

Ginseng, Otter Skins, and Sandalwood: The Conundrum of the China Trade

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The conundrum for early American traders with China resided in the presence of an apparently unlimited market that Yankee enterprise proved incapable of satisfying despite access to products the Chinese seemingly found eminently desirable. The myth of boundless potential sales clashed with the reality of virtual self-sufficiency. American attempts to penetrate this mythical market relied on massive exploitation of every opening, leading to market saturation and collapse, whereupon the cycle was repeated with a new commodity. Between the 1780s and 1820s, American traders eagerly embraced ginseng, otter skins and sandalwood in succession, but discovered that the enthusiastic export of these goods soon caused the market for each to collapse. Reluctant to accept that the notion of a limitless Chinese market was a myth, and baffled by the failure of each product to win widespread acceptance, Americans saw the Chinese response as proof of fickleness.

When American merchants entered the China trade after 1783, they became participants in a commerce with features and conditions that had been established through the course of European mercantile interaction with the Chinese empire since the late sixteenth century. They drew in particular on the British East India Company's 150-year experience in China. The nation's teeming population offered a tempting mirage of a potentially unlimited market if only US traders could discover a passage through Chinese obstructionism with some widely acceptable product. Enterprising American merchants had ready access to natural resources — most notably ginseng, luxurious sea otter pelts, and sandalwood — that the Chinese apparently found most desirable. They seemed as well to possess competitive advantages over their rivals in their freedom from governmental regulation of their trade, the quality and cheapness of their ships and the navigational skills and commercial abilities of their captains, and the flexibility of their system of diffuse small-scale investment for financing ventures in foreign trade which allowed them to respond quickly to new opportunities and changing markets.¹ In reality, American merchants faced enormous difficulties in discovering trade goods that were consistently marketable at a profit at Canton in quantities sufficient to overcome China's desire for self-sufficiency, in the process reversing the markedly negative balance of trade generated by the United States's voracious appetite for Chinese exports. Americans experienced the same frustrations as other Western merchants before them, discovering only gradually that this apparently unlimited market was a myth. Still, they were also reluctant to accept this

truth, with the result that the illusion remained powerful throughout the nineteenth century. As a nineteenth-century British customs official remarked:

many regard China as a far-distant land, with an immense population, but so wanting in all that others possess as to be ready to purchase, in unlimited quantities, whatever is offered for sale; whereas, what is true is this: China needs neither import nor export, and can do without foreign intercourse...Foreign traders can only hope to dispose of their merchandise...in proportion to the new tastes they introduce, the new wants they create, and the care they take to supply what the demand really means.²

China was almost completely self-sufficient in both staples and luxuries, a situation that Western merchants were reluctant to accept. Sir Robert Hart again noted:

The Chinese have the best food in the world, rice; the best drink, tea; and the best clothing, cotton, silk, and fur. Possessing these staples, and their innumerable native adjuncts, they do not need to buy a penny's worth elsewhere; while their Empire is in itself so great, and they themselves so numerous, that sales to each other make up an enormous and sufficient trade, and export to foreign countries is unnecessary.³

Hart correctly identified the significance of the Chinese domestic market. Nevertheless, the teeming population did not translate into a vast market for basic Western goods. As the British consul at Chefoo reported in 1877:

So long as labour is a drug on the market, and half the people in the country are idle for a great part of the year, so long will hand looms continue to supply the wants of each household. So long as an able-bodied man's wages is only 6d. a-day, so long will the luxuries of Manchester [machine-woven cotton cloth] be utterly beyond his reach.⁴

Further, this vast mass of people had little expectation of ameliorating their situation, which rendered prospects of massive Western commercial penetration even more remote. A missionary in the 1830s described the state of Chinese peasants in Shantung as "generally good." He went on:

We witnessed nothing of that squalid poverty and deep distress, to be met with in other parts of the empire... [N]o want, so far as we could perceive, prevailed. We saw no beggars, and few ragged people...The poor people who pursue, from youth to old age, the same monotonous round of toils, for subsistence, never see nor hear anything of the world around them. Improvements in the useful arts and sciences, and an increase of the conveniences of life are not known among them. In the place where their fathers lived and died, they toil and pass away, to be succeeded by another generation...The towns...we found as delineated; unchanged,

except by decay, and unimproved in any respect. The people possess few of the comforts of life; neither table, chair, nor any article of furniture, was to be seen in the houses of the poorer classes.⁵

Confucian doctrine contained a strong anti-mercantile bias; the merchant ranked below officials, landlords, rich farmers, and even workshop owners in social status among the propertied classes. Its pervasive influence led government to emphasize stability, which was to be reflected in a populace that was nourished and a gentry that flourished — but not by economic growth. Law and order, national security, and public works took precedence over development. Nevertheless, commercial enterprise was an essential feature of society, as the dominance of Chinese expatriates in South Asian business demonstrates. On the mainland, business activities often were combined with a career as an official or scholar; the determinant for participation in commerce was personal wealth or access to capital. Nonetheless, the relative rigidity of Chinese society was not an absolute bar to social mobility; enterprising artisans could become wealthy merchants through marketing their products rather than selling their labour.⁶

Basic self-sufficiency, a narrow population base for both Western manufactures and luxuries among the essentially destitute masses, and a condescending attitude toward commerce all rendered the foreign traders' concept of a boundless market an illusion. It was easy to over-supply the relatively small demand for foreign goods in a short time. American merchants, initially dependent on a limited range of marketable goods, proved particularly susceptible to this, especially as they exacerbated their difficulties by simultaneously concentrating their export efforts on the same single product they unanimously viewed as a panacea for their troubles. The Chinese reaction was to slash the price they were prepared to offer, or even entirely to reject the commodity, provoking American complaints of fickleness. The early trade of the US with China was marked by a succession of cycles in which the market first boomed and then collapsed precipitously.

Strong American demand meant that trade with China offered US merchants the prospect of handsome profits. Yet success required solutions to two related problems. First, Americans needed exports that were both cheap to obtain and easy to sell at high prices in China to earn profits sufficient to overcome their limited access to capital. Second, they required goods that would remain desirable if shipped in bulk so that they could limit or even eliminate the necessity of shipping silver to Canton. Moreover, since they operated smaller vessels, they carried less cargo. A large profit margin thus was important if they were to compete effectively.

In general, during the early years of the Republic, Americans had significantly less access to capital than their European competitors. Specie was in short supply, the nation was burdened with a considerable debt, and merchants needed to re-establish pre-war commercial relationships and establish ties in new markets. Trade with Europe grew rapidly but commerce had to compete for investment with continental expansion. Merchants soon rebuilt effective financial networks of bills of exchange with their Atlantic trading partners but such arrangements were difficult to establish in China, as the British had long known. Thus while American commerce with China was in approximate balance until 1832, large exports of silver, which averaged two-thirds of all US shipments to Canton each year to 1825, were still required.⁷

It was no accident that the earliest American trading voyages to East Asia and the conclusion of the struggle for US independence almost coincided temporally. Merchants from Baltimore to Boston were convinced that international trade could revitalize the economy and were eager to exploit opportunities in markets hitherto closed them by mercantilist restrictions. The problem at Canton was to find suitable merchandise to trade: they already knew that pent-up demand for Chinese products at home would prove immensely profitable. As Matthew Ridley wrote to a correspondent in France in March 1783, "there is now no doubt but a good Voyage might be made to China."⁸

Unfortunately, apart from ginseng and furs there were no obvious American products for which a ready market in China existed. As a result, merchants recognized that substantial quantities of silver would be required to supplement their limited trade goods, a situation that replicated the experiences of Europeans.⁹ Precious metals, however, were in short supply after the Revolution. These factors, combined with the length of the voyage, suggested that substantial initial investment was necessary. Ridley estimated that "to do it to advantage will require at least 1,200,000 Livres (£300,000)."¹⁰

When Americans had ventured into new markets in the colonial period, it usually entailed a group of participants who invested relatively small amounts, thereby spreading the risks of doing business in areas where they had little prior experience. Such partnerships dissolved on the completion of each venture and any profits were distributed in proportion to the initial investments. If the business were profitable, it was often followed by new endeavours, but each could be backed by separate groups of investors."

After independence opened many new markets to American enterprise, merchants continued the same pattern and began to enter previously unexploited markets, such as the Baltic and Mediterranean. A distinct group of partners accumulated a cargo and acquired a ship and crew for each venture. At the conclusion of the voyage all assets, including the ship, were sold and the profits distributed. A new voyage, even by the same vessel, required a fresh syndicate which repeated the process.¹² Voyages to China, however, were much more expensive than average. The voyage of the *Empress of China*, for example, required £48,231.6.7 at a time when a venture to Europe might need £3000 to £4000.¹³ Clearly, few merchants were in a position to finance such a venture by themselves. Further, if they decided to finance one voyage exclusively, they might risk their entire capital on its success and also tie up the bulk of their funds for its duration.

Despite the substantial expense and highly unpredictable outcome of such endeavours, new ventures were launched in the US even before Captain Stewart Dean's return in 1787 from only the second American voyage to China. No fewer than four American ships were at Canton when Dean's sloop *Experiment* departed on its homebound voyage. Indeed, recent research has enumerated at least forty-one arrivals between 1784 and 1790, including the two by the *Empress of China* and Dean's own venture. Between 1791 and 1800 a further 166 American vessels entered Canton, and, during the next decade an average of almost thirty-five US ships arrived each year (except 1808, when the Embargo was in force).¹⁴

American merchants initially were unsure of the demand for their potential exports because they had no direct experience in selecting the most likely items. Instead, they had only some indirect evidence of Chinese eagerness for ginseng, which had been shipped from both the British and French colonies in North America from the 1720s with varying

success.¹⁵ As well, reports circulated that Swedes were prepared to purchase ginseng for \$8 per pound to ship to Canton. Meanwhile, in late 1783 Colonel Sears sent his sloop *Harriet* (Captain Hallett) to Canton with a full cargo of ginseng. At the Cape of Good Hope he encountered a British East Indiaman that was so eager to obtain these aromatic roots that Hallett was able to exchange his cargo for twice its original cost in Hyson tea.¹⁶

Many of the earliest American vessels to China carried ginseng because the European experience led merchants to believe it was the American product the Chinese prized most. Samuel Shaw, the *Empress of China's* supercargo on its first voyage and later the first US consul at Canton, reported that American ginseng sold for \$30 per pound there in 1783. The most valuable item by far in the *Empress of China's* cargo in 1784 was thirty tons of Appalachian ginseng that realized \$240,000 of the \$270,000 the whole cargo fetched in Canton. This large amount accounted for fifty percent of all ginseng imports that season and flooded the market so that when the second American venturer into the China trade, Stewart Dean, arrived on the sloop *Experiment* in 1786 he found that his 6100 pounds of ginseng were worth barely \$1 per pound. The five American ships that arrived in Canton in 1786 brought over 45,000 pounds of ginseng.¹⁷ No statistics survive for American ginseng imports in 1787, but 142,000 pounds arrived in 1788, 274,000 in 1789, and 53,000 in 1790 (see table 1).

The Chinese prized ginseng in part for its rarity. The massive American imports flooded the market, and prices collapsed to forty-two cents per pound in 1789 and to thirty-two cents in 1790. Further, American exporters faced problems supplying roots acceptable to the Chinese. The French consul in Canton, Chrétien Louis Joseph de Guignes, argued that "because of the Americans, the price has dropped so low that it hardly covers the import duties. One has to deal illegally to make anything." In December 1791, British East India Company officials complained that although ginseng formerly "gained an enormous profit and the Commanders and officers could not carry out a sufficient quantity," since 1783 "so much has been sent that the Chinese pretend to have discovered that it has no Virtue, and it is actually become unsaleable." The small-scale American shipments for most of the 1790s support this assertion; only 4000-7000 pounds arrived annually from 1791 to 1796, except in 1793 and 1795. The same East India company officials asserted:

It is generally admitted that no market varies more than that of China, the prejudice of the Natives operating most powerfully upon their Conduct. Of this the Article of Ginseng is a striking Proof. The Moment it was offered in quantities larger than usual and by Persons from whom the Chinese were not accustomed to purchase, it became unsaleable; and...[we] are confident that American Ginseng will never be consumed in China as heretofore.¹⁸

This confident prophesy proved wrong: American ginseng exports to China increased to 12,000 pounds in 1797, peaked at almost 300,000 pounds in 1802, and generally remained at about 200,000 pounds until Jefferson imposed the Embargo. Shipments recommenced subsequently at the 200,000 pound level, were negligible during the War of 1812, and boomed into the 1820s and early 1830s, peaking at over 800,000 pounds in 1824.

Table 1
US Exports to Canton (pounds weight or piece)

Year	Ginseng	Sandalwood	Indian Cotton	Quicksilver	Fine Fur Pieces
1786	45332	0	0	0	
1787	0	0	0	0	
1788	141996	0	72665	0	
1789	273993	0	2321409	0	
1790	53199	0	0	0	
1791	6800	0	0	0	
1792	5867	0	655984	0	9579
1793	0	0	0	0	
1794	6667	0	0	0	43770
1795	12266	0	0	0	7477
1796	4000	0	0	0	19846
1797	12000	0	0	0	26316
1798	23599	0	0	0	102257
1799	70932	0	0	0	35234
1800	118264	0	0	0	411167
1801	124397	0	0	0	444087
1802	297193	0	0	0	388746
1803	136530	0	0	0	186779
1804	250660	119997	562519	0	269756
1805	202262	213328	1066773	6400	195600
1806	227728	359991	0	222928	298600
1807	196662	266660	623984	7600	130400
1808	0	266660	273327	0	50500
1809	181862	241994	2367541	2400	49500
1810	155196	66132	253994	0	83500
1811	207595	1501429	982509	3867	366300
1812	33333	2538070	487988	0	122700
1813	0	0	0	0	
1814	0	0	0	0	
1815	391057	333325	73332	59999	140300
1816	342658	986642	0	133063	64600
1817	213461	2109947	0	431989	84200
1818	181729	1983150	80131	1239569	163000
1819	87864	1343033	2580469	673583	76600
1820	268793	800647	504254	525054	44500
1821	334125	3576177	487988	576519	177300
1822	685850	2753664	118397	381190	80000
1823	56932	1120505	142663	1094639	168000
1824	805180	991709	209995	860245	100800
1825	447589	412923	0	498388	65800
1826	338525	890644	135997	375324	73300
1827	164263	1768622	174262	1191170	81500
1828	233861	2427406	0	849845	8200
1829	0	0	0	752381	
1830	257860	0	0	752515	
1831	359724	0	0	1372632	
1832	334258	0	0	1353833	

Sources: [Samuel Blodget], *Economical A Statistical Manual for the United States of America* (Washington, DC, 1806); J.D.B. DeBow, *Statistical View of the United States, Being a Compendium of the Seventh Census to which are Added the Results of Every Previous Census, Beginning with 1790* (Washington, DC, 1854); Isaac Smith Homans, Jr., *An Historical and Statistical Account of the Foreign Commerce of the United States* (New York, 1857); Hosea Ballou Morse, *The Chronicles of the East India Company Trading to China 1635-1834* (5 vols., Cambridge, MA, 1926-1929); Timothy Pitkin, *A Statistical View of the Commerce of the United States of America, Including also an Account of Banks, Manufactures, and Intertai Trade and Improvements, Together with that of the Revenues of the General Government* (New Haven, 1835); and Adam Seybert, *Statistical Annals; Embracing Views of the Population, Commerce, Navigation, Fisheries, Public Lands, Post-Office Establishment, Revenues, Mint, Military and Naval Establishments, Expenditures, Public Debt, and Sinking Fund, of the United States of America* (New York, 1818).

Table 2
US Imports at Canton (\$ US)

Year	Total imports	Gin-seng	Sandal-wood	Fine Furs	Indian Cotton	Specie	Quick-silver	Cotton Pieces
1804	3555818					2902000		
1805	5326358					4176000		
1806	3877362					2895000		
1807	3940090					3032000		
1808	479850					70000		
1809	5744600					4723000		
1810	2898800					2330000		
1811	3132810					1876000		
1812	1453000					616000		
1813								
1814								
1815	2527000					1922000		
1816	5600600					4545000		
1817	7076828	144090	174075	320009		5601000	324000	
1818	10217151	77770	91368	362296		7414000	747600	38450
1819	8185000	38040	101228	245405	359044	6297000	395520	60400
1820	5392795	171275	67133	340991		2995000	295075	450000
1821	8192768	209610	269320	490081	42192	5125000	194736	358225
1822	8339389	231480	139408	319231	9876	6292840	180017	305064
1823	6460339	29890	67232	269443	19260	4096000	492600	389550
1824	8962025	181170	66942	270669	31500	6524500	374216	430794
1825	7781301	100710	32518	258235	3802	5725200		434412
1826	4273617	66388	83500		14280	1841168		261700
1827	5394917	25980	211070	243636	16991	2640300	696852	357386
1828	4065670	127460	127442	269398		740900	446180	174413
1829	4341282		43228	191006		1123644	395010	405980
1830	4223476	109544	39000	78471	39252	183655	395080	
1831	5531807	159550	7000	166736	1890	667252	720650	
1832	8362971	146054	28000	133085		682519	629548	

Sources: See table 1.

Although ginseng exports boomed after the War of 1812, prices remained low after the war, averaging just forty-two cents per pound and dipping as low as sixteen to twenty-two cents between 1824 and 1827. Moreover, while US ginseng exports staged a solid recovery in volume terms, their relative importance had been greatly reduced since 1788, when one-third of US ships arriving in Canton carried nothing but the root.¹⁹ From 1817 to 1825 the value of ginseng shipped to Canton averaged barely two percent of all US exports to China and never exceeded five percent. Silver, on the other hand, averaged over seventy percent of American exports during the same period and never dropped below fifty-five percent. American ginseng thus failed to provide a return that would enable US traders to pay for their purchases of Chinese commodities (see tables 2 and 3).

Furs were the alternative for traders outfitting their vessels for Canton. Luxurious sea otter furs were known to be eminently marketable in China. John Ledyard, on his return from the Pacific with Captain Cook, observed that "the skins we had brought with us from the N.W. continent of America, were of nearly double the value at Canton, as at

Kamchatka." Midshipman George Gilbert noted during the same voyage that "we sold the remainder of our furs to much greater advantage than at Kamchatka, the Chinese being very eager to purchase them and gave us from 50 to 70 Dollars a skin; that is from £11.5s to £15.15s for what we bought with only a hatchet or a saw." Ledyard was soon busily engaged in drumming up support for a voyage to China via the northwest coast, where pelts could be collected for profitable sale in Canton. This scheme, backed by the financier Robert Morris, became the genesis of the first American venture into the China trade, the 1784-1785 voyage of *Empress of China* to Canton, although Ledyard's plan to collect furs in the northwest Pacific for sale to the Chinese eventually was dropped due to reduced investment; delays in outfitting the vessel; and, probably, a desire to simplify this first venture into an untested market.²⁰

British traders were the first to exploit the lucrative trade in furs between the American northwest and Canton. John Henry Cox dispatched the small brig *Sea Otter*, sailing under the Portuguese flag to circumvent the East India Company's monopoly and commanded by James Hanna, from Macao in late April 1785 to the northwest to trade for sea otter pelts. He returned in January 1786 with 500 whole skins and 240 "slips and pieces," which fetched a total of \$20,600.²¹ Since outfitting *Sea Otter* had cost \$17,000, the voyage did not generate an extraordinary profit but was sufficient for Cox to send Hanna back with a larger ship. Between 1785 and 1788 there were no fewer than nineteen British ventures, including the two sponsored by Cox, into this new fur trade.²²

In September 1787 the first American venture to follow Ledyard's suggestion — comprising the ship *Columbia* and the sloop *Lady Washington* — departed Boston for the northwest coast and Canton. *Columbia*, commanded by Robert Gray, arrived at Whampoa in November 1789 and departed the following February for Boston, becoming the first US vessel to circumnavigate the world. The voyage, however, was not a great success; East India Company officials reported that *Columbia* brought only ginseng to Canton. Gray wrote to his owners that "our Expedition, Gentlemen, will not be equal to your expectations nor is there any American Ships here but will make bad voyages."²³

The following year two more American vessels, *Eleanora* and *Grace*, arrived at Canton from the northwest coast with furs, while *Lady Washington* called at Macao; all three subsequently sailed for further cargoes of pelts, although their ventures in the fur trade had not been very successful. American hopes for the northwest fur trade suffered another blow in 1791. Due to the outbreak of border hostilities with Russia, the Chinese "informed the Committee [of the East India Company in Canton] that a Chop [edict] had been issued by the Hoppo [the Imperial Superintendent of Customs] prohibiting the importation of Sea Otter Skins, it originates from an Idea that they are purchased of the Russians." Prices for prime skins collapsed from \$40 or more to less than \$15, provided a buyer could be found, and American captains had to smuggle their cargoes ashore.²⁴

From 1792 the trade stabilized once the Chinese withdrew their prohibition on the import of sea otter pelts. In that year American vessels brought 9579 fine furs (beaver and sea otter), 67,288 rabbit skins, and started to import sealskins. Most of their beaver and sea otter furs sold for about \$5.50 apiece, but rabbit skins were worth only forty-five cents and sealskins fetched as little as twenty-five cents. *Columbia*, which returned to Canton on its second circumnavigation, was much more fortunate this time than its compatriots: its 2000 sea otter pelts sold for \$90,000. Clearly, few other American fine

furs were of top quality, since prime sea otter pelts were fetching an average of \$20-30 apiece during the season. Thereafter, there was a rapid increase in the volume of furs shipped by American vessels: in 1794 they imported over 43,700 sea otter and beaver pelts and the annual average settled at about 25,000 for the rest of the century, while sealskin imports rose from 24,000 to 140,000 over the same period.²⁵

The American sea otter, beaver, and sealskin trades boomed in the early nineteenth century. Between 1800 and 1807 an average of over 35,000 fine furs were imported into China each year, and prices for prime sea otter pelts remained close to \$20. The fine fur trade revived after the Embargo and rapidly reached its former size, only to collapse again with the outbreak of the War of 1812. After the return of peace, US ships brought about 20,000 pelts to China each year from 1817 to 1822, except for the aberrant import of only 6000 in 1820. This branch of the fur trade then collapsed abruptly; imports fell to 5000-7000 pelts each year during the remainder of the 1820s and still further to 2000-3000 skins in the early 1830s, before finally fading into oblivion by 1840.²⁶

The American trade in seal furs reached its apex in 1801 when 426,750 skins were exported to Canton. Average exports until 1807 were about 150,000 pelts annually, but were negligible between 1808 and 1810. The volume rose again to 173,000 in 1811, before settling at an average annual level of about 60,000 skins until 1821. The seal skin trade subsequently plunged abruptly to well under 30,000 skins per year to 1829, fell to 6000 pelts in 1830, and ceased completely thereafter.²⁷

Although American fur traders entered the market too late to receive the soaring prices of the 1780s — which were as high as \$91 for a prime pelt — the best quality sea otter skins sold at Canton for more than \$21 in the 1790s; as much as \$27 in 1800; and at about \$20 until 1807. After 1808 the scarcity of top-quality sea otter skins drove their price into the \$30-35 range, except in 1810-1811 when the market was glutted by huge American imports and the price dropped back to \$21 to \$23 per pelt. In the 1820s and 1830s, unit prices for the best quality sea otter pelts rose to \$38 in 1820 to as much as \$75 in 1831. American participation, however, was diminishing rapidly in the face of determined competition on the northwest coast from the Hudson's Bay Company (HBC), which had committed itself "to oppose them [the Americans] with a well regulated steady opposition" whose "first object [was] to obtain possession of the trade" through a policy of "taking every means in [their] power to annoy them [the Yankees] and prevent them from getting furs and to raise the price so high that what they do get will yield no profit." By 1834 this policy bore fruit; American ships were rarely seen on the northwest coast, and the HBC faced only limited competition from the Russians in Alaska.²⁸

The significance of furs from the northwest coast for Americans in the China trade may be assessed from data on their relative value. In 1800 US traders exported furs worth almost \$400,000, while total imports from Canton were \$2,522,000; in 1801 the figures were \$690,000 and \$3,742,000. The sale of furs thus represented about seventeen percent of the cost of American imports from China and thirty percent of the value of goods landed at Canton. In the 1820s, when fur sales averaged \$290,000 annually, mean US imports from China rose to about \$6,250,000. Furs thus contributed about 4.5% towards purchasing Chinese exports and made up less than ten percent of the value of American merchandise. By 1831 beaver and seal fur prices had plummeted; beaver sold for \$4 in Canton but fetched \$8 in Boston, causing at least one owner to order his captain

to "get all your Furr's home excepting the Sea otters as the difference between the Canton & U States price is, in itself, a voyage."²⁹

The fur trade responded to two pressures: the availability of sea otter and beaver skins in the northwest and seal skins on the Pacific islands, and the readiness of the Chinese to accept them. As the stocks were decimated by ruthless hunting, the acquisition of sea otter and seal furs became expensive, particularly in the face of the HBC's determination to monopolize the trade. Meanwhile, the glutting of the Canton market, as well as competition from British woollens, reduced the prices these pelts fetched in China and rendered the trade unprofitable.³⁰ Americans turned to other products or moved into new trades, particularly whaling.

Table 3
US General Trade at Canton
(\$US)

Year	Specie	Bills	Goods	Total	percen- tage specie	percen- tage bills	percen- tage goods
1804	2902000		653818	3555818	81.61		18.39
1805	4176000		1150358	5326358	78.40		21.60
1806	2895000		982362	3877362	74.66		25.34
1807	3032000		908090	3940090	76.95		23.05
1808	70000		409850	479850	14.59		85.41
1809	4723000		1021600	5744600	82.22		17.78
1810	2330000		568800	2898800	80.38		19.62
1811	1875000		1257810	3132810	59.85		40.15
1812	616000		837000	1453000	42.40		57.60
1813							
1814							
1815	1922000		605000	2527000	76.06		23.94
1816	4545000		1055600	5600600	81.15		18.85
1817	5601000		1475828	7076828	79.15		20.85
1818	7414000	200000	2603151	10217151	72.56	1.96	25.48
1819	6297000		1888000	8185000	76.93		23.07
1820	2995000		2397795	5392795	55.54		44.46
1821	5125000		3067768	8192768	62.56		37.44
1822	6292840		2046549	8339389	75.46		24.54
1823	4096000		2364000	6460000	63.41		36.59
1824	6524500		2437525	8962025	72.80		27.20
1825	5725200		2056101	7781310	73.58		26.42
1826	1841168	400000	2032449	4273617	43.08	9.36	47.56
1827	2640300	300000	2454617	5394917	48.94	5.56	45.50
1828	740900	657000	2667770	4065670	18.22	16.16	65.62
1829	1123644	423656	2793982	4341282	25.88	9.76	64.36
1830	183655	1168500	2871321	4223476	4.35	27.67	67.98
1831	667252	2480871	2383684	5531807	12.06	44.85	43.09
1832	682519	4772516	2907936	8362971	8.16	57.07	34.77

Sources: See table 1.

Meanwhile, the rapid collapse of the ginseng market and the noticeable decline in the prices offered for pelts induced US traders to seek out alternatives in order to limit

the need to export large quantities of silver (see table 3). They also sought a product with characteristics similar to those of ginseng and pelts: a product that was relatively cheap at its origin but highly desirable to the Chinese.

China had long been the greatest market in the world for sandalwood. The Chinese used it for secular purposes, such as the manufacture of perfumes, cosmetics, and medical preparations, as well as for constructing luxury decorative items. Its principal use, however, was as incense to be burned on religious and ceremonial occasions. Chinese, Arab and Persian merchants began an active trade in this precious commodity from India and the East Indies by overland caravan or sea as early as the sixth century. The Portuguese entered the trade when they wrested control of the Indian Ocean and the East Indies routes from native operators, and were followed by the Dutch and the British. By the mid-eighteenth century, sandalwood formed a significant part of East India Company cargoes to Canton, although it probably did not contribute greatly to profits since it was relatively expensive in India due to strong local demand.³¹

Pacific exploration unearthed large virgin stands of sandalwood on the Fijis, Marquesas, and Sandwich (Hawaiian) islands.³² While even the best of this wood was of poorer quality than that from India or the East Indies, it offered the great advantage of availability for little more than the cost of the labour required.³³ As a result, American traders began to exploit the rich resources of these islands in 1804, when they exported over fifty tons from Fiji. The following year an East India Company officer noted:

An American Ship lately arrived from the South Seas has imported between Two & Three Thousand Peculs [120-180 tons] of Sandalwood the produce of the Fajee Islands where it is said immense Forests of the same species of Wood have lately been discovered. Although the Wood of the present importation is of good quality...we do not find that it is likely to obtain in the market a price altogether equal to that which has been given this Season for the Canara and Mysore produce. It is reported however that the expense of collecting the Cargo of this Vessel has not exceeded the very moderate sum of 3,000 Dollars.³⁴

This cargo was estimated to have a market value of over \$450 per ton; sandalwood at this price offered US traders the generous profit margins they sought. As a result, there was a rush to exploit Fijian sandalwood, which peaked in 1812, when American vessels exported over 1100 tons to Canton. Thereafter, imports from Fiji declined abruptly due to over-exploitation; by 1814 commercial logging of Fijian sandalwood was no longer profitable. Sandalwood prices also fell as the supply increased. The East India Company was accustomed to profits of sixty percent or more on sandalwood sales at about \$600 per ton in the early 1800s, before Fijian wood entered the market. In 1809 Indian sandalwood sold for \$440 per ton; fell to \$185 per ton in 1812 in the face of the massive American exports; and rose again to \$220 per ton in 1815 as the Fijian supply diminished. By contrast, American traders received only \$225 per ton for their sandalwood in 1809; \$95 in 1812; and \$105 in 1815.³⁵

As supplies from the Fiji Islands diminished, American traders began to exploit other sources. Sandalwood cutting in the Marquesas commenced in 1814; by 1817 this

source had been stripped. The other major centre was Hawaii, where the brothers Nathan and Jonathan Winship, and their partner William Davis, initiated the large-scale export of sandalwood to China in 1811. After the return of their ship, *Albatross*, from Canton in 1812, the partners agreed with King Kamehameha on a ten-year monopoly in exchange for one-quarter of net profits in cash or in "such productions and manufactures of China as the said Tamaahmaah, his successors or assigns, may think proper to order." The War of 1812 frustrated their hopes: all three of their vessels sailed to Canton in 1813, but then British cruisers virtually closed the port to American ships until 1815.³⁶

The return of peace initiated a new trade expansion in the Pacific. In Hawaii, Kamehameha retained his monopoly on the sale of sandalwood, proclaiming all the trees the property of the government and placing a ban on the felling of young and small growths, at the same time offering open access to the market. Boston and New York firms, including such major players as John Jacob Astor, J. and T.H. Perkins, and Bryant and Sturgis, entered the sandalwood trade, often combining this with a voyage to the northwest for furs.³⁷ In 1818, for example, Captain James Hale of the brig *Ann* received instructions to call at Hawaii:

If you can sell the King any articles of your cargo on advantageous terms, to receive your pay in Sandal Wood when you return from the [northwest] coast we think you had best do it... You have probably double the number of muskets and more Powder than is wanted on the coast and it would be well to dispose of some at the Islands... When you return from the coast to the Islands, if you have any trade left, endeavour to exchange it for Sandal Wood, of which we hope you may obtain a full cargo, and to do this it may be advisable to remain some time at the Islands.³⁸

American sandalwood exports to Canton rose rapidly to almost 1000 tons in both 1817 and 1818, before declining due to an Hawaiian famine, which led the king to restrict harvesting. Kamehameha's death, however, led to a change in royal policy. His successor, Liholiho, abandoned the royal monopoly, permitted the chiefs a share in the trade, and removed the previous restraints on indiscriminate felling. American sandalwood exports to China increased again to almost 1500 tons in 1821, then gradually fell. This decline was exacerbated by an 1824 civil war on Kauai which virtually halted the sandalwood harvest and almost all trade in the islands for several months, causing exports to China to collapse to less than 185 tons the following year. Thereafter, trade revived, and imports at Canton grew to almost 800 tons in 1827, boosted by an 1826 Hawaiian tax law that required every able-bodied male to deliver half a *picul* (sixty-six pounds) of good sandalwood or its equivalent to the royal authorities by September 1827. This opened the remaining sandalwood forests to exploitation by the entire adult population.³⁹ The following year exports exceeded 1000 tons, sufficient to pay the rulers' debts twice over, according to one American agent. Nevertheless, the chiefs incurred further debts and the assault on the sandalwood forests was so devastating that the trade effectively ceased by 1829 due to over-cutting.⁴⁰

Sandalwood's importance to American trade with China peaked in 1812 when it comprised 7.5% by value of all US exports to Canton. Even at its peak in the 1820s,

sandalwood never exceeded 3.5% of the value of goods carried by American vessels to China. Even then, large volumes had the usual effect of glutting the market and depressing prices; the record quantity imported in 1821 fetched \$170 per ton, but prices crashed to \$113 per ton the following year, rose as imports fell, and declined again to \$118 per ton in 1828. Sandalwood's popularity with US merchants lay more in its profit margins than in its contribution to solving the problem of finding a readily acceptable product for Canton that would halt the drain of silver to China.

Nevertheless, American demand for Chinese products, particularly tea, continued to expand, and more and more US merchants ventured into the China trade to exploit this potential. Ginseng, fine furs, and sandalwood all had held out the promise of ready acceptance in Canton on profitable terms, but the rush into each led to successive market gluts followed by price collapses. As the American trade with China matured in the early years of the nineteenth century, merchants were still forced to rely on relatively scarce silver to a great extent for the purchase of goods at Canton.

The search continued for desirable and profitable products to stem the outflow of treasure from the US. Two products came to the fore about 1820. First, a market for mercury developed from 1817. Quicksilver generated as much as twenty-five percent of the value of US exports in some years, but the amounts varied widely. Merchants soon discovered that the output of Chinese mines largely determined the market for mercury.⁴¹ Overall, mercury made up barely five percent of total US exports between 1817 and 1832. Second, the American opium trade with China matured in the 1820s. Opium created an expanding market of addicts so profitable that, after 1828, the value of goods landed in China always exceeded US silver exports. American merchants found in opium the ideal product able to reverse the bullion imbalance and solve their conundrum.⁴²

NOTES

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1. See Robert G. Albion, William A. Baker, and Benjamin W. Labaree, *New England and the Sea*, (Mystic, CT, 1972), 54-63, 96, 98-112, 140-149.

2. Sir Robert Hart, *These from the Land of Sinim: "Essays on the Chinese Question"* (London, 1901), 60.

3. *Ibid.*, 61.

4. Great Britain, Parliament, House of Commons, *Commercial Reports by Her Majesty's Consuls in China: 1877, 1878* (Dublin, 1971), 37.

5. William Henry Medhurst, *China: Its State and*

Prospects, with Especial Reference to the Spread of the Gospel: Containing Allusions to the Antiquity, Extent, Population, Civilization, Literature, and Religion of the Chinese (London, 1838), 451-454.

6. John King Fairbank and K. C. Liu (eds.), *The Cambridge History of China* (15 vols., Cambridge, 1978-1983), X, part 1, 33; Fairbank, *The United States and China* (3rd ed., Cambridge, MA, 1971), 24-30 and 36-42; Alexander Eckstein, *China's Economic Development: The Interplay of Scarcity and Ideology* (Ann Arbor, 1975), 131-132; Kenneth McPherson, "China's Trade with the Indian Ocean to the 19th Century: A Study in Cyclical Relationships," in Quanzhou International Seminar on China and the Maritime Routes of the Silk Roads Organization Committee, *China and the Maritime Silk Route: UNESCO Quanzhou International Seminar on China and the Maritime Routes of the Silk Roads* (Quanzhou, 1991), 55-60; Claudine Salmon, "The Han Family of Java—Entrepre-

- neurship and Politics (18th-19th Century)," *ibid.*, 425-445; and Tan Chung, *China and the Brave New World: A Study of the Origins of the Opium War (1840-42)* (Durham, NC, 1978), 32-33.
7. Hosea Ballou Morse, *The Chronicles of the East India Company Trading to China 1635-1834* (5 vols., Cambridge, MA, 1926-1929), II, 5; Timothy Pitkin, *A Statistical View of the Commerce of the United States of America, Including also an Account of Banks, Manufactures, and Internal Trade and Improvements, Together with that of the Revenues of the General Government* (New Haven, 1835), 254 and 302. East India Company restrictions, British Orders-in-Council, and the provisions of the various US Embargo Acts combined to prevent American merchants from using bills of exchange for purchases at Canton on a regular basis until 1826.
 8. Matthew Ridley to his correspondent in France, 8 March 1783, cited in Philip Chadwick Foster Smith, *The Empress of China* (Philadelphia, 1984), 14.
 9. In the 1770s, for example, the British East India Company maintained a cash float of some \$500,000 in its treasury at Canton. Morse, *Chronicles*, II, 5.
 10. Smith, *The Empress of China*, 14.
 11. For further discussion of this aspect of American colonial enterprise, see Thomas C. Cochran, *Business in American Life: A History* (New York, 1972), 20-25; Scott D. Walton, *Business in American History* (Columbus, OH, 1971), 30-33; and James F. Shepherd and Gary M. Walton, *Shipping, Maritime Trade, and the Economic Development of Colonial North America (Cambriège, 1972)*, 51-53.
 12. Ample evidence for this pattern of single syndicated ventures may be found in chapters V and VII of James Duncan Phillips, *Salem and the Indies: The Story of the Great Commercial Era of the City* (Boston, 1947). See also Clarence L. ver Steeg, "Financing and Outfitting the First United States Ship to China," *Pacific Historical Review*, XXII (1953), 1-12; and Smith, *The Empress of China*, chap. 15. A notable exception to this pattern was Elias Hasket Derby of Salem, who seems never to have taken a partner for his East Indian venture.
 13. Yale University, Sterling Memorial Library, Benjamin Franklin Collection, Holker Papers, John Holker, "Estimate of Expenditures and Profits [1784-1785]."
 14. New York *Independent Journal*, 25 April 1787; and Rhys Richards, "United States Trade with China, 1784-1814," *American Neptune*, LIV (1994), Special Supplement, 9.
 15. There was a boom in this trade in the 1750s, particularly in Québec; see Brian L. Evans, "Ginseng: Root of Chinese-Canadian Relations," *Canadian Historical Review*, LXVI (1985), 10-21; and Morse, *Chronicles*, I, 292.
 16. LC, John Holker Papers (JHP), reel 15, folio 5888, "Estimate of Expenditure and Profits for the Voyage of the *Empress of China*;" New York Historical Society, [William Laight], "The Cost of Sales and Sundries;" Massachusetts Historical Society, Parker Papers, Daniel Parker to Robert Morris, 10 February 1784; LC, JHP, reel 11, folio 4262, Turnbull, Marmie, and Co. to Daniel Parker, 11 December 1783.
 17. Josiah Quincy, *The Journals of Major Samuel Shaw, the First American Consul at Canton, with a Life of the Author* (Boston, 1847), 351, 355-356; LC, JHP, reel 15, folio 5888; Morse, *Chronicles*, II, 95-96 and 119; and New-York Historical Society, [William Laight], "The Cost, Outfit, Cargo and Disbursements of the Sloop Experiment, Stewart Dean Master, of 80 Tons Burthen on a Voyage from New York to Canton and Back."
 18. Morse, *Chronicles*, II, 174, 180; Evans, "Ginseng," 23-25; Chrétien Louis Joseph de Guignes, *Voyages à Peking, Manille et ITie de France fait dans les années 1784 à 1801* (4 vols., Paris, 1808), III, 270; Great Britain, Parliament, House of Commons, *Sessional Papers*, XCI, 57-58, "Second Report of the Select Committee Appointed to Take into Consideration the Export Trade of Great Britain to the East Indies."
 19. Morse, *Chronicles*, II, 174.
 20. John Ledyard (éd.), *A Journal of Captain Cook's Last Voyage to the Pacific Ocean and in Quest of a North-West Passage between Asia & America: Performed in the Years 1776, 1777, 1778, and 1779* (Hartford, 1783), 200; Christine

Holmes (ed.), *Captain Cook's Final Voyage: The Journal of Midshipman George Gilbert* (Honolulu, 1982), 154; John Rickman, *An Authentic Account of a Voyage to the Pacific Ocean Performed by Captain Cook, and Captain Clerke, in His Britannic Majesty's Ships, the Resolution, and Discovery, in the Years, 1776, 1777, 1778, 1779, and 1780* (Philadelphia, 1783), 224; Jared Sparks, *The Life of John Ledyard, The American Traveller* (Cambridge, MA, 1828), 126-128; Goldstein, *Philadelphia and the China Trade*, 26-27; and Smith, *The Empress of China*, 15-19, 43-44.

21. W. Kaye Lamb and Tomàs Bartroli, "James Hanna and John Henry Cox: The First Maritime Fur Trader and his Sponsor," *BC Studies*, LXXXIV (Winter 1989-1990), 5-18. William Beresford, *A Voyage Around the World; But More Particularly to the North-West Coast of America; Performed in 1785, 1786, 1787, and 1788, in the King George and Queen Charlotte, Captains Portlock and Dixon* (London, 1789), 315, lists the prices in Canton for Hanna's pelts as follows: prime skins, \$60; second quality, \$45; third quality, \$30; fourth quality, \$15; and fifth quality, \$10.

22. James R. Gibson, *Otter Skins, Boston Ships, and China Goods: The Maritime Fur Trade of the Northwest Coast, 1785-1841* (Montréal, 1992), 299.

23. Morse, *Chronicles*, II, 174; and Frederick W. Howay (ed.), *The Voyages of the Columbia to the Northwest Coast, 1787-1790 and 1790-1793* (Boston, 1941), 129.

24. Richards, "United States Trade with China," 12-13; and Morse, *Chronicles*, II, 180; Morse, *Chronicles*, II, 185; and LC, mf 13-115, Joseph Ingraham, "Journal of the Voyage of the Brigantine *Hope* From Boston to the North-West Coast of America, 1790 to 1792," entries for 30 November 1791 and 22 January 1792.

25. Morse, *Chronicles*, II, 193, 202, 256 and 295; John Boit, "Remarks on the Ship *Columbia's* Voyage from Boston (on a Voyage round the Globe)," *Proceedings of the Massachusetts Historical Society*, LIII (June 1920), 264; and Gibson, *Otter Skins*, 317.

26. Gibson, *Otter Skins*, 315.

27. Pitkin, *Statistical View*, 250-251; Robert

Bennet Forbes, *Remarks on China and the China Trade* (Boston, 1844), 28; and Gibson, *Otter Skins*, 315.

28. Provincial Archives of Manitoba, Hudson's Bay Company Archives, Duncan Finlayson Journals, 1831-1838, "Journey Across to the Columbia 1831"; Governor George Simpson, Official Reports to the Governor and Committee in London, 1832, "Report," 10 August 1832; Fort Simpson Post Journal, 1834-1838, Entry for 19 April 1837.

29. Pitkin, *Statistical View*, 250-251 and 305-306; Harvard Business School (HBS), Baker Library (BL), William Boardman Letterbook, Boardman to Captain Seth Barker of the *Hamilton*, 7 October 1831.

30. Margaret C.S. Christman, *Adventurous Pursuits: Americans and the China Trade 1784-1844* (Washington, DC, 1984), 27.

31. In 1792 the company made a profit of 8.3% on sandalwood sales at Canton, six times its rate of return on English goods but only one-eighth its return from other Indian products. Morse, *Chronicles*, 192. See also I, 37, 238, 283 and 292 for English dealings in sandalwood, 1672-1753.

32. Ingraham, "Journal," 26 May 1791, states that Captain William Douglas of the schooner *Grace* left two men on Kauai in August 1790 to collect sandalwood, and he was also told that Captain Metcalfe of the *Eleanora* loaded sandalwood in early 1790 at Kealakekua. George Vancouver, *A Voyage of Discovery to the North Pacific Ocean in the Years 1790, 1791, 1792, 1793, 1794, and 1795*, (5 vols., London, 1801), I, 378-379 and 406-408, related finding three men at Kauai in March 1792 who had been left to collect sandalwood by Captain John Kendrick of the sloop *Lady Washington* in October 1791. For the discovery of sandalwood in the Fiji Islands, see Deryck Starr, *Fiji: A Short History* (Laie, HI, 1984), 9-12.

33. Amasa Delano, *A Narrative of Voyages and Travels in the Northern and Southern Hemispheres: Comprising Three Voyages around the World; together with a voyage of Survey and Discovery, in the Pacific Ocean and Oriental Islands* (Boston, 1817), 106 and 156-157; and Dorothy Shineberg, *They Came for Sandalwood: A Study of the Sandalwood Trade in the South-West Pacific, 1830-*

- 1865 (Melbourne, 1967), 2.
34. Morse, *Chronicles*, III, 3-4.
35. Shineberg, *They Came for Sandalwood*, 7; Starr, *Fiji*, 10; Morse, *Chronicles*, II, 321-322, 347, 357, 388 and 400; and III, 104, 174-176 and 226-228.
36. Shineberg, *They Came for Sandalwood*, 7; University of California, Berkeley, Bancroft Library, [William Dane Phelps], "Solid Men of Boston." Richards, "United States Trade," 63-66; and Morse, *Chronicles*, III, 205-225.
37. Ralph S. Kuykendall, *The Hawaiian Kingdom* (2 vols., Honolulu, 1968), I, 88-90; Kenneth Wiggins Porter, "John Jacob Astor and the Sandalwood Trade of the Hawaiian Islands," *Journal of Economic and Business History*, II (1930), 495-519; and Carl Seaburg and Stanley Paterson, *Merchant Prince of Boston: Colonel T.H. Perkins, 1764-1854* (Cambridge, MA, 1971), 179.
38. HBS, BL, Bryant and Sturgis Letter Books, Bryant and Sturgis to Capt. James Hale, 31 August 1818.
39. Kuykendall, *The Hawaiian Kingdom*, 1,90-92, and II, 88-89; Gilbert Farquhar Mathison, *Narrative of a Visit to Brazil, Chile, Peru, and the Sandwich Islands, During the Years 1821 and 1822* (London, 1825), 467; Harvard University (HU), Widener Library (WL), Josiah Marshall Manuscripts (JMM), Dixey Wildes to Josiah Marshall, 17 September 1824; HBS, BL, Hunnewell Manuscripts, James Hunnewell to J.R. Cooper, 4 November 1824; and United States, Congress, House of Representatives, *Reports*, 28th Cong., 2d sess. (1827), No. 92, 18-19. King Kamehameha III enacted this tax under US Navy pressure in an attempt to pay off the enormous accumulated debts that both the monarchy and the chiefs owed to American traders.
40. HU, WL, JMM, J.C. Jones to Josiah Marshall, 29 June 1827; and Kuykendall, *The Hawaiian Kingdom*, I, 92.
41. Forbes, *Remarks*, 27-28; and Delano, *Narrative*, 396-400.
42. See my essay, "The Opium Trade in China: An Early American Connection," *Mains'l Haul* (Winter 1996), 20-25, and (Spring 1996), 16-23, for a detailed discussion of this aspect of American trans-Pacific enterprise.