In the emperor’s rhetoric, the involved foreigners were imagined as small-time traders who traversed long distances and bore significant risks to come and trade in China (quite contrary to the image of the giant and powerful EIC). ‘Naturally we should exchange fairly with them and ensure they can return with a full cargo; that is the manifestation of the propriety of our civilization [*zhonghua* 中華]. Indebted Chinese merchants like Ni Hongwen were painted as ‘treacherous interior civilians who set up traps to defraud [the foreigners] and cause them to lose their commodities and capital’. That the

<sup>43</sup>統御中外，一視同仁。QSL QL41/11/26.

<sup>44</sup>The details of Wayqua’s debts can be found in Ch’en, *Insolvency*, 186–92.

<sup>45</sup>QSL, QL41/11/26. The EIC’s factory records indicated that in practice the amount was actually extorted from Hong merchants. See Ch’en, *Insolvency*, 190.

<sup>46</sup>This discussion of the Qianlong emperor’s position, unless otherwise noted, is based on his edicts in QSL, QL41/11/24, and QL41/11/26.

<sup>47</sup>For local-level adjudication of commercial disputes as ‘miscellaneous matters’ (*xishi* 細事), see Kathryn Bernhardt and Philip C Huang, eds., *Civil Law in Qing and Republican China* (Stanford: Stanford University Press, 1994).

governor of Guangdong only punished Ni lightly and left the remaining debt for the two sides to settle privately was a manifestation of 'local officials conniving with treacherous merchants of the interior' and 'leaving a lonely sojourner from the outer oceans with no means to redress his grievances', which was 'certainly not the way for cherishing people from afar'. Such an improper arbitration, once spread widely by word of mouth, would cause foreigners to 'accumulate resentment in their hearts' and despise the empire's officials. The unfairly treated merchants would be hesitant to come, and the number of visiting ships would plummet. For their misguided handling of this case, Guangdong Governor Li Zhiying was sent to the Board of Personnel for discipline, and Governor-General Li Shiyao was reprimanded.

This set of rhetoric that Qianlong used to characterize the relationship between the Hong merchant and his foreign customers – that the former intentionally swindled the latter, and that the defrauded foreign merchant was left stranded in an unfamiliar place without recourse to redress – was rooted in the extensive court discussions earlier in his reign surrounding the problem of licensed brokers embezzling the sale proceeds of their patrons in domestic trans-local trade.<sup>48</sup> In 1761, such discussions culminated in a new statute that dealt with 'licensed brokers embezzling funds or owing money to itinerant merchants' under the main statute on 'monopolizing markets' in the *Qing Code*.<sup>49</sup> Some of the terms in Qianlong's characterization of the Ni Hongwen case, such as ascertaining his 'intention to deceive', were not just everyday expressions but were coded legal language that had a bearing on how a culprit broker was to be punished. The Hong merchants in Canton, at the end of the day, were a kind of licensed broker that specialized in brokering deals with Western traders. The mindset, rhetoric, and policies toward licensed brokers in general inevitably permeated and influenced the official discourse surrounding the foreign-facing ones in Canton.

Without this understanding, it would be difficult to appreciate why the emperor and his officials, in this and other similar cases, framed Hong merchants' indebtedness to foreign traders as their deliberate deception of the latter, when this framing was hardly relevant to the actual dynamics of the debt issue in Canton. In those troubling cases across the empire of licensed brokers owing money to itinerant merchants, the brokers took advantage of their pivotal position as the intermediary to abscond with the delegated commodities or embezzle a portion of the proceeds from their sales, and therefore came to be sued for being in arrears for the payment due to their patrons. In this principal-agent relationship, the licensed broker was usually the more powerful party, in terms of their information advantage and market savviness, and the itinerant merchant the more vulnerable side. This was not how the Hong merchants in Canton became deeply indebted to foreign creditors. Rather, their debt was created by contracting loans, often at usurious rates. The relative power positions were reversed. When the existing framework for thinking about the issue of licensed brokers owing money to the merchants they dealt with was extended to the Canton situation, the difference in actual power dynamics became veiled. This reminds us that the larger political-economic framework that guided the empire's general approach to commercial matters contextualized their approach to more specific situations on the margins of the empire, and more scholarly attention should be paid to the cross-fertilization between domestic and foreign domains of trade.

To the Qianlong emperor, his officials' mishandling of Hong debts to foreigners could have even graver consequences than a few grumbling foreigners and the damage to maritime trade. As indicated in his brief comment on evil Ming customs when addressing Wang Sanyang's case, Qianlong considered the proper handling of such matters in foreign relations to be 'of grave

<sup>48</sup>Zhang Shihui, 'Zouchu 'xigu': Qingdai shangye huodong zhong de qianzhai an yu falü tiaozheng' (Going out of 'miscellaneous matters': money and debt disputes in Qing commerce and their legal adjustments), *Jindai shi yanjiu*, no. 2 (2017): 69–83.

<sup>49</sup>Yulu, *Da Qing lüli genyuan*, 617; Wu Tan, *Da Qing lüli tongkao jiaozhu* (A general examination of statutes and statutes of the Great Qing), ed. Ma Jianshi and Yang Yuchang (Beijing: Zhongguo zhengfa daxue chubanshe, 1992), 534.

relevance' to the fate of a dynasty. Here he elaborated on this point more fully by drawing on historical lessons from previous dynasties:

[Our decision on this case] comes after reflecting deeply on the fact that the dynasties of Han, Tang, Song, and Ming, during their last years, ignored the proper way of cherishing people from afar. When the latter were weak and incapable, [the rulers of those dynasties] despised and insulted them. When they were strong and caused trouble, [those rulers] showed fear and made concessions. They carried on with this type of appeasement without thinking, eventually leading to irreparable disasters. The failure of the Song and the fall of the Ming were all caused by mistakes of this nature. We cannot afford not to learn our lessons from these precedents.<sup>50</sup>

Here, Qianlong elevated the failure to properly handle distant peoples to the role of primal cause for the downfall of the Song (960–1279) and the Ming, the two most recent Chinese-ruled dynasties, which had been conquered by the Mongols and the Manchus respectively. Similar failures can be found in the waning days of the Han (206 BCE–220 CE) and the Tang (618–907), earlier dynasties that were often extolled as the epitome of the Chinese civilization. As a people who had come to rule over China by exploiting such mistakes made by the preceding Chinese regime, the Manchus must endeavour to avoid the same fate now that their position was reversed. Qianlong intentionally distanced his policies from what he saw as the Chinese regimes' penchant for favouring their own subjects over other peoples. His multi-ethnic multi-cultural empire was constructed not as concentric circles with the Confucian civilization at the centre, but as one composed of several roughly equal ethnic and cultural groups, with the Chinese (though more numerous in number) on par with the Manchus, Mongols, Tibetans, and Uyghur Muslims.<sup>51</sup> Seen in this light, we can understand why Qianlong might see a debt dispute between Han merchants and the British or the Sulunese as not so much a clear-cut confrontation between his subjects vis-à-vis foreigners, but more akin to cases where some of his subjects cheated others from a different ethnic-cultural group.

To illustrate that he 'governed over the inner and outer without discrimination',<sup>52</sup> the Qianlong emperor positioned this particular dispute between Ni Hongwen and the EIC within his overall approach to the far reaches of the empire. His examples covered without distinction both internal frontiers and newly conquered territories as well as tribute states and other foreign domains. He enumerated, sequentially, the Mongolian jasaghs, the newly pacified Zunghars and Uighurs in Xinjiang, the neighbouring Kazakhs, tribute states such as Korea and Vietnam, 'various Eastern and Western Ocean domains' that engaged in trade with China, and the Miao and other non-Han regions within the inner provinces. Take the exchange of silk and other commodities for horses from the Kazakhs, for example. The emperor criticized the malpractice of using inferior silks to obtain horses below their market value:

The Kazakhs have engaged in this trade not just for one day, they can understand those under-the-table manoeuvres very well. Even if they do not openly voice their discontent, how could they be truly convinced at heart? [Such malpractices] not only violate the initial intention of establishing regulations and opening the marketplace for exchange but also bring about endless abuses and troubles.

A similar logic was applicable to foreign trade along overland and maritime borders. The overall message was clear: 'When encountering disputes, one absolutely should not be partial toward

<sup>50</sup>QSL, QL41/11/26. Translation is modified from Ch'en, *Insolvency*, 188–9.

<sup>51</sup>Millward, *Beyond the Pass*, 201.

<sup>52</sup>QSL, QL41/11/26.

interior civilians to suppress “outer barbarians” [*waiyi*].<sup>53</sup> Here again, the use of the character *yi*, though usually translated literally as ‘barbarians’, did not quite convey a distinction between civility and barbarity; rather, it denoted a sense of distance and difference in its combination with the character *wai* (‘outer’). The emperor’s use of ‘inner and outer’ did not translate directly into the modern distinction between domestic and foreign separated by fixed territorial borders. Instead, it was a holistic expression of distance crafted from a combination of cultural, racial, historical, spatial, and temporal factors.

Whereas the emperor’s decision on Ni’s case and the punishments meted out to the officials involved were issued in a public edict, this detailed explanation for ‘the way that the Central Kingdom placates and shepherds people from afar’<sup>54</sup> was only meant for the eyes of governors and generals stationed in the relevant regions and ‘not appropriate to be shown to foreigners’.<sup>55</sup> These officials were reminded of the grave importance of the proper handling of internal and external others to the dynasty’s destiny. And they were asked to preserve the emperor’s instructions in the reference materials they were to leave for their successors so that future officials on those posts would continue to appreciate this governing rationale and carry it out in practice. The emperor was explicit that this was not meant to be widely circulated, not even among lower-ranking officials under these governors’ jurisdiction, let alone foreigners.<sup>56</sup> From internally circulated documents like this, we can see that the Qianlong emperor and his high officials had much more sophisticated (and less self-important) considerations with regard to foreign trade and interstate relations than what was let out in public diplomatic correspondences that rhetorically had to uphold the tribute discourse – such as his boast about China’s self-sufficiency that was taken out of context and made infamous by Lord Macartney’s embassy.<sup>57</sup> Moreover, with important edicts like this reserved only for high-level reference, it was no wonder that the EIC always had a hard time deciphering Beijing’s intention and often tagged those policies they couldn’t understand as arbitrary. Such portrayals exerted a long-lasting impact on the image of imperial China in Western eyes.<sup>58</sup>

### An encounter between two empires

Ultimately, it turned out that the Qianlong emperor’s solution of favouring the foreign side in their commercial disputes with Chinese merchants was ill-fitted to address the problem of chronic indebtedness and prevalent bankruptcy among Chinese merchants in the Sino-Western trade by the late eighteenth century. That was because his diagnosis of the problem as small-time foreign traders being manipulated by conniving Chinese merchants – however true it might be in other arenas of trade – was far from the reality in the capital market of late eighteenth-century Canton. The actual power dynamic was the opposite: capital-deprived Chinese merchants were often at the mercy of usurious loans offered by Westerners, most notably British country traders from Bengal and Madras.

On the demand side, the Chinese Hong merchants in Canton were faced with constant liquidity challenges. Compared to the million-tael magnitude of his annual business transactions,

<sup>53</sup>QSL, QL41/11/26.

<sup>54</sup>QSL, QL41/11/26.

<sup>55</sup>GG 056341, Li Shiyao memorial, QL42/1/9.

<sup>56</sup>Zhili governor Zhou Yuanli made the mistake of circulating this internal edict and was reprimanded. GG 056341, Li Shiyao memorial, QL42/1/9.

<sup>57</sup>For an analysis of those imperial edicts in their proper context, see Hevia, *Cherishing Men from Afar*, 187–9, 193–7. For how they came to be construed as the epitome of Qing arrogance and fixation on ceremonies in the early twentieth century, see Henrietta Harrison, ‘The Qianlong Emperor’s Letter to George III and the Early-Twentieth-Century Origins of Ideas about Traditional China’s Foreign Relations’, *The American Historical Review* 122, no. 3 (2017): 680–701.

<sup>58</sup>Li Chen, *Chinese Law in Imperial Eyes: Sovereignty, Justice, and Transcultural Politics* (New York: Columbia University Press, 2016).

a typical Hong merchant's initial capital was remarkably small (less than 20 per cent). Many relied on a meticulous schedule of settlement with their upstream and downstream trading partners. The need for short-term credit could be acute should anything deviate slightly from the plan. Junior Hong merchants, whose creditworthiness was not well established, were particularly hard-pressed by the shortage of working capital. Moreover, some of their expenses, such as duties to the state and advances to tea merchants, had to be made in cash instead of other credit instruments, exacerbating their financial predicament. Even during the years when the balance of specie was favourable to China, the imported bullion was quickly drained out of Canton to Beijing, the tea areas, and other provinces. The scarcity of cash meant high interest rates, typically at 18 per cent per annum. In times of urgent need, the merchants paid even higher interest or resorted to other methods detrimental to their already shaky finances.<sup>59</sup>

In the 1760s and 1770s, the supply of speculative foreign funds took off dramatically to take advantage of such high interest rates, sowing the seeds for the outbreak of the 'Chinese debts' crisis. Since mid-century, the accumulation of private British fortunes in India accelerated after the EIC's military conquests in Bengal. The *nouveaux riches* sought venues to invest their new wealth among options of different return rates and risk levels. The most adventurous pursued high returns by making new, more speculative investments, such as using leverage to arbitrage the difference in interest rates between India and Canton.<sup>60</sup> The infusion of private British capital was welcomed by liquidity-restrained Chinese merchants in Canton, who, when in deep distress, gobbled up loans at hazardous rates. Ingenious means were devised to circumvent the Qing prohibition against prolonged Chinese indebtedness to foreigners beyond the current trading season and the law against accruing interest beyond the amount of the principal. Initial loans were often refinanced, divided among multiple holders, and sold several times across an expansive cross-cultural market for Chinese debts. Despite the dubious legal standing of these loans, foreign investors were willing to carry them because 'they knew local officials would, in the end, honour them'<sup>61</sup> – the precedent of the Qianlong emperor's favourable adjudication on Ni Hongwen's case further enhanced such a perception. When ventures collapsed under the burden of loans doubling or even tripling in amount under high interest compounded over the years, the chain effects spread across this global network of credit. By 1780, an astonishing sum of more than three million taels of silver remained outstanding.<sup>62</sup>

It is simple economics that speculative loans are high-yield precisely because they are more likely to fail – higher expected returns are counterweighted by increased risks. Modern economic models assume that when choosing a level of expected return, individual actors are aware of and ready to accept the accompanying risks. Therefore, in a perfectly competitive market governed by purely economic principles, there is no such thing as an investment that generates *secured* high returns. Apparently, among other oversimplifications, we do not consider the use of violence, or the threat of it, as a legitimate means of recouping failed speculative investments in this model. In reality, however, the bundling of credit and violence, whether among sovereigns or private parties, was not out of the ordinary until very recently (some would argue not even today). When the bubble burst in the late 1770s, British creditors were ready to mobilize the apparatus of the empire to recover their investments. Guangdong governor Li Zhiying – the same governor who was reprimanded for being too lenient toward Ni Hongwen a few years earlier – received the British creditors' remonstrance delivered by Captain John Alexander Panton, who arrived aboard the Royal Navy frigate *Sea Horse* in September 1780.<sup>63</sup> This foray into gunboat diplomacy marked an

<sup>59</sup>For a detailed analysis of the Hong merchants' financial predicament, see Ch'en, *Insolvency*, chap. 4. See also Van Dyke, *Merchants of Canton and Macao*, 16–21; Wong, *Global Trade in the Nineteenth Century*, 65–6.

<sup>60</sup>For a crisp summary of the available investment options, see Hanser, 'From Cross-Cultural Credit to Colonial Debt', 91–4.

<sup>61</sup>Van Dyke, *Merchants of Canton and Macao*, 17.

<sup>62</sup>Van Dyke, *Merchants of Canton and Macao*, 17; Ch'en, *Insolvency*, 184, 195, 199–200; Hanser, 'From Cross-Cultural Credit to Colonial Debt', 98.

<sup>63</sup>Ch'en, *Insolvency*, 196–8.



early, albeit mild, clash between the two empires. If the officials in Canton were threatened and panicked, they did not show it in front of the foreigners or in their communications with Beijing. British claims were closely scrutinized, and the recognized portions were brought to settlement under official intervention.<sup>64</sup>

Whereas the financial settlement of the ‘Chinese debts’ has been detailed elsewhere, what is of interest here is the contrasting modes of interaction between the two empires and their mercantile subjects involved in this case. The existence of complicated conflicts of interests notwithstanding, the connected fortune of the British empire and its private traders was a shared understanding and recurring rhetoric mobilized by various groups, including the private creditors and their agents, EIC directors, Royal Navy officers, and British statesmen, in London, India, and Canton. The fault line was invariably drawn between us, the British, and them, the Chinese. In London, the Court of Directors of the EIC, upon receiving a request for assistance from private British creditors, considered the recovery of such debts ‘a national object’ and instructed their supercargoes in Canton to lend their assistance.<sup>65</sup> In India, the President and Council of Fort St George as well as the commander-in-chief of the British fleet all received petitions from the creditors to show some muscle by sending a naval warship, which was necessary to ‘forward the success of the national object’.<sup>66</sup> Captain Panton, in his letter addressed to the Guangdong governor, presented himself as the representative of the King of Great Britain (although the king in fact knew nothing about his expedition at this time) and announced that ‘[I] cannot consistently with my duty to my sovereign and to my country see his subjects oppressed and distressed’.<sup>67</sup> Although – to the creditors’ disappointment – an even more forceful show of British imperial power was not carried out at this time and the deployment of naval forces to Canton that did happen at their urging was met with sharp criticism in London, their lobbying convinced important statesmen in the British government, paving the way for George Macartney to lead the first British embassy to Beijing a decade later with the aim of altering the terms of political and economic interaction with China to support British merchants’ interests.

Indeed, none other than George Macartney remarked on how peculiar (and troublesome) this British mode of state–merchant relationship was. Appointed as the governor of Madras from 1781 to 1785, Macartney had intimate knowledge of the whole mess that had just been caused by British financial speculation in both India and China in the previous years.<sup>68</sup> His thoughts on this matter are revealed in a supplement to his observation on ‘trade and commerce’ in China on the occasion of his embassy. Macartney vents his contempt of these speculative creditors, not the least through the monikers he gives them (many of them being Scottish and Irish): Paul Plunder, George Grasp, Patrick O Robbery, and Andrew Mac Murder.<sup>69</sup> Drawn by the ‘allurements of lucre’, they lent to natives at usury against explicit local laws. When the borrowers were ‘ruined by this exorbitant rate of interest’, the lenders ‘cr[ie]d out in all the fury of disappointed voracity and loudly reprobate[d] as a fraud the insolvency, of which they themselves were the authors’. Even more despicable was their ‘audacity to commit the honour of their sovereign in the infamy of their proceedings and engage his admiral to send an English Man of War to enforce their scandalous demands’. Macartney found it amazing that notwithstanding the illegality of the creditors’ claims, Qing authorities accepted their complaint and ‘ordered a considerable part of it to be paid out of

<sup>64</sup>For details of the settlement, see Ch’en, *Insolvency*, 199–203.

<sup>65</sup>George Macartney Papers, Cornell University Library, Asia Collections, MSS DS117, vol. 7, p. 9, ‘Extract from the Company’s Instructions to the President and Select Committee’, 23 December 1778; Ch’en, *Insolvency*, 195–6.

<sup>66</sup>Ch’en, *Insolvency*, 196; Hanser, ‘From Cross-Cultural Credit to Colonial Debt’, 104.

<sup>67</sup>Quoted in Hanser, ‘From Cross-Cultural Credit to Colonial Debt’, 103.

<sup>68</sup>For Macartney’s career, see J. L. Cranmer-Byng’s introduction in George Macartney, *An Embassy to China: Being the Journal Kept by Lord Macartney During His Embassy to the Emperor Ch’ien-Lung, 1793–1794*, ed. J. L. Cranmer-Byng (London: Longmans, 1962), 17–23.

<sup>69</sup>First Supplement to the Head “Trade and Commerce”, in George Macartney, *Travel Journal*, vol. 1, copied ca. 1803, Osborn, fd12 1/2, James Marshall and Marie-Louise Osborn Collection, Beinecke Rare Book and Manuscript Library, Yale University. I thank Jessica Hanser for bringing my attention to this source.

the emperor's treasury'. It was outrageous that the moneylenders were still not 'satisfied with having got what they had no right to expect' and further tried to 'importune the minister' to exact all the unfulfilled payment for them.<sup>70</sup>

For Macartney, this instance revealed the inadvisability of how far British private lenders could interpose their wishes on many members of the government and mobilize the organs of the state to ensure their personal gains. To be clear, Macartney was not against the empire's backing of commercial interests *per se*, only the abuse of such support in the hands of private individuals of dubious moral character at the cost of the broader commercial interests of the public as embodied by the EIC. In other words, Macartney was defending the monopoly interests of the EIC against the 'selfish' interests of the country traders. One of his charges against the 'Paul Plunders' was that to recover the official funds used to serve their claims, the Qing government levied an additional tax on foreign trade, 'so that by this adventure of a few usurers from India not only the English East India Company but all the other European companies at Canton are saddled with a new burthen on their commerce'.<sup>71</sup>

In contrast to the close alignment of imperial and commercial interests in the British case (albeit not without grudge and setbacks), the Qing rhetoric presented the emperor and by extension his local delegates as disinterested, impartial judges whose sole purpose was to redress the wrong according to 'the particular circumstances and just principles' (*qingli* 情理). In Governor Li's memorial to the throne, both sides of the dispute were rebuked for their improper behaviour.<sup>72</sup> On the one hand, the Chinese merchants, knowing the prohibition against contracting long-term foreign loans, did not try to gradually pay down their debt with their annual income but allowed their creditors to turn interest into principal year after year, 'apparently with the intention to defraud [the foreigners]'. Just as in Wang Sanyang's case vis-à-vis the Sulu ruler discussed above, Governor Li drew upon the same statute for interior civilians 'contacting foreigners, engaging in trade and loans with them, and defrauding them of money and commodities' and sentenced the merchants to banishment in Xinjiang. Indeed, the application of this statute and the punishment of exile became routinized for Hong merchants' uncleared indebtedness to Westerners in the following decades until the abolition of the Hong after the Opium War.<sup>73</sup>

On the other hand, the foreign creditors were criticized for extending long-term loans beyond the one-year limit and levying unreasonably high interest that compounded over time – in the governor's memorial, the EIC supercargoes were reported to feel ashamed by the outrageous behaviour of their countrymen. The foreign identity of the creditors, though recognized, must not compel the Qing government to align with or against the interests of any party; rather, it was brought in as an added factor of special consideration, altering the would-be judgment in order to 'demonstrate the emperor's sincerity in cherishing people from afar'. In this case, the loans in question, due to their illegal standing, should have been confiscated by the treasury according to the law. But given the special consideration, twice the amount of the original principal (i.e., twice the amount allowable by Qing law) would be considered claimable and was to be discharged by the remaining Hong merchants over a ten-year amortization period. '[Such a decision] seems to be one that does not show partiality for the interior people' – Governor Li cautiously sought the emperor's affirmation that he was following the correct way of placating and shepherding foreigners. Henceforth, he proclaimed, the prohibition against extending long-term credit to

<sup>70</sup>First Supplement to the Head "Trade and Commerce".

<sup>71</sup>First Supplement to the Head "Trade and Commerce".

<sup>72</sup>National Palace Museum, 'Junjichu dang zhejian' (Archives of the Grand Council) [hereafter GJ], 027197, Li Zhiying memorial, QL45/4/12.

<sup>73</sup>Ch'en, *Insolvency*, 208–9.

Chinese merchants must be firmly restated among the British country traders, and violators would see their investments confiscated and they themselves expelled.<sup>74</sup>

The reality, however, was that such loans continued to be issued, the bankruptcy of Hong merchants persisted, and debts from their outstanding loans were always transferred to the shoulders of the remaining Hong merchants. The 1780 settlement set the precedent that the Hong merchants were collectively liable for the outstanding debts of their insolvent colleagues at the time of bankruptcy. From then on, the body of Hong merchants maintained a collective fund for this purpose and duly paid *in full* (instead of the partial repayment in 1780) the outstanding foreign debts contracted by a series of Chinese merchants who went bankrupt.<sup>75</sup> Once in a while, the court also directed official funds to expedite the repayment to foreign creditors, although the amount was certainly to be recovered from the Hong merchants' collective fund later on.<sup>76</sup> Qianlong specifically mentioned such an instance as one of the reasons for his refusal of the Macartney mission's request to permanently station an ambassador in Beijing: what use would that be, when he had always personally ensured justice for the British traders?<sup>77</sup> The collective fund of the Hong merchants regularly and punctually discharged the repayment of their bankrupt colleagues' debts – some scholars trace the inspiration for deposit insurance in modern banking to this collective responsibility system for foreign debt in Canton.<sup>78</sup> Such regularity only faltered in the last few years of the Hong system.<sup>79</sup> When the Treaty of Nanjing was concluded, the British demanded a sum of three million dollars from the Qing government to cover the debts that the body of Hong merchants had not yet finished repaying.<sup>80</sup> From the 1780s to the 1830s, lending to the Chinese Hong merchants was no doubt a good business, a secured high-yield investment, as Western creditors could expect to reap lucrative returns while still receiving assurance that their loans would be paid one way or another, whatever the financial fate of their direct debtors.

## Conclusion

What was it truly: ideology or realpolitik? Did the Qianlong emperor compensate the foreigners for their losses because of his commitment to the ideal of imperial impartiality, or simply because it was a good policy based on practical calculation (to avoid diplomatic troubles, for example) that was merely packaged in the language of universal rulership? Questions like this naturally arise. They are emblematic of the binary way of thinking that tends to govern modern social sciences – idea or practice, ritual or diplomacy, ideology or politics. As a structure of considerable durability, the Qing world order and its associated political economy had a 'dual' character, to use William Sewell's formulation.<sup>81</sup> It was composed simultaneously of both virtual cultural principles (universal rulership, imperial impartiality, reciprocal principles of 'cherishing the small' and 'respecting the great', etc.) and the actualized distribution of authority, knowledge, materials, and other media of power as these generalizable principles were put into practice by historical agents in a range of different circumstances. The enactment of the principles and their effects mutually implied and reproduced each other, sustaining the durability of the structure. When the Qing emperor and his officials, time and again, mobilized the rhetoric of universal rulership and implemented policies that conformed to the principle of impartiality towards the 'inner and outer'

<sup>74</sup>GJ 027197, Li Zhiying memorial, QL45/4/12.

<sup>75</sup>Ch'en, *Insolvency*, 202–9.

<sup>76</sup>An example was the bankruptcy case of Wu Zhaoping (Eequa) in 1790. QSL, QL60/7/dingmao.

<sup>77</sup>QSL, QL58/8/jimao.

<sup>78</sup>Frederick Delano Grant, *The Chinese Cornerstone of Modern Banking: The Canton Guaranty System and the Origins of Bank Deposit Insurance 1780–1933* (Leiden: Brill, 2014).

<sup>79</sup>Ch'en, *Insolvency*, 210–11.

<sup>80</sup>Treaty of Nanjing (August 29, 1842), article V.

<sup>81</sup>William Hamilton Sewell, *Logics of History: Social Theory and Social Transformation* (Chicago: University of Chicago Press, 2005), 124–51.

(whatever the ‘true’ motivation might be on each occasion), the politico-cultural authority of the empire and the geopolitical basis of its political economy were strengthened, which in turn justified and inculcated those principles.

To some extent, even some of the most cunning, improvisational, and subversive actions undertaken by agents were necessarily constrained by the set of cultural principles and might have contributed to its reproduction rather than its demise. Local officials were by no means obedient robots. They often sought to hide certain facts from the court, mitigate the punishment of certain merchants, or alter specific trade regulations to fit a changing reality. But they had to be able to justify their actions using the schemas of the Qing world order or to excuse obvious deviations from these principles as temporary expediences rather than the foundation for a new set of principles. Scholarship on the Canton trade is permeated with stories of all sorts of pragmatic flexibility (or, put in a different light, connivance, trickery, corruption, or cronyism) on the part of the superintendent of maritime customs.<sup>82</sup> But this figure would be hard-pressed to advocate for a new kind of political economy in which the Qing empire would justifiably use the means of diplomacy or violence to defend its mercantile subjects’ rights to trade whatever and wherever they wished. Notwithstanding my deep sympathy for (and indeed my own contribution to) the recent scholarship that highlights the much more symbiotic relationship between the late imperial Chinese state and the merchant class than traditional stereotypes had us believe,<sup>83</sup> and taking into full account the compelling reminder of the limits, contingency, and incoherence of the British imperial project,<sup>84</sup> I still contend that the different ideological schemas that animated the Qing and the British empires shaped, constrained, and in turn were reproduced by their different political-economic approaches to private commercial disputes with others.

But the mutual reproduction between cultural principles and their actualized effects did not mean a structure in stasis. Changes were generated both internally and externally. As historical agents transposed their learned principles in creative ways to unfamiliar situations, the not-entirely-predictable consequences would differentially (in)validate those principles and subject them to modification. The eighteenth-century articulation of Qing universal rulership was by no means a timeless formulation identical to earlier patterns. Even as it inherited and enacted some deep-running concepts and practices from earlier regimes, the Qianlong court applied new taxonomies and ideological faces to its much-expanded constituencies of both the territorial empire and the politico-cultural one.<sup>85</sup> The tribute system itself was constantly modified as new subscribers came and withdrew (as the Sulu Sultanate did) in response to changes in regional geopolitical and economic patterns. Necessarily, principles that were not periodically enacted, transposed, and regenerated would gradually be abandoned and forgotten.

Seen in this vein, the ‘Chinese debts’ crisis of 1780 – though not necessarily perceived as a dire crisis by the Qing authorities – marked the zenith (and as such also the beginning of the end) of the Qing empire’s firm insistence on demonstrating its universal impartiality and unbound rulership in dealing with Chinese indebtedness to foreigners. The very different power dynamics between Chinese and foreign merchants in Canton compared to other ports of trade became increasingly apparent to the court. By the nineteenth century, Hong bankruptcies became so prevalent, and the amount of uncleared debts to foreigners reached such an astonishing level, that the banishment of the defaulting merchants and allocation of the liability to the rest of the Hong

<sup>82</sup>Van Dyke, *The Canton Trade; Ch'en, Insolvency*.

<sup>83</sup>To list a few, Madeleine Zelin, *The Merchants of Zigong: Industrial Entrepreneurship in Early Modern China* (New York: Columbia University Press, 2005); C. Patterson Giersch, ‘Commerce and Empire in the Borderlands: How Do Merchants and Trade Fit into Qing Frontier History’, *Frontiers of History in China* 9, no. 3 (2014): 361–83; Zhang, *Timber and Forestry in Qing China*.

<sup>84</sup>Antoinette M. Burton, *The Trouble with Empire: Challenges to Modern British Imperialism* (New York: Oxford University Press, 2015); John Darwin, *Unfinished Empire: The Global Expansion of Britain* (New York: Bloomsbury Press, 2012).

<sup>85</sup>Pamela Kyle Crossley, *A Translucent Mirror: History and Identity in Qing Imperial Ideology* (Berkeley: University of California Press, 1999).

merchants became routinized bureaucratic practices for the overwhelmed officials to keep aggressive foreign creditors at bay, rather than an extension of imperial grace at ease. In 1834, the Governor-General of Guangdong Lu Kun reviewed the increasingly frequent Hong bankruptcies over the years. He traced the inchoation of the problem to 1780 and lamented that by his own time ‘the trend of accumulated debts had become irreversible’ and ‘all possible means had been exhausted’.<sup>86</sup> Opium problems and merchant debts eventually escalated, culminating in the Qing’s defeat in the Opium War. The Qianlong emperor’s worry, that appeasement and concessions toward strong trouble-making foreign domains would lead to irreparable disasters, became the unfortunate reality by the mid-nineteenth century. The last remnants of the eighteenth-century approach to Chinese indebtedness to foreigners were relinquished in the supplementary treaty to the Treaty of Nanjing, which made government-guaranteed repayment of foreign debts a thing of the past by stating that English merchants ‘can no longer expect to have their losses made good to them’ in the event of the debtor’s death or bankruptcy.<sup>87</sup> Relinquished together with this lightening of financial liability was the Qing claim to universal rulership based on imperial impartiality toward the ‘inner and outer’. Henceforth, the binary of domestic and foreign replaced the Qing idea of ‘inner and outer’ and reoriented it to international relations in the world order defined by nineteenth-century structures of capitalism and imperialism. The synchronous ascendancy and demise of the imperial imperative to upholding impartiality towards the ‘inner and outer’, on the one hand, and the particular approach to cross-domain economic disputes adopted by the Qing empire, on the other hand, inspire us to develop a more comprehensive understanding of how the different discursive and practical strategies deployed by early modern empires to construct and manage diverse regional, ethnic-linguistic, and religious groups might have informed their approach to foreign relations and political economy and vice versa.

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<sup>86</sup>Lu Kun memorial on Daoguang14 (1834) /11/10, included in Tan Bo, ‘Qingdai Guangzhou ‘shisan hang’ dang’an xuanbian’ (Selected archival materials relating to the Hong merchants in Qing-dynasty Canton), *Lishi dang’an*, no. 2 (2022), 20–21.

<sup>87</sup>Treaty of Bogue (October 8, 1843), article IV.