

# From prosperity to decline: the world tea market and Chinese tea industry since modern times from the perspective of economics

In 1517, when a Portuguese merchant ship first brought Chinese tea to Europe, no one could think that the future tea trade would have a significant impact on the Sino–Western trade structure. In just a few decades since the beginning of modern times, the foreign trade of Chinese tea had experienced a precipitous decline from a two-century monopoly on world supply to almost being squeezed out of the world market. By the 1930s, domestic academic circles, political circles and business circles began to focus on this topic and there had been a lot of discussions; until now, in view of the production, consumption and trade status of China and Chinese tea in the world market, the research on the world tea market and the issue of Chinese tea industry in modern times can still provide warning, reference and edification for the development of commerce and external trade and policymaking in our country, which is why it has been regarded as a research hotspot. In the book “*The World Tea Market and Chinese Tea Industry Since Modern Times*” (Social Sciences Literature Press, 2020), Professor Shi Tao conducted a thematic analysis of the world tea market and Chinese tea industry since modern times from an economic perspective. The abandonment of the habitual detailed foreshadowing not only reflects his accurate grasp of the existing research hotspots, but also demonstrates his academic ingenuity to overcome blind spots. In the case of most studies focusing on the description of historical facts, the author took the world tea market as the framework of vision, and used economics as a theoretical and methodological weapon to explore the economic motivation and commercial essence behind it. His complementary exploration of blind spot, multi-dimensional display of vision and methods, as well as the historical conclusion refracted from this book all highlight the value and practical significance in the field of China’s economic history and tea industry.

## 1. Blind spots in hot areas

First of all, the Sino–Russian Kyakhta trade has always been a hot spot in the academic circles of China and Russia. Even Marx once attached great importance to it. However, there are few studies on the impact of trade on the economy of China and Russia, merchants’ profits and the economic causes for trade decline. In fact, the Qing government has never had a clear understanding of the contribution rate of Kyakhta trade to the national finance, or even a clear concept, because for a long time, the Qing government has been adhering to the idea of the central government’s border control, that is, tea trade was not for profit, but a political means to avoid antagonism with Russia. It is clearly reflected from the large difference estimated by the author in the degree of dependence between China and Russia on the Kyakhta trade from 1800 to 1850. From this point of view, the author then found that the Russian government changed and formulated new trading rules to enable Russian merchants to make more profits while China still monopolized the supply of tea, which provided a source of funds and innovation power for the Russian industrial revolution, and realized the upgrading of the industrial and commodity structure from fur raw materials to woolen cotton products. The increase in the added value and quantity of commodities



exported to China has helped Russia enjoy the advantages of economies of scale. When Russia had both demand and the ability to directly set up factories in the mainland, the decline of the Kyakhta trade was inevitable. Although China could still carry out a single type of trade repeatedly, it had been reduced from a product supplier and a commodity trader to a raw material supplier and commodity dumping site, and the rights of Chinese merchants were completely lost.

Secondly, in contrast to the research popularity of the Sino–Russian Kyakhta trade, the field of Sino–US tea trade has been relatively weak, especially the lack of research on the issue of “counterfeit tea” which is an important reason for the decline of the Sino–US tea trade. Therefore, the author made quantitative statistics and estimates on the quantity of counterfeit tea in the American market by using the original English historical materials, and used this as an entry point to draw a conclusion: under the circumstances of the popularity of tea drinking among the American people, and the sharp increase of tea consumption and re-export demand in the tea industry, the production of China’s tea industry, driven by profits, had set off an upsurge of “national counterfeiting”. In the early stage, due to the monopolistic position of Chinese tea and the lack of consumer recognition ability, the merchants of the two countries could share the excess profits of counterfeit tea with ease. However, with the emergence of competitors such as India and Japan, the Chinese tea with deteriorating reputation was quickly kicked out of the American market. China’s local tea industry had been completely occupied by “bad money”. The economic choice of counterfeit tea exporting to the United States had become the only choice in reality.

Thirdly, although the functions and status of Southern Route Tea in the southwest were comparable to that of Kyakhta in the north, the relevant research results are also scarce. At that time, this trade of exporting Sichuan tea to Tibet, which took Sichuan’s “throat” Tachienlu as the distribution center, was always coveted by Britain. Combining the evidence provided by British historical materials, this book resolved the disputes over the tea transportation routes of each producing area through the study of the two routes “Long Route” and “Short Route” of Southern Route Tea trade. During the decline of Southern Route Tea trade, a phenomenon similar to Kyakhta is worth pondering: The pull of tea trade to the economy had always been limited to the growth of commercial capital in the traditional sense, without realizing economic development in the modern sense such as productivity.

## 2. Comprehensive presentation of multi-dimensional and multi-method

As the title of the book reveals, when China became a part of the world market in the 19th century, the author correspondingly viewed it with a global perspective. In such a grand vision, how to balance the relationship between the whole and the part, the macro and the micro is a test of the researcher’s ability. In this regard, this book can be regarded as a model.

First of all, at the “world-country” level, based on the main line of “the decline of Chinese tea in the world market,” how to simplify the complexity and select convincing entry points or representative indicators to focus on the presentation is a difficult point. In this regard, the author choosed to overcome three basic trade issues such as “changes in the share of Chinese tea in the world market,” “changes in tea sales and demand in the world market” and “diversification of tea trading methods” to outline the process of Chinese Tea being eliminated by the world. The reason behind had also been clarified in the process of demonstration, that is, the disconnection between the supplier and the seller, and the dominant position of the transaction intermediary, which lead to the failure of the transmission mechanism of the profits of the Chinese tea supplier. Secondly, at the “country-country” level, it is also a difficult point to dig deeper into the economic motivation behind the trade data among different countries. As far as Sino–Russian trade is concerned, the author started from the transaction subject “Shanxi merchants” and analyzed that the existence of

high profits had promoted the prosperity of the Kyakhta trade at one time, but also promoted the formation of the inertia of the domestic commercial system, which caused the lag of its response and lack of reform momentum. Finally, at the “nation-region” level, the author choosed “Southern Route Tea” and “Fujian Tea” among many tea production and sales areas as the point of penetration to study the cost of tea trade. The former is the core area of tea trade in Southwest China and the focus of tea industry situation, while the latter is one of the main tea source areas of Fuzhou port, the largest tea export port in China at that time, and North Road Kyakhta. Although the author did not say so explicitly, it is clear that the high distribution costs in the purchase process and the middlemen of tea transactions revealed by the author had severely suppressed the innovation momentum in the field of tea production. This was not only the institutional defect of Chinese feudal commercial capital, but also the root of the frequent problems in quality and price of Chinese tea in the future.

As a typical research category of economic history, economic methods are naturally regarded as the basic method of observing and explaining economic and social phenomena in this book, so as to give full play to its characteristics and advantages in historical research. Although the author did not intentionally quantify for quantification, a considerable number of key issues in the book were analyzed by logical inference based on statistics and estimation (Table 1), and even a lot of exclusive data argumentation, which undoubtedly increases the book’s approach to the truth and its academic value. It is worth mentioning that many quantitative conclusions are not highbrow statements, but can be mutually observed and confirmed with many historical materials from the Republic of China to the contemporary period. For example, the conclusion that “the annual number of transports along Southern Route Tea trade was at least 116,342 people” estimated by the author is consistent with the statement of “as many as hundreds of thousands of people” in book *China Customs and Myanmar Tibet* (1983). Of course, the objectivity of historical research is generally proportional to the quality of historical materials, so we have reason to believe that the work of excavating historical materials and basic data in this book is worth learning.

In addition, when the basic logic system is structured for the topic at the macro level, the selection of local or micro issues must be cautious, because in addition to having a strong connection with the macro issues and its own representativeness, there should also be logical interaction and semantic reference among the local or micro issues. This is why the author still focused on Southern Route Tea in the context of “lack of historical materials” as a “reference system for northern Kyakhta trade.” Moreover, most of the analogies and comparisons may have become the author’s unconscious academic behavior, such as the rise and fall of Chinese tea, Indian tea, Japanese tea and Ceylon tea in the world market share, the decline process of Sino-Russian and Sino-US trade, the response and measures of Chinese, Russian and American businessmen after the situation changes, and the attention of domestic academic circles, political circles and business circles to the decline of Chinese tea trade. Including the vertical and horizontal comparison based on time and space, and the comparison of seeking similarities and differences according to the goal orientation, as well as the quantitative and qualitative comparison by nature. It is precisely in a series of analogies and contrasts, both overt and dark, that the internal characteristics of the development of modern Chinese tea industry from prosperity to decline can be displayed clearly and vividly.

### 3. Historical conclusions reflecting contemporary reality

The famous Italian historian Croce said: “All history is contemporary history.” From the perspective of epistemology, history can only be understood when it overlaps with the current horizon. Therefore, historical research, as a spiritual activity with the present as a frame of reference, is by no means just to restore the past, but more importantly to learn from

Questions	Methods	Conclusions
Changes in the market share of major tea-producing countries in the world from 1860 to 1925	Statistics based on multiple data	Before the mid-19th century, Chinese tea monopolized the market. At the end of the 19th century, Indian tea and Ceylon tea were dominated in Britain, while Japanese tea was dominated in the United States. In 1920, Chinese tea basically withdrew from the world market
Quantity of tea exported from Guangdong to the United States from 1838 to 1843	Statistics based on US Treasury records	Americans preferred green tea more, and they loved high-quality small leaf black tea most
Weight of tea purchased by Shanxi merchants	Statistics based on multiple data	When buy 300 cases of tea, weight between 18,000–24,000 jin
The length of the tea route from Wuyi Mountain to <i>Kyabhlita</i> by Shanxi merchants	Taking the map as a reference, the actual distance was calculated and compared with the historical data	The longest was 9940.5 li
The business performance of tea gangs	$C = c^1 + c^2 + c^3 = p \times q + p \times j \times f \times q + (a \times m + b \times n) \times d$ $I = S-C, I^* = I/S$ $I^* = I/C$	2463.06–3282.93 Liang 68.62–68.63% 218.63–218.74%
The inflow of counterfeit tea in the U.S. from 1826 to 1832	Using the known data, the polynomial fitting of the data is carried out through the fitting toolbox "cftool" in Matlab 7.0 software, and the relationship between the known data and the year was fitted for 1–4 times respectively. Then the best model was selected to calculate all the tea imports, and the difference was calculated through the actual recorded value corresponding to table 3-2	Counterfeit tea accounted for a large proportion of the total tea imports in the United States. In 1829, counterfeit tea reached the maximum, which was 18.38 times of real tea. The inflow of counterfeit tea fluctuated greatly

(continued)

**Table 1.**  
Application of economic statistics and estimation methods in this book

Table 1.

Questions	Methods	Conclusions
Rewards of tea merchants selling counterfeit tea	Calculated based on the consumption demand curve of the United States, the marginal and average cost curve of genuine and counterfeit tea, and the marginal income curve, etc	When the average cost of selling counterfeit tea was 1/3 of that of selling real tea, the profit of the former was higher than that of the latter if the seller sold the same quantity of (Q) tea
Transportation cost of tea	From Xingcun to Guangzhou Xingcun to Zhangjiakou via Henan Xingcun to Tianjin via Shanghai	The freight cost per mile was 3.1 Wen, and the total freight was 9230.585 wen The freight cost per mile was 4.8 Wen, and the total freight was 10566.1 Wen
Per capita consumption of brick tea in Tibet in Qing Dynasty	According to statistics from the National Bureau of Statistics in 1954, the population of Tibet in 1890 was calculated, and the amount of tea recorded by A. De Rosthorn was used to calculate the quantity per capita	There were three main routes: one was 2,180 miles, 4.8 Wen per load per mile; the second was 3,020 miles, 3.1 Wen per load per mile; the third was 1,860 kilometers, 1.5 Wen per load per mile 5.13 jin per capita per year, and severely in short supply

the past and service the present. The period of “modern times” selected by the author is the historical stage closest to the present and the most realistic. The modernization factors of Chinese society, including the tea industry, basically originated at this time. Therefore, to draw conclusions beyond history and wisdom observing the present from this book is particularly suitable and realistic for the Chinese tea industry, which is facing a complex and changeable new world pattern.

First of all, what the book reveals can help us understand the relationship between commercial capital and industrial capital in international trade more correctly. Although commerce is nominally the circulation link of the industry, but in the modern tea industry economic system revealed by the author, tea merchants had unparalleled pricing power over tea farmers. In other words, Chinese feudal commercial capital occupied the top of the industrial pyramid. After analysis, the author pointed out sharply, in order to pursue more commercial profits, “businessmen inevitably continued to grab the necessities of life that had few industrial chain, such as tea and agricultural products, and at the same time indefinitely extend the commercial chain (foreign firms, tea ins, etc.)”, so the social operating costs were rising rapidly, and the life of tea farmers was on the skids. Under this institutional defect, the tea industry, which was originally a “concurrent operation”, has been lacking funds and motivation for technological innovation and industrial upgrading, let alone the development of regional and national economy. A simple economic law tells us: The development level of production determines the scale and mode of circulation. Therefore, when commercial capital severely oppresses production capital, the crisis in the production link will inevitably counteract the circulation link (such as the problem of counterfeit tea). Perhaps seeing this kind of productive abuse, the improvement plans of tea industry during the Republic of China were basically designed for tea production.

Secondly, what the book reveals can help us understand the relationship between government and capital in international trade more correctly. In the international trade relations, capital is the main body of the transaction. Specifically, in the situation of the Kyakhta trade, which is much discussed in this book, it is Chinese businessmen and Russian businessmen. As revealed in the book, the power of the government is indispensable for domestic capital to increase its rights in international trade. It was under the active intervention of the Russian government that the Russian merchants in the Kyakhta trade changed their extremely weak position of rights; in contrast, the Qing government lacked effective economic management of Shanxi merchants. Because the economic purposes were not obvious and the economic control ability was insufficient, the government rudely replaced configurable control with authoritative control, and replaced economic system with political system, which led to a rather slow response to institutional (especially economic system) changes and demands, so that in the actual external trade relations, the Qing government was very “ineffective” and “helpless.” At the same time, the author further pointed out that even the Republic of China government only began to realize the government’s role in the capital of the tea industry in the 1930s. Therefore, in terms of the current hard development of tea exports, the Chinese government must guide and manage the operation and circulation of capital.

Finally, what the book reveals can help us understand the relationship between national politics and international trade more correctly. The exchange of international trade is not only caused by market forces and their related supply–demand relations, but also the result of multiple games between economy and politics at home and abroad. Western economist J. A. Schumpeter once said: “policy is politics.” From the book’s review of the changing process in the share of Chinese tea in the world market, it can be seen that the prosperity of early external trade of Chinese tea basically represented the strength of China’s politics, and the decline after that basically represented the weakness of China’s politics, that is, the so-called strong country means strong business, and the weak country means weak business.

The reason why the author emphasized that the Qing Dynasty implemented “overseas trade” rather than “external trade” was because he clearly saw that foreign trade was carried out between countries, but the Qing government which adhered to the “Celestial Empire,” did not fully realize the positive role of economic trade in national politics until it perished. The most important thing was that the high income obtained by trade was not regarded as the capital of domestic industrial upgrading and the driving force of economic growth, and the latter was the foundation of the country’s political strength and political stability. This was completely different from Japan’s practice of treating silk as a “meritorious industry” after the Meiji Restoration. Therefore, when formulating trade policies, the government must simultaneously focus on economic and political interests, and pay attention to comprehensive interests including social benefits, national security, cultural values and even ideology. It is more comprehensive and reasonable to look at the “game” between countries on trade policies from this perspective than from a purely economic or political perspective.

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**Further reading**

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