

# **The Story of Shanghai: The Modernization of China in Microcosm**

The talk has four parts:

1. The West's intrusion into China (19<sup>th</sup> century), Treaty Ports, and Extraterritoriality
2. Foreign-led Modernization: Shanghai as a Treaty Port (1842-1941)
3. Revolutions and Wars (20<sup>th</sup> century)
4. Chinese-led Modernization (1990s until present)

## **1. The West's intrusion into China (19<sup>th</sup> Century)**

We all know that during the last 500 years, from the 16<sup>th</sup> century onwards, the West has risen, meaning that the West has become wealthy and strong (politically, economically, and militarily) through modernization, and through pioneering a capitalist system of global trade and globalized colonization.

China, far in the Eastern hemisphere, remained undisturbed by all these developments for 300 years, even though the Western European nations and the newly founded United States of America were very interested in certain Chinese products, principally tea, silk and porcelain. When urged by Western traders to open China's ports for trade, the Confucian-controlled Chinese government, which downgraded trade, was only willing to open one port for overseas trade. That was Canton (now Guangzhou), which was as far from the capital Beijing as possible.



## Canton System

European trade restricted to port at Canton



Foreigners had to trade, live and store their goods outside the city: they were not allowed inside. There was growing sentiment for the establishment of free trade.

Towards the end of the 18<sup>th</sup> century, the British, by that time the colonial masters of India, sent an ambassador to Qing dynasty China requesting the Qing to open up more ports for trade. He was informed by the Qing emperor that China lacked nothing and his request was refused. China was indeed self-sufficient, and there was hardly any demand for British products there at that time.



2 What type of relationship did the Chinese ruler want with the western powers?

No relationship: Qing Emperor Resisted Western Influence

In 1793, the Qing Emperor (Qianlong, above left) received an ambassador (Lord George McCartney, right) from Great Britain, but rejects the importation of goods from the British saying they were not interested in the "strange objects" offered from the West.



But the British discovered one product that was in rising demand. This was opium, grown in India. It was at first used in small quantities for pain relief. After the introduction of tobacco smoking from North America to China during the 17<sup>th</sup> century, opium addiction increased. As a result, the Qing government made it illegal both to sell opium and to use it, but to no avail. The trade was highly profitable to the British traders. Because of the high tax collected on it, opium became an important source of revenue to both the British colonial government in India and the British government in London.



## The Opium War

By the middle of the 19<sup>th</sup> century, Great Britain had become the dominant Western nation, and it was ready to open up China for trade, by force if necessary. By this time, the Qing court was deeply troubled by the increase in opium addiction as well as by the outflow of large amounts of silver in connection with the importation of this harmful drug. It was determined to stop this trade. After failing to secure British official cooperation to stop the import, the Chinese official in charge in Canton ordered the seizure and burning of 20,000 chests of opium from the British traders. This act precipitated the First Anglo-Chinese War in 1839, also known as the Opium War. The outcome of the war between the world's top naval power with modern gun-boats and cannons, and a country with antiquated weapons and war junks was predictable. The terms of the Treaty of Nanking (now Nanjing) that ended the war in 1842 were dictated by the British.

## Treaty of Nanking 1842



Treaty Port of Canton

- Ends Opium War
  - forces China to pay war costs
  - Britain obtains Hong Kong
  - est. 5 treaty ports (14 by 1900)
  - most favored nation
    - low tariffs
    - difficult for China to compete

The treaty forced China to open four more ports along the Chinese coast for British trade and for British people to reside in. Shanghai was one of them. These ports opened by treaty were called **treaty ports**. China was allowed to levy a lowish import and export duty, fixed at 5% on all goods. The treaty also forced China to cede Hong Kong and pay an indemnity to compensate the British for the confiscated opium and the cost of the war. Since this treaty was forced on China, it was called an Unequal Treaty.



The British were not the only imperialistic power interested in exploiting Qing China for trade. The threat of force led the Qing government to conclude treaties with France and the United States, allowing citizens of these countries also to trade and reside in the opened treaty ports. The American treaty had an important additional clause, namely the granting of **extraterritoriality** to the Americans. This privilege entitled Americans in China to be governed by American law rather than Chinese law. The “most favored nation” clause in all of the treaties meant that any privilege extracted by one treaty power from China would be enjoyed by all the others. So the British and the French would also enjoy extraterritoriality.

Having no knowledge of international law, the Qing officials did not appreciate how damaging these two clauses could be. They thought extraterritoriality would be like letting the head of a foreign community police their own people, as had been the practice in their dealings with the Arabs and Persians, who had lived in China for a long time. The Chinese authorities had a tradition of only dealing with the chosen heads of their communities, who would take responsibility for keeping their people in order. But these people were ultimately ruled by the laws of China. Extraterritoriality worked out to be very damaging to China’s sovereignty.

The opium war was not the only Sino-foreign war. Before the end of the 19<sup>th</sup> century, the foreign imperialist powers waged several more wars against Qing dynasty China. In 1856 Britain and France joined forces to invade China; in 1895 Japan took Taiwan through war. Then in 1900, eight foreign nations joined together to invade China during the Boxer Rebellion. The treaties concluded after each of these wars extracted further concessions from Qing China. These included: opening more treaty ports, paying heavy indemnities, and yielding spheres of influence to the treaty powers. The latter were large areas where the foreign treaty powers were allowed to build railways, establish factories, and exploit China's natural resources through mining.

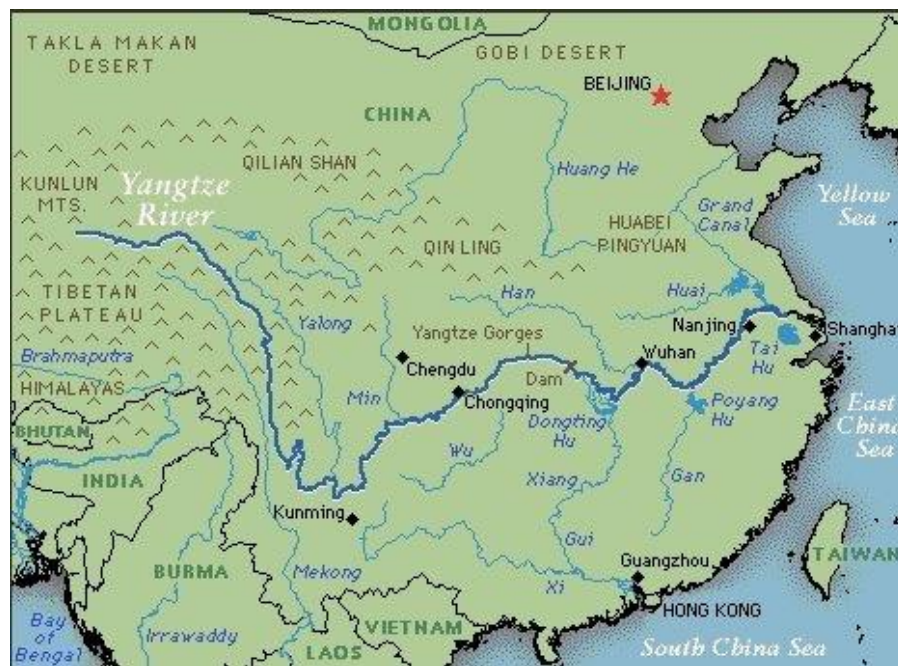


More Treaty Ports, Spheres of Influence

In addition to these wars and foreign demands, which hit China hard in many ways, China also had several major domestic rebellions during the 19<sup>th</sup> century that were hugely destructive and caused more than 20 million deaths. It took a century for China to recover from this population loss.

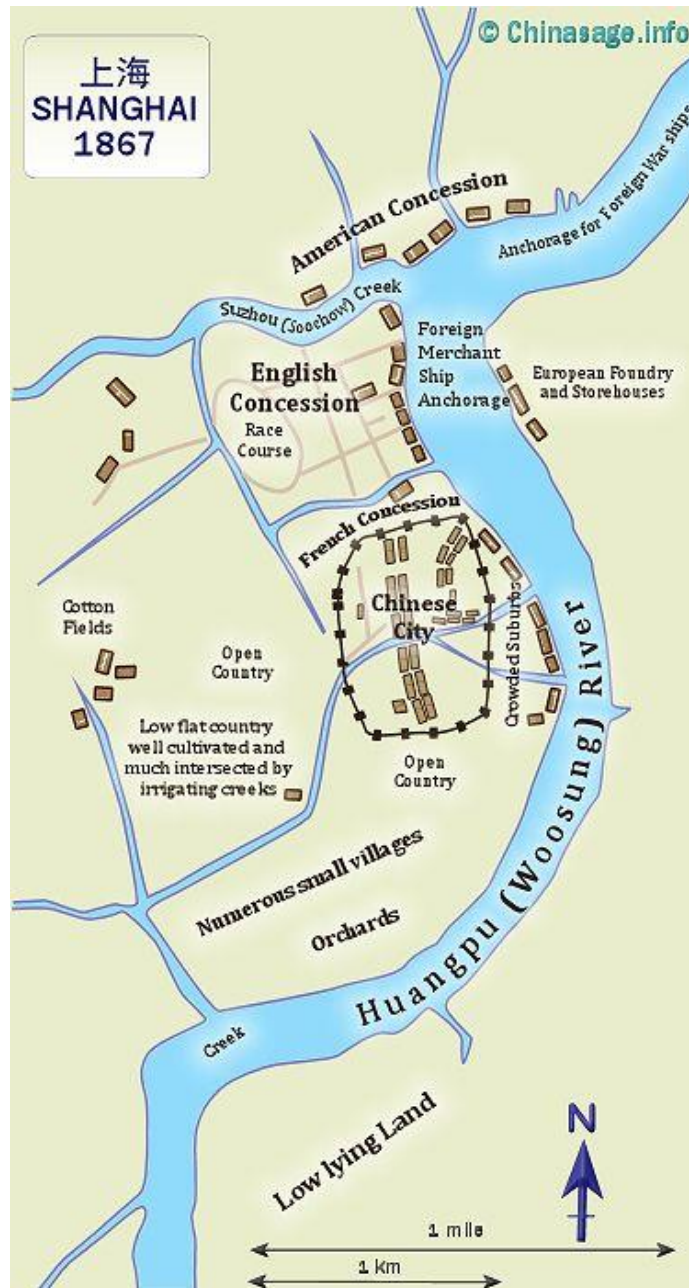
The major treaty powers were Britain, France, the U.S., Russia, Germany and later Japan. A few words need to be said about Japan. It was a pre-modern and weak state like China in the middle of the 19<sup>th</sup> century. It was opened up by a demonstration of American naval power in 1854. It also had unequal treaties with some Western nations and opened up treaty ports for trade. But Japan quickly modernized – or Westernized – itself, became militarily strong, absorbed the Western imperialist ideology, and conceived an ambition to make China its colony.

## 2. The Foreign-led Modernization: Shanghai as a Treaty Port (1842-1941)



The British were right to choose Shanghai. The middle of the Yangtze delta where it was located is an extremely rich agricultural area producing lots of tea and silk for export. Its location at the mouth of the Yangtze facilitated the collection and dispersal of imports and exports to the interior along the river and its numerous tributaries. After the unequal treaties were concluded in the 1840s, an area of Shanghai

along a section of the Huangpu river-front, north of the Chinese walled city, was set aside as foreign concessions. There was a British one, and also American and French ones. Here the Chinese authorities leased land at a nominal fee to the foreign authorities concerned. Starting with a small number of foreigners in the 1840s and 1850s, their numbers grew to around 6,000 in the 1860s. At that time, the British and American Concessions merged into a single International Settlement.





Claiming extraterritoriality, the foreigners in the International Settlement formed their own government called the Shanghai Municipal Council (SMC), which had its own constitution, flag, laws, and a special Mixed Court. Its governing members were voted in by the rate-payers. This body regulated and controlled everything: from land, housing, roads, taxation, sanitation, and policing to water and power supply. The foreign consular authorities deferred to it. Meanwhile, the French Concession had its own government.



During the early 1860s, one of the largest peasant rebellions was still raging in China. This was the Taiping Rebellion, which sited its capital in Nanking, near Shanghai. Although it did not manage to take over Shanghai, its ally, the Small Sword Society, did take over the Chinese City. The foreigners formed a militia to defend themselves. They managed to keep out both the armies of the Qing government and the rebels. A large number of Chinese refugees sought shelter in the foreign concessions.



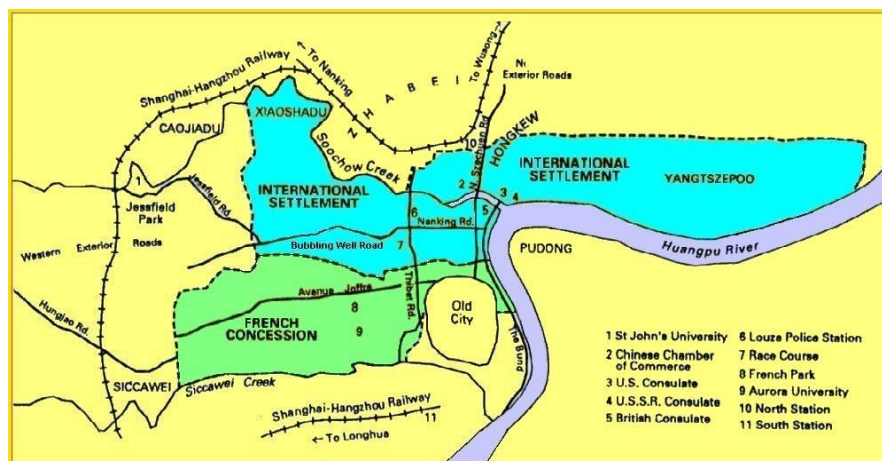
The Small Sword Society

At first, the authorities of the SMC and the French Concession did not want Chinese to settle in their areas, but they soon changed their minds for the following reasons:

1. They found it handy to have the Chinese provide them with much needed services.
2. They needed the local knowledge and personal networks of the Chinese business people to help them trade with the Chinese. It was a win-win situation. The Chinese middlemen were indispensable to the foreign traders, and the foreign trade also enriched the Chinese, who developed into a new middle class, called compradors. They were the first Chinese bourgeoisie.
3. Another reason was that foreign owners of real estate could make a lot of money by renting properties to a continuing influx of Chinese refugees.

By the time the rebellions ended, before 1865, there were nearly 150,000 Chinese living in the foreign-controlled areas. From then on, the Chinese normally constituted the largest group there. Although they paid taxes, they had no vote and no voice in running the affairs of these foreign-controlled areas until 1928. And they were not allowed to use the parks.

Since land was so lucrative to the foreigners, and since an increasing number of Chinese as well as foreigners from abroad wanted to live in the foreign-leased areas, there was a lot of pressure on the Qing government to allow these areas to expand. The International Settlement eventually grew to many times the size of the Chinese city before the end of the 19<sup>th</sup> century. It expanded to occupy an area of 9 square miles, and the French Concession grew to 4 square miles.



In addition to the British, the Americans, the French and the Chinese, many other foreign nationals lived in the International Settlement and the French Concession. After the Russian Revolution in 1917, many white Russians came to live in the foreign-controlled parts of Shanghai. In the early 1920s, there were 60,000 foreigners and 300,000 Chinese living there.



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## Old Customs House

Let us not forget, now, that trade was the purpose of Shanghai becoming a treaty port. It soon grew to become the most important treaty port in China, accounting for 50% of China's foreign trade. When the Qing officials began to collect the 5% tariffs permitted by treaty, extraterritorialized foreign traders refused to pay. As a result, a special foreign-managed Maritime Customs service was established to collect the customs payments from the foreign traders, not only in Shanghai, but in all the treaty ports of China. The Northern Irish head of this service played an important part as an advisor to the Qing government on how to deal with the Western powers, as well as on China's modernization. Although a large part of the money collected by this organization was committed to paying China's large foreign indemnities, because of the high volume of the international trade the revenue from the customs collection became an important part of the Chinese government's strained finances during and after the Qing dynasty.



New Customs House

The foreign part of Shanghai flourished under a laissez-faire capitalist system. During the early decades of the 20<sup>th</sup> century, Shanghai was Asia's number one trading port and financial center. Many foreign banks congregated there. After China succumbed to the treaty powers' demands for spheres of influence, foreign-invested manufacturing also did well there. Shanghai accounted for 40% of China's manufacturing. A railway network was also built through Shanghai.



The Bund

The foreigners brought Western culture and lifestyle to Shanghai. Elegant mansions, in the contemporary style of London and Paris, sprang up in the International Settlement and in the French Concession. The wide river-front, called the Bund, was lined with imposing Western-style buildings. The foreigners set up schools and churches; they published newspapers and created many parks. The British had their own “club” and a racecourse. All kinds of businesses flourished to serve the foreigners, and to help them make money in China.



St. Joseph's Church



Jewish Synagogue (1920s) still in use today



The Race Course

Many foreigners saw Shanghai as a land of opportunity with few constraints for them to seek fortunes and a lifestyle of comfort or pleasure while moving up socially. Some did become enormously wealthy. Among them were the Sassoons, a British Sephardic Jewish family originally from Iraq.



Victor Sassoon with Janet MacDonald and Laurence Olivier

Besides foreign traders, bankers, entrepreneurs, soldiers and adventurers, there were many Christian missionaries, who built schools and hospitals while trying also to save souls. Apart from the imposing buildings and attractive homes, the foreign parts of Shanghai had well paved streets and transportation by trams and motorcars. Shanghai's modern amenities included piped water supply, electric lights, and a telecommunication system. During the early decades of the 20<sup>th</sup> century, the Western-controlled part of Shanghai was one of the most modern European-style cities in the world, in stark contrast to the old Chinese city with its narrow and muddy roads.



The Old Chinese City

Of course, there were some beautiful old Chinese places as well, such as the Yuyuan garden.



This is an example of a “stone-gate” home of a rich Chinese family in the French Concession.



Early 20<sup>th</sup> century Shanghai had the reputation of being the Paris of the East on account of its sophistication. It was also known as sin city, where Chinese gangsters ran the police of the French Concession, and where people indulged in pleasures without restraint at the night clubs, cabarets, opium dens and brothels. It was a city of sharp contrast between traditional and modern, Chinese and foreign, poverty and wealth. The emergent Chinese middle class tried to establish a civil society parallel to the foreign one. Shanghai had a kind of hybrid vitality that attracted intellectuals and celebrities both East and West. Noel Coward wrote a play there. Charlie Chaplin was “Shanghaied” (meaning kidnapped) in a movie. Aldous Huxley found nowhere in the world where life was lived more intensely than Shanghai.



A Fashionable Shanghai Lady in the 1930s



Chaplain “Shanghaied”

During this period of almost 100 years (from 1842 to 1941) modernization took place in China as a by-product of the unequal treaty system, which reduced China to semi-colonial status. Shanghai was a prime example of this. During this phase, modern shipping lines, railways, factories, banks, and trade were operated on terms that enriched the treaty power nations and their subjects, while China itself sank further into poverty. This was the initial phase of Shanghai’s modernization: foreign-led, and limited.



### 3. Modern Chinese Nationalism, Revolutionary Upheavals, and War with Japan

The experience of foreign domination and exploitation led to a crisis of identity among the Chinese, the heirs of an old civilization who had been proud of their long history and early material and cultural advancements. But before the Chinese experienced the shock of Western intrusion, they lacked a European sense of nationhood. Nation-states developed in Europe through centuries of wars amongst each other. What the Chinese had was a civilization state. A modern Chinese nationalism or patriotism emerged from and grew out of the Western impact.

A lot had to happen before China could start to modernize itself under its own steam in the late 1970s. I can only give an outline because of the time limit. While the 19<sup>th</sup> century was painful enough for the bulk of the Chinese people, the first half of the 20<sup>th</sup> century failed to bring much relief.

In 1911 the Qing dynasty was overthrown because of its inability to protect China against the foreign domination. After the end of some four thousand years of dynastic rule, the establishment of the Chinese Republic in 1912 did not bring unity and peace. The collapse of the Chinese state in 1917 was followed by ten years of rule by warlords, who fought each other incessantly. Two patriotic political parties emerged to save China: the Nationalist Party founded by Sun Yat-sen and later led by Chiang Kai-shek, and the Communist Party led eventually by Mao Zedong.



Sun Yat-sen

In 1921, the first Communist Party Congress took place in Shanghai.



### The First Communist Party Congress in Shanghai, 1921

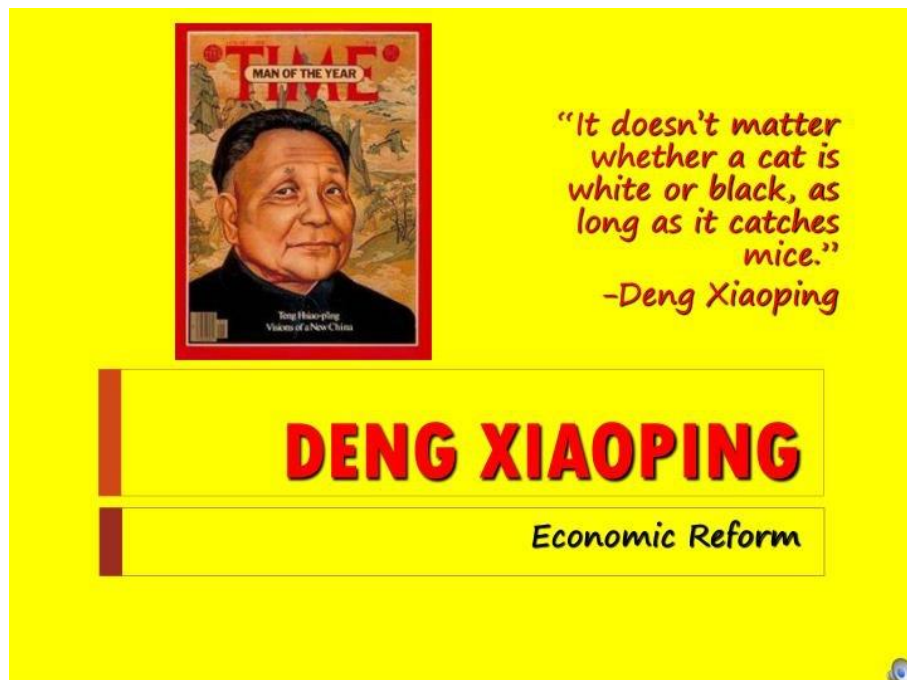
In 1928, the Nationalist Party under Chiang Kai-shek effected a partial unification of China. But the civil war continued between Nationalist and Communist parties, which had different political ideologies and approaches on how to save China. Then there was the terrible Sino-Japanese war from 1937 to 1945, a war that took at least 20 million lives.

When the Western allies joined the Chinese in the war against Japan in 1941, after Pearl Harbor, the Japanese occupying force placed the Westerners who remained in Shanghai in a work camp. The more than 20,000 Jewish refugees, who had come to Shanghai to escape the Nazis, were kept in a separate ghetto.

After World War ii, the unequal treaty system ended through a negotiated settlement between the Nationalist Chinese government and the treaty powers, in a world that was rapidly becoming post-colonial. Most of the foreigners in Shanghai left China after the Communists won the civil war against the Nationalists.

#### 4. Chinese-led Modernization (1991 to the Present)

Unlike China's ruling Confucian-educated elites of the 19<sup>th</sup> century, who resisted modernization, the Chinese were now in no doubt that they needed to modernize their country. After 1949, they finally had the peace, unity, and the absence of foreign domination to undertake the process themselves. The big question was, how? Mao tried a radical communist experiment to enable China to make a great leap into modernity. It was a gigantic failure. It was not until Mao's death in 1976 that his successor, Deng Xiaoping, was able to do it his way. Deng wanted to limit modernization to China's economy only, not its culture or political system. His strategy stressed the application of modern science and technology to agriculture, industry, trade and finance, together with the adoption of modern management methods. His reformers steered China away from the Soviet-style economy to join the Western market-oriented capitalist system. He and his reformers saw the building of a modern infrastructure as a priority. Special Economic Zones were established at selected cities in China's coastal provinces near Hong Kong and Taiwan, to attract foreign capital investments from overseas Chinese as well as from Westerners, so as to accelerate China's economic growth.



**TIME**  
MAN OF THE YEAR  
Deng Xiaoping  
Vision of a New China

*"It doesn't matter whether a cat is white or black, as long as it catches mice."*  
-Deng Xiaoping

**DENG XIAOPING**

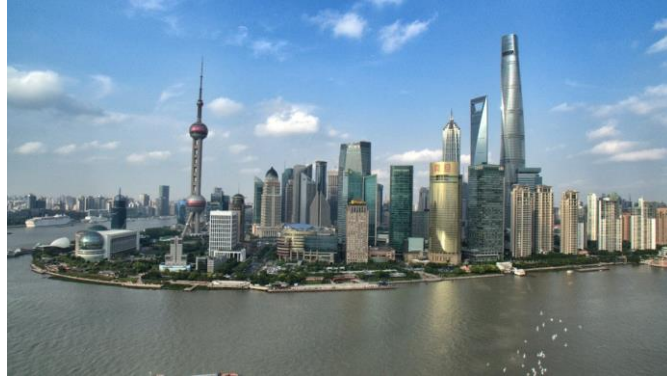
*Economic Reform*

Deng's reformers did not turn their attention to Shanghai until the 1990s, after an initial phase of modernization had already been successfully implemented in China's southern coastal region. As if trying to make up for having neglected China's former economic powerhouse, a plan to modernize Shanghai was made in the early 1990s. A swampy area on the east bank of the Huangpo river opposite the Bund was marked out for development. This was the Pudong New Area and it was designated as a Special Economic Zone to attract foreign capital. Soon, a building frenzy in Pudong transformed the Shanghai skyline with a cluster of world-class skyscrapers across the river from the Bund.



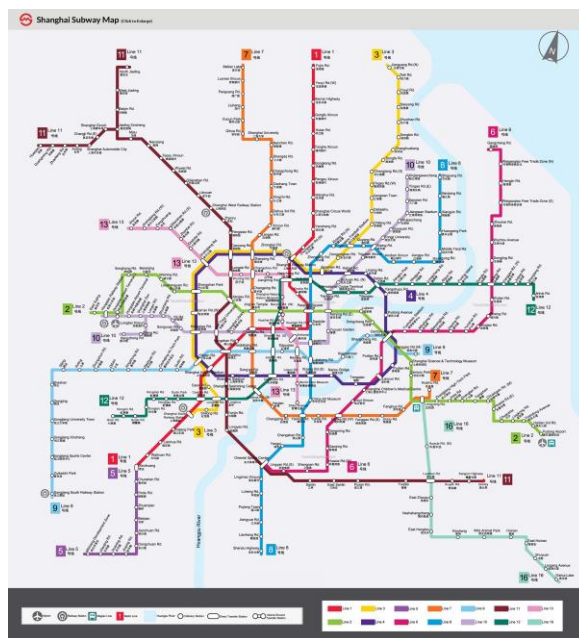
Pudong in the 1990s (top) and in 2014 (bottom)

These buildings included the almost 2,000 feet tall corkscrew-shaped Shanghai Tower (the second tallest building in the world when constructed), the art-deco Jin Mao Tower, and the futuristic Oriental Pearl TV Tower. Also among these was the striking Shanghai World Financial Center, a symbol of Shanghai's drive to regain its position as Asia's financial center.



## Pudong Skyline Today

Since 1992, Shanghai's economy has experienced double-digit growth every year. Foreign investments have poured in. Its re-established stock exchange is Asia's number two in capitalization. It is again China's number one port, and an important center of trade, industry, finance, science, technology, and culture of China. It has many excellent museums and parks. This phase of modernization made Shanghai into a prosperous and dynamic 21<sup>st</sup> century city of some 24 million people. Its 150,000 foreigners live unostentatiously among the Chinese. Its subway system is extremely impressive.



Shanghai's modernization was a microcosm of the comprehensive modernization of China itself. Its success put China on the road to become a modern, prosperous and strong nation, although it has also generated many new problems and challenges.