The Development of the Cotton Textile Industry and Chinese Economic Development, 1890-1937

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A Chinese proverb states that “Man’s duty is to cultivate and woman’s duty is to weave.” Weaving was the most important handicraft in the Chinese agricultural economy prior to the Opium War in 1842. Following that war, the treaty between China and England specified that the Chinese government should allow the import of foreign goods, including textiles. The price of imported cotton textiles was much lower than those produced domestically. Both the quality and style of the fabrics were better than the handicraft ones. These factors made Chinese people shift their consumption of textiles from the native product to the foreign product. In 1842, cotton textiles constituted 8.4 per cent of the value of total imports, and were the third largest import. In 1885, textiles made up 35.7 percent of total imports, and ranked first among the imported commodities. The increasing trend of importing textiles from foreign countries had induced the Chinese government to establish the “Shanghai Mechanical Weaving Bureau” in order to recover the domestic textile market from foreign competition. In 1890, the first cotton textile factory was established in China. The year 1890 marked the beginning of the modernization of the cotton textile industry. Since then, the handicraft production of cotton textiles, the by-product of the Chinese agricultural economy, has declined.

Though the cotton textile industry was not the first industry in China (manufacturing of armaments preceded it), from the viewpoint of the rate of production growth and the size of the organization, the cotton textile industry was the fastest growing and the largest industry in China. The development of this industry resulted in the improvement and expansion of cotton plantings, and the mechanization of the cotton textile manufacturing. It had, therefore, a very important influence upon the modern Chinese economy.

Three factors contributed to the rapid development of the cotton textile industry:

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industry in China. First, the availability of raw materials – China was the third largest cotton producer in the world. Second, the labor force – there was plenty of surplus labor in the Chinese agricultural economy, so that labor was relatively cheap. Third, the market – cloth is a necessity for daily consumption. Since there were so many people in China, the market for the product was very large. These three factors made it a profitable industry and stimulated investment in the industry. However, due to the shortage of capital in China, by the mid-1930's the majority of ownership had been acquired by foreigners.

The purposes of this paper are to discuss processes of the development of textile industry in China and its impact on Chinese economy.

The Development of the Textile Industry

The development of the textile industry from 1890–1937 can be divided into three periods:

1. 1890–1895. This was the beginning period of the textile industry. In 1890, the capital of the Shanghai Mechanical Weaving Bureau was 500,000 Lian. It had 35,000 spindles and 530 weaving machines. Though most of the capital was contributed by the retired officers, this factory was appointed to be managed by the government officials. The interest rate was fixed at 9.6 percent annually. The shareholders could not participate in the management of the factory. They received a fixed return no matter how the factory was operating – at a big profit or a big loss. The government levied a 5 percent tax rate which was equal to the tariff rate on foreign textiles. The government thought that the domestic factory still could compete with foreign textiles in the Chinese market because the domestic products had the advantage of lower transportation and insurance cost.

Within six years, China had established eight factories. All of them were built in the Shanghai area. The sources of capital were the same as of the first factory. Some contribution was made by the government. By 1895, 191,612 spindles and 2,016 weaving machines were in operation. That means that spindles had increased 5.5 times and weaving machines had increased four times in a six-year period. Such a rapid expansion of the textile industry could be explained by the fact that the profit rate of the textile industry was about 25 per cent.

At that time there was no textile machinery industry in China, so that all the spindles and weaving machines were imported from England and the United States. Chinese were also sent to both countries to learn modern production and management techniques.

2. 1896–1913. In the first Sino-Japanese War (1895), China was defeated by Japan. The result was that the Chinese government permitted the Jap-

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1 At that time, the largest was the United States. The second largest was India. The fourth largest was Russia.

2 China was on a silver standard at that time. One Lian's weight was equal to 1.1 ounces of silver, or worth U. S. $1.15 in 1900.