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[Introduction](#) | [Contents](#)

British Foreign Economic Policy Towards China 1949-60

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1. Abstract

This article will be divided into three parts. (1)

Part I will study British foreign economic policy-making on three issues:

1. British investments in China;
2. Controls on British exports to China;
3. Controls on imports into Britain from China.

The first two issues have been well covered by historians so are treated more briefly; the last one is given more space as it is based on new archival research. (2) All three show how British governments reversed a policy, which sought, despite the emergence of a Communist China, to develop Sino-British economic relations.

Part II will compare these policies with those towards Hong Kong. There is not the space here to discuss the policy-making process with regards to Hong Kong but I need to discuss the outcomes of policy-making towards the colony because they influenced policy-making towards China. Moreover, as foreign economic policies towards Hong Kong differed from those towards China, the Hong Kong example will allow me to speculate on the factors influencing policy-making at a more general level.

Part III will assess how helpful the Cain and Hopkins thesis is for explaining British foreign economic policy-making towards China. (3)

I begin by providing some historical context, briefly outlining some of the most important changes to the international politics of East Asia in the 1950s and the formation of British policy towards China and Hong Kong in 1949-50. I will then estimate the impact of British economic relations with China and Hong Kong on the British economy and discuss divisions within the British business community trading with China. Before presenting my findings I will also briefly discuss the work of Cain and Hopkins, which will frame my analysis in Part III.

2. Context

The international politics of East Asia were fundamentally transformed from the late 1940s. In October 1949, the Chinese People's Government (CPG) was established in China, and, after some very difficult negotiations, Mao Zedong and Joseph Stalin signed a Sino-Soviet Treaty, which provided the new state with economic and military aid from the Soviet Union. At the same time, the Chinese Nationalists (Guomindang, GMD), defeated on mainland China by the military forces of the Chinese Communists, evacuated men and resources to the island of Taiwan, where they established a new regime. The Chinese civil war continued after 1949: in 1950 the GMD blockaded the Chinese coast and bombed cities such as Shanghai, and, from the mid 1950s, the forces of the CPG periodically shelled GMD-held islands off the Chinese coast. In the 1950s US administrations, by adopting a hard-line containment policy towards the CPG and by providing the GMD government on Taiwan with economic and military aid, reinforced cold war political alignments in East Asia. International relations in the area did not shift again until the end of the decade, when there was a diplomatic schism between the Soviet Union and China. (4)

3. The origins of the Korean War can in part be linked to cold war political relationships. In June 1950 the armies of the Democratic People's Republic of Korea, the communist government controlling North Korea, invaded the south of the country, governed by the non-communist Republic of Korea. The Soviet Union and the CPG supported the North Korean aggression and, perhaps in consequence, the conflict soon escalated. In July 1950, the UN, backed by men and equipment from America and Britain, intervened and in November 1950, when the UN forces looked like winning the war, Chinese Communist troops entered the conflict. By 1951, there was a military stalemate on the Korean peninsula. In July 1953 an armistice was signed which brought an end to the conflict, leaving Korea a divided nation. (5)

4. British government policy towards Communist China forms a minor subplot to the above story. In January 1950 the British Labour government recognised the CPG and pursued strategies to secure China's integration into world diplomatic and trading communities. Historians argue that the British Labour government adopted this policy because it wanted to maintain British economic interests in Asia (including those in Hong Kong) and to discourage a close Sino-Soviet alliance - by providing China with diplomatic and economic support from the West. The government also wanted to maintain close diplomatic relations with parts of the Asian Commonwealth sympathetic to the rise of communism in China. Nevertheless, after the outbreak of the Korean War, the British Labour government, and from October 1951 a Conservative one, gradually adjusted British policy towards China, a story I will take up later. (6)

5. In 1949 the British Labour government also publicly declared its desire to hold on to and defend its Crown Colony in Hong Kong, which was now, potentially at least, facing a heightened threat from mainland China. The CPG could have easily invaded this militarily insecure territory, or, by instigating social unrest, could have made British colonial rule politically and financially unviable. In 1951-52, the colonial state in Hong Kong, headed by Governor Alexander Grantham, and fully supported by the Conservative government in London, dropped plans to introduce more democracy to Hong Kong's political system and suppressed communist influence in the colony's schools, trade unions and media. Surprisingly, given its anti-imperialist ideology, the CPG accepted these British policies towards Hong Kong. Historians are unsure why this was the case but most speculate that it was because the colony was one of China's main sources of foreign exchange earnings. (7) In addition, Hong Kong provided Chinese state trading corporations with access to world markets.

6. In a sense, the CPG was placing financial considerations before political and ideological ones. Can British policy towards China be explained along similar

lines? In order to answer this question, I need to assess the impact of Sino-British relations on the British economy. I cannot do this with any degree of precision, given the problematic nature of the data and rapid changes to the structure of Sino-British economic relations in the 1950s, but it is possible to reach a few very rough estimates. I also need to outline the views of Cain and Hopkins, who argue that financial forces were the prime influence on British foreign policy-making.

7. While precise figures are difficult to obtain, on the whole it seems safe to assume that between 1949-60, economic relations with mainland China were relatively insignificant to the British economy. Exports to China rose initially, fell during the Korean War and then increased thereafter, rising at their fastest rate when, after 1957, the British government removed semi-strategic goods from a list of embargoed strategic exports. (I will discuss the economic embargo later.) Overall British exports to China averaged only 0.2 per cent of total British exports between 1949 and 1954, rising to 0.6 per cent between 1955 and 1960. Imports from China rose steadily from the mid 1950s and by the end of the decade more of them comprised manufactured products; they averaged 0.25 per cent of total British imports between 1949-54, rising to 0.4 per cent between 1955-60. The impact of these trends on the British economy is unclear for, while Britain had a trading surplus with China on the visible account, it is extremely difficult even to estimate the level of British invisible earnings from activities related to trade with the country. (8) (For a more detailed breakdown of trade figures and the level of British investments in China see appendices A and B.)

By 1949, many British service sector firms, such as Jardine Matheson and Co. Ltd. and the Hong Kong and Shanghai Banking Corporation, had been based in China for many years (in some cases over 100 years), although many had by then offices and even headquarters outside the country. As these firms had traditionally financed, distributed and insured trade between Britain and China and between China and other economies across the world, in the 1950s they should have contributed to British invisible earnings. (9) However, as Osterhammel has argued, from the 1920s these firms, and also British multinationals such as British American Tobacco and Imperial Chemicals Industries which had begun to invest more heavily in China in the twentieth century, became more 'deeply entangled in indigenous commerce and politics'. It was even difficult, he argues, to label many enterprises 'British', as many Chinese citizens (and other nationalities) worked for and had invested in these businesses. (10) This meant that, in the pre-1937 period, many firms would have been re-investing and distributing a larger proportion of their profits back in China, instead of remitting them to the UK.

8. In the 1950s, the economic impact of British investments in China on the British economy shifted even more dramatically than in the pre-1937 period. As I will explain later, the CPG made the running of foreign businesses financially unviable and only after a long delay allowed firms in exit from the country. Consequently, many British firms sent funds to China (in some cases until 1955) to cover the substantial losses of their businesses operating there. Unfortunately we do not know to what extent. We have few figures to indicate how much individual firms remitted to China and we do not know which firms sent funds from the UK. In the late 1940s many firms operating in China, particularly the long-established service-sector ones, shifted their headquarters to Hong Kong, and so probably diverted funds from the colony to China. (See Appendix A for further details of British investments in China.)

9. The financial implications of Sino-British trade for the British economy becomes even more difficult to estimate when Hong Kong is factored in, particularly as the Hong Kong economy was undergoing rapid structural change at the time. Hong Kong had traditionally acted as an entrepôt for regional and global markets, but had experienced industrialisation from the early twentieth century, structural change which accelerated from the late 1940s when capital, skilled labour and entrepreneurs migrated to the colony from a war-torn and soon to be communist China. (11) Again we are faced with problems when trying to measure the impact of Hong Kong on the British economy. But it seems more likely than not that in the 1950s Hong Kong's status as a British colony benefited the British economy. In 1957 the Colonial Office reached such a conclusion, after having been instructed by Prime Minister Harold Macmillan to undertake one of many cost-benefit-type reports on British colonial possessions. (12) Even though Hong Kong was, for long periods of its history, financially self-sufficient - deriving revenue from taxes on trade, and, in the post-Pacific War period, from taxes on income - the British government incurred costs in the post-war period maintaining control of Hong Kong. British governments subsidised colonial defence expenditure; the maximum annual cost was estimated to be £7 million in 1957. They also provided a few small loans to facilitate economic development. In the 1950s, British governments met half the cost of a new airport by providing an interest-free loan of £3 million. There was also, in the early post-war decades, a large potential fiscal burden constantly facing British governments, because, in the event of either a war in East Asia involving Hong Kong or serious social unrest in the colony - perhaps caused by severe overcrowding and underemployment, endemic in Hong Kong at the time - government troops or welfare payments might have been needed to underpin British rule.

10. The Colonial Office argued these costs were worth meeting because Hong Kong provided Britain with 'prestige and influence' in Asia: '[Hong Kong] provided a demonstration in the Far East of what can be done by the West and by private enterprise, not only in economic affairs but in good government, justice, individual freedom, and protection for refugees'. (13) In addition, the Colonial Office reported that the colony was, more likely than not, to be paying its own way. Hong Kong, it noted, was a trans-shipment point for British exports to Asia, and, British merchants in the colony acted as agents for British firms, providing specialist commercial knowledge of Asian markets. Consequently, British rule in Hong Kong increased British export earnings. British merchants in Hong Kong had also traditionally serviced China's trade with the world, but their role in this trade declined during the 1950s as Chinese state agencies and new British merchants (to be discussed below) began to take over these functions. In addition, the British economy in the 1950s benefited from Hong Kong's reserves of sterling, which were held in London. According to the Colonial Office, these holdings 'contributed to the overall strength of the sterling area'. Catherine Schenk argues that they were relatively non-liquid liabilities and that in the mid-1950s surpluses from Nigeria, the Gold Coast and Hong Kong (which held ten per cent of colonial sterling reserves) in part 'subsidised' borrowing by other parts of the currency bloc. Hong Kong's role as a conduit for Asian produce to the rest of the sterling area and its ability to export goods to the US also potentially meant the colony made a positive contribution to the sterling area's supply of US dollars. (The free Hong Kong foreign exchange market in US dollars did leak them from the sterling currency bloc, but neither the Colonial Office at the time nor Schenk, who has recently studied this issue, believe the drain had major implications for the British economy and the sterling area.) (14)

11. In the 1950s, Hong Kong became an exporter of cheap manufactured products such as textiles, garments and footwear. Between 1955 and 1960, 90 per cent of Hong Kong exports to the UK, which averaged one per cent of total British imports, were manufactured goods. (Some Hong Kong exports to Britain may have come from other industrialising Asian economies such as Japan or China, but the vast majority would have been at least made-up within the colony. (15)) Although Hong Kong exports reduced the domestic and overseas market shares of certain British manufacturers (especially those making cheaper, lower quality goods), British consumers gained cheaper products and this competitive shock may have encouraged the transfer of resources from declining, lower-value-added sectors of the economy to more productive ones. In addition British merchants in Hong Kong were more often than not financing, shipping and marketing these exports and hence earning income from them. Profits and savings earned by these British firms and their workers may well have been sent back to the UK. Once again it is difficult to arrive at an estimate for these transfers, particularly as many firms and individuals must, in the 1950s, have been re-investing income back in a Hong Kong economy that was growing rapidly. Even the Colonial Office noted that 'our commercial connections with Hong Kong have resulted in a very large United Kingdom capital investment in the colony, but it would be impossible to arrive at a realistic figure for the size of that stake'. (16)

12. It seems that Sino-British economic relations were relatively unimportant for the British economy and from 1949 to 1955 British firms transferred money to China to cover the losses of their businesses. By contrast Britain's economic relations with, and its financial stake in, Hong Kong, was more important and probably benefited the British economy.

13. These economic trends coincided with (and can in part be explained by) socio-institutional changes to the way Sino-British trade was being organised in the post-1949 period. The main development was the emergence of two contrasting types of business groups, which I label 'establishment' and 'anti-establishment' groups. These bodies provided market information, tried to resolve commercial disputes and lobbied the British state.

(i) 'Establishment' business groups.

The China Association (henceforth CA), a City of London-based body comprising mainly expatriate service sector interests, was the longest-standing Sino-British business group. (17) It was a sister organisation of various British chambers of commerce in China and Hong Kong and also had ties with other merchant-dominated chambers in Britain such as the Manchester Chamber of Commerce, which had a China and Far East Executive Committee, and the London Chamber of Commerce, which had a China Section. From 1954 the Sino-British Trading Council (henceforth SBTC) was set up as an umbrella body brought together by the government in order to compete for members with 'anti-establishment' business groups. In theory it offered businesses a more representative body, less tainted by association with 'Old China Hands' than the China Association. Its official functions were 'to provide a medium through which negotiations and the exchange of information could take place, between the Chinese state trading corporations and western trading organisations on the one hand, and British industry and commerce on the other'. (18) It was sponsored by the Federation of British Industries, the National Union of Manufacturers, the Association of British Chambers of Commerce, the London Chamber of Commerce and the CA.

(ii) 'Anti-establishment' business groups.

In the 1950s some British-based merchants and manufacturers were represented by new bodies such as the '48 Group' and the British Council for the Promotion of International Trade (henceforth BCPIT). In the period these groups forged close ties with Chinese state trading corporations. (19) There were major ideological, commercial and political differences between these groups and 'establishment' ones. British governments publicly supported the CA and SBTC but dismissed the 48 Group and the BCPIT members as 'fellow travellers'. It consulted with the CA and SBTC on policy matters, initiating meetings and communicating regularly with them. The government held fewer meetings and communicated less often with 'anti-establishment' groups, these contacts being nearly always initiated by businesses rather than the state.

14. Generally, 'establishment' businesses lost out economically relative to 'anti-establishment' ones in the period 1949-60. Their investments in China were lost and their share of Sino-British trade fell as the CPG either traded more directly with overseas markets or used new intermediaries, such as merchants represented by the 'anti-establishment' groups. As mentioned previously, this loss of income however may well have been compensated by the rapid industrialisation of the Hong Kong economy, which allowed these long-standing British businesses to fund, ship, insure and market Hong Kong-made products in world markets.

15. A Framework?

It seems logical to expect that these economic trends and social and institutional changes affected British government policy-making. Indeed they can be closely correlated with the outcomes of policy: Economic contact with China was relatively unimportant and declined over the period, and British policy towards China became more illiberal. Economic contact with Hong Kong was more important and foreign policy towards the colony remained liberal. Consequently, might this case study fit the Cain and Hopkins thesis? These authors argue that 'financial' factors were the prime cause of imperial expansion and contraction. They argue that there was a symbiotic, 'gentlemanly capitalist' relationship between service sector interests in the City of London and government policy-makers, both of whom wanted to promote sterling as an international currency, and, until the late 1950s when convertibility was achieved, sought to use embedded trade and payment relationships between Britain and parts of the Empire and Commonwealth (imperial preference and the sterling area) to secure their goal. (20) Their case has been much criticised by imperial and economic and social historians. (21) There is not the space within this article to explore all the dimensions of this complex thesis, instead I would like to focus on two aspects of it.

- To what extent was British policy-making on China influenced by financial factors?
- Did 'establishment groups' influence state policy-making?

This article is in no way a test for the thesis, in any case a difficult undertaking. As I will indicate later, despite discovering (i) non-financial factors that better explain policy-making and (ii) only limited state-business consultation, it remains impossible to dismiss the Cain and Hopkins framework as irrelevant for this case study. This is in part because I have been unable to resolve a few methodological issues. I have already shown that it is difficult to measure precisely the impact of economic relations with China and Hong Kong on the British economy. But even if more reliable and specific data was available, to assess whether policy-making was reflecting sectional ('gentlemanly capitalist') interests we would still need to compare the actual costs and benefits of holding on to bits of the empire with the perceptions held by various policy-makers within Whitehall of these costs and benefits. (Cain and Hopkins argue that it is possible that the British empire was detrimental to the economy as a whole, while still earning income and influence for business and bureaucratic elites and vice versa.) I have not been able to do this because it seems to me impossible to dis-aggregate the financial implications of the empire on different parts of the British political economy, while, as I will indicate in the next sections, the perceptions held by officials of British economic relations with China and Hong Kong varied across Whitehall departments and over time. There is also the possibility that financial calculations and assumptions made by officials did determine the parameters within which policy was made, but they remained unsaid and thus difficult for the historian to analyse. (I will return to some of these issues in Part III.)

16. There are in addition generic problems which arise when trying to apply a general theory to a particular case study: parts will fit (or can be made to fit) but such findings do not tell us enough to reach firm conclusions. The work of Cain and Hopkins can only be fully tested by investigating some of its assumptions and premises at a macro level and by synthesising a large number of colonial case studies, processes that have already begun. (22) I hope in the main to contribute to the latter endeavour. Hence I will present what I have found first and only then turn my attention in (Part III) to what this might mean for the Cain and Hopkins thesis. This might allow other historians to use my empirical findings in different, and perhaps more productive, ways.

17. Part I: Foreign Economic Policy - Making Towards China

(a) British investments in China

Most of the investments made by British businesses in China, estimated as being worth between £110 and £250 million, were indirectly expropriated during the 1950s by the CPG. In June 1959, the last 'fully active' British commercial organisation in China, Patons and Baldwin Ltd, transferred its mills in Shanghai to the Chinese government. (23) (For estimates of the size of British investments see appendix A.) Local and national governments and trade unions in China carried out a policy of so-called 'hostage capitalism'. Overseas firms were prevented from trading because Chinese private or public bodies did not place orders with them or provide them with raw materials, whilst trade unions and the state insisted that they continue to pay taxes and wages. The firms could (and obviously should) have been declared bankrupt. But, given that the Chinese government held individual managers personally responsible for the liabilities of firms, if they had done so their managers would have been imprisoned. Instead businesses remitted funds to China to cover losses and then began negotiations with Chinese authorities to relinquish their assets (as valued by the Chinese) against their liabilities (again as set by the Chinese).

18. This story has been well covered by historians, who have used British government, CA and some business archives to review British policy-making. Much of the following is based on their work and on my own archival research, which has already been published. (24) The prevailing view on Chinese policy, which I will not explore in any great depth in this article, is that it was rational: it maximised the financial gain from overseas businesses (especially in terms of foreign currency) and meshed with a communist economic policy which sought industrialisation without relying on western capital and skilled labour (but not necessarily western technology). (25) It is a good example of how events in the periphery can hasten the pace of (informal) imperial retreat.

19. The business community requested government support to aid their withdrawal. Initially they wanted the government to break a naval blockade and prevent air attacks on Shanghai orchestrated by the Chinese Nationalists. They also requested government subsidies to support the social infrastructure of the British expatriate communities across China. (26) Once negotiations with Chinese authorities began, they asked British governments to act as a third party to ensure a common negotiating position across the business community, and to help secure the exit of firms by threatening to use sanctions, such as a block on remittances from the UK, or by providing inducements, such as an official trade mission to China. (27)

20. British governments rejected the demands made by businesses. As early as March 1950, Elser Denning, assistant under-secretary of state at the Foreign Office, informed Tony Keswick of Jardine Matheson that government intervention was out of the question. In April 1950, the Labour cabinet ruled out aid, a policy re-affirmed in 1951 by the incoming Conservative government. (28) There was support across Whitehall for this policy. The Foreign Office felt that any government intervention would damage either diplomatic relations with China or with the US, especially given that the Truman administration had adopted containment policies towards China and opposed any concessions to the CPG. (29) For example, early in 1950, Ernest Bevin, the Foreign Secretary, ruled out breaking the naval blockade because military action would have infringed Chinese sovereignty, damaged Sino-British relations and been opposed by a US administration which was tacitly supporting the blockade. (30) By 1952 Foreign Office officials were arguing that, if Britain sent out a high ranking official to arbitrate between the business community and the CPG, there was a high likelihood that the Chinese would snub British advances. (31)

21 Such diplomatic susceptibilities were reinforced by the Treasury which ruled out remittance controls or indirect subsidies for British businesses in China. (32) Neither the Treasury (nor possibly the Board of Trade) would have wanted a drain of sterling to China at a time when, in part because of an economic embargo on China, there was no guarantee that Chinese trading corporations would use it to buy British exports. Opposition to controls on remittances by the Colonial Office and the Governor of Hong Kong produced a wider bureaucratic consensus. Both bodies strongly opposed remittance controls because, to be effective, they needed to be applied to Hong Kong and could thus have seriously damaged Hong Kong's entrepôt business. (33) Finally there was cross-departmental recognition that, in an era of widespread revolutionary threats to the property rights of overseas investors, any public concessions might only encourage other states or social movements across the world to expropriate British assets. (34)

22. Underpinning all these Whitehall opinions may well have been earlier decisions made about the viability of British investments in China. The evidence does not indicate that they influenced policy-making in the 1950s, but they could well have done, especially given that economic and political trends in the 1950s vindicated the pessimism of British officials in the late 1940s about economic relations with China. At that time, China was labelled by British officials 'a very poor candidate' for British private or government-sponsored investment. In the words of one official, 'the future of China' was 'so uncertain', whilst, according to another, it was doubtful whether China would be a solvent nation-state for 15 to 20 years. (35) (Board of Trade officials were concerned about the level of Sino-British trade but accepted controls on the flow of sterling to China as economically rational.) There is some evidence that these calculations were influenced by past trends. Officials commented that remittances from China had been declining since before the Sino-Japanese war. They also noted that British investments would now have to compete without the protection provided by extra-territoriality (the legal rights granted to foreign residents in China by various treaties in the 19th century) and that all political movements in China (nationalist or communist) wanted to reduce the influence of foreign capital in China and extend state control over the Chinese private sector. (36)

23. (b) Controls on British Exports to China

The story of how and why first a Labour Government and then, from October 1951, a Conservative government introduced more stringent controls on exports to China has been well covered by historians but it is worth briefly revisiting policy-making to allow some comparisons to be made with other policies towards China. (37) The turning points for government policy-makers were June 1950, the beginning of the Korean War, and November 1950, when China entered the conflict. These events put the control of strategic exports on the political agenda because British troops were fighting in Korea and thus might be killed (indirectly) by goods trans-shipped through China, a close ally of communist North Korea. But, despite the heightened strategic imperative, it took diplomatic pressure from American administrations to change British policy. Initially, in the summer of 1950, Prime Minister Clement Attlee and ministers and officials in the Foreign Office, the Colonial Office and the Board of Trade refused to tighten controls. They perceived Sino-British trade as economically useful to the UK economy, a means of dampening cold war tensions - perhaps by reducing China's economic reliance on the Soviet Union - and as vital for British merchants in Asia and for the maintenance of British rule in Hong Kong. (38) The government was maintaining its liberal economic policy towards the CPG.

24. Later in the summer of 1950, British policy began to shift and controls, notably those on oil exports to China, were secretly tightened. While the Ministry of Defence had by this stage alerted the government that Britain's slack controls were allowing strategic goods to reach North Korea, it took intervention by Bevin, who argued that British policy was beginning to damage Anglo-American relations, to secure a modification of government policy. (39) Even so it was not until after January 1951, when the Labour government agreed to support American demands for a UN resolution branding the CPG the aggressor in Korea, that there was a fundamental shift of policy, resulting in a more severe British embargo on China and UK government support for a UN economic embargo on China. The decision to align with American policy towards China divided the government. Indeed the Cabinet initially decided to maintain an independent (and thus more liberal) policy towards China. Once again it took high level interventions, this time by Attlee and Hugh Gaitskell, the Chancellor of the Exchequer, to reverse policy. They warned the Cabinet that British foreign policy towards China (and Korea) had the potential to cause such diplomatic tensions with the Truman administration and such a severe political backlash against Britain amongst American senators and congressmen that US financial and diplomatic support to the UK might be curtailed. (40)

25. Historically, state export controls have been used either to prevent strategically important goods augmenting the war-making capacity of hostile powers or to ensure that exports earn the best returns possible (usually in terms of foreign currency). British controls on exports to Communist China fell into the first category. They were introduced in 1949 to cover a narrow range of strategic goods. At that stage they were less severe than those imposed on the Soviet Union but this situation changed in the period from mid 1950 to 1953. Restrictions were gradually extended to a wider range of goods and the administration of the economic embargo was improved. The range of goods controlled was relaxed slightly in 1952 to allow Asian rubber and UK pharmaceutical exports to go to China, but, in 1953, the British state once again made the embargo more watertight by introducing a system of voyage licensing to prevent British and colonial registered ships from carrying embargoed goods. Britain and the colonial states also refused bunkering facilities to ships suspected of containing strategic goods. (41)

26. The context within which British policy on the embargo was made changed when a Korean Armistice was signed in July 1953. But even so it was not until 1957 that the controls on trade in strategic goods to China were reduced to the same level as those regulating such trade with the Soviet Union. From 1953 until 1957, and despite strong parliamentary and business lobbying for a relaxation of controls, the government refused to change policy on the grounds that

any modification would affect Anglo-American relations. It rejected demands for a British trade mission to China and even refused to revert to a more liberal policy from 1953 when a Korean War armistice had been signed. (42) The Board of Trade supported the policy, in part because it judged Anglo-Chinese economic relations to be relatively unimportant, but its officials felt that in the longer term it would be difficult to maintain this policy in the face of commercial and political pressures from within the UK for a resumption of normal trade. (43) By this stage these pressures were coming from 'anti-establishment groups' as their members had signed contracts with the Chinese at trade fairs in Moscow and Beijing, and from 'establishment' groups which were concerned that their members were losing their market share to new entrants from the UK and Europe. (44) Even so it was not until 1957 that the government eased some restrictions on strategic exports to China. Then in 1958-59, much to the surprise of these business interests, the government imposed new restrictions, this time on Chinese exports to the UK. According to Shao, it was pressure from business groups in the UK and a growing realisation that the controls were not watertight that caused policy to shift. (45)

27. (c) Controls on Imports into Britain from China

Import quotas have been used much more extensively in the twentieth century than previously. (See appendix C for details.) They were first used in a comprehensive way by British governments to manage the balance of payments during the Second World War. From 1946 these controls began to be removed. While liberalisation ceased in 1947, it accelerated after 1949 and, after a re-imposition of some controls in 1951-52, continued a pace from 1953, with controls eased more quickly for parts of the sterling area than for the dollar area. (According to Milward and Brennan this process was too rapid to provide protection for many UK manufacturers. (46) This general trend towards freer trade disguises the fact that some new quotas were imposed to protect certain sectors of the economy from certain countries such as China, while, in addition, direct state controls were also increasingly augmented by Voluntary Export Restraint (VER) agreements negotiated between UK producers' groups and those overseas.

28 In 1949 China was one of many countries which were freed from quota restrictions - either on individual products or on the total level of its exports. (47) This policy meant China was treated differently from other parts of the Soviet Bloc which were subject to quotas on individual goods and/or to general trade agreements which regulated their total level of trade with Britain. Trade with China was also freer than that with Japan (a fellow Asian developing nation), as many Japanese exports were subject to individual quotas. (48) Board of Trade officials justified these inconsistencies by pointing out that China's currency was 'very soft' and thus the impact of Chinese exports on foreign exchange reserves was limited and that Britain needed scarce primary commodities exported by China such as bristles and eggs. British policy did not change after the CPG was established, even though the political status of an exporting country mattered because state-led trading regimes had more control over the size and direction of their exports compared to market-based economies and thus could, in theory, more easily dump large quantities of goods on the UK (and its colonial) markets, either as an act of economic warfare or because their domestic production had far exceeded planned production and domestic demand. (49) (British policy on imports from China supported the original government strategy of encouraging Sino-British trade as a means of reducing Cold War tensions, but I have no evidence to indicate whether and how such geo-strategic factors influenced policy in the early 1950s.)

29. When in 1952 and 1956 import quotas were reduced, British policy on imports from China was reviewed. It was noted by Board of Trade officials that 'non essential' consumer exports from China, such as apparel, carpets and silk piece goods, were increasing, while goods from China were also being admitted on a freer basis than similar goods from Western Europe. (By the late 1950s just under one third of imports from China on average were manufactured products. See Appendix B, Table (II).) Whilst, at this stage, no changes were made, by the mid 1950s, the official justification for China's special treatment had become more refined. In 1956, the Board of Trade's Import Licensing Committee believed that: (i) certain Chinese goods were still 'essential for the British economy; (ii) political pressure from UK producer groups was so far 'not great' - and thus could be withstood; (iii) controls might 'create difficulties for the Hong Kong economy' and that the Chinese authorities might 'retaliate against Hong Kong merchants'; (iv) there would be no significant saving on the import bill; and (v) excluding China from Open General Licenses and global quotas would require more bureaucratic resources. (50)

30. Policy first shifted in January 1958 when the government imposed quotas on Chinese exports of cotton and rayon piece goods, and, in August of the same year, when quota restrictions were extended to most textile manufacturers. At the time representatives of cotton textile businesses in Lancashire were negotiating VERs with industries in India, Pakistan and Hong Kong and so the quotas on Chinese exports of these goods improved the prospects of inter-industry agreements. Without such controls overseas industrialists could argue that, if they agreed to restrict their exports, China's market share would simply expand. (Coincidentally it also meant that Chinese textile goods were treated the same as those of Japan, which had been subject to quotas since the mid 1950s.) Quotas on Chinese imports thus provided both direct and, once the VER with Hong Kong, India and Pakistan was signed in 1959, indirect protection to the British cotton textile industry. A Board of Trade memorandum seems to confirm that this was the reason behind the shift in policy: it noted that the 'volume of such [Chinese] imports was causing severe damage to the UK cotton industry'. (51)

31. In 1959 the British Conservative government totally reversed its policy on Chinese imports. It introduced quotas on a wider range of individual Chinese products to coincide with a policy, initiated by D. Heathcoat Amory (the Chancellor of the Exchequer) and agreed by the Economic Policy Committee, to open up more of the UK's trade with the 'Dollar Area' and 'Relaxation Area', a category of countries which mainly comprised Western Europe but which until the shift also included China. (52) Officially this was merely a case of bureaucratic 'tidying': the government was placing China in the same category as other Soviet Bloc (state trading) countries to remove an administrative anomaly dating back to 1949. (53) Indeed, over the next few years, these quotas on China were not very restrictive in aggregate terms. They only covered 25 per cent of the products China exported to Britain and in 1960 goods subject to quotas only comprised 15 per cent of total imports from China. (54) Most quotas on individual goods were also set at levels higher than the existing level of trade; in many cases they were twice the level of trade in 1958.

32. However the government record shows that the controls were introduced for two more substantive reasons: to protect additional UK producers from Chinese competition and to improve diplomatic and commercial relations with Japan. By the end of the 1950s China was an economically large and politically unpredictable communist state which could potentially dump large quantities of its products on the UK. Throughout the 1950s certain British producers - particularly those making light-consumer goods such as pottery and glassware - had been losing more of their domestic market share year-on-year to low-cost Chinese producers, who were not, unlike their Japanese counterparts, facing any direct restrictions. (Chinese imports were subject to tariffs but these could only provide limited protection because of the potentially high price differential between UK and Chinese producers.) In addition the favourable treatment given to Chinese imports was straining diplomatic relations with Japanese governments, who desired freer access for its exporters to UK markets. British policy on Chinese imports may also have been making it more difficult for UK producer interests to negotiate VERs with their Japanese industrialists.

33. All government departments supported this new policy. Frank Lee, permanent secretary at the Board of Trade, noted that it was impossible to relax controls on China as this would 'only complicate further our already difficult position "vis-à-vis" Japan' and that there was an 'incidental advantage' in that 'if there were a risk that our market was going to be swamped with the imports [from China] ... we should have the means available ... to introduce restrictions'. Other Board of Trade officials even more fully articulated a protectionist position. J. A. Pimlott stated that 'The main case for such a change now is that Chinese economic development seems certain to present us increasingly with the same sort of problems as Japanese and Soviet trade now present; we have already experienced this in the case of textiles'. (55) The Foreign Office noted that the present policy had been a 'source of embarrassment' with respect to relations with Japan, because 'the contrast between the treatment of Japan and China had been too glaring'. The Treasury meanwhile

thought quotas might also secure Britain better access for exports into China. (56)

34. The potential impact of this policy on the level of trade with China was not a major influence on policy-making. Board of Trade officials in the Far Eastern Division of the Commercial Relations and Exports Department were concerned that the controls might reduce British exports to China given that the CPG were likely to retaliate by refusing to consider British firms for contracts. (One official, P. B. Hypher, also argued that as China had been running a trading deficit with UK in the years after the embargo was lifted 'every effort must be made to facilitate the growth of imports'.) (57) However these views did not carry much weight. This may have been due to the high level of uncertainty and divergent view points in the late 1950s both within the Board of Trade and the Foreign Office about the future growth prospects of British exports to China. (58) Discrimination by Chinese trading corporations in favour of 'anti-establishment' traders may also have influenced policy-makers, as the government perceived these tactics as politically-motivated. It may, in addition, have felt that CPG trading policies curtailed the ability of 'establishment traders' and the Hong Kong economy to earn income from Sino-British trade. Furthermore, Sino-British trade was in any case a small proportion of overall British trade, and hence even if the CPG had stopped all trade with Britain the impact on the British economy would have been slight. (59)

35. The general attitude of British traders towards the controls was hostile but there were some important differences between UK and Hong Kong-based business groups. 48 Group members, led by the London Export Corporation, argued that exports to China would fall as Chinese trading corporations discriminated against British traders. Early in 1960 a number of MPs also criticised the policy. (60) These groups argued that if the overall level of trade needed to be regulated then an Anglo-Chinese bilateral treaty was a better way of doing so. They also complained that the way the policy was announced was hardly conducive to good Sino-British trading relations given that it had coincided with the bi-annual Canton trade fair. (61) The CA 'was none too happy' about the controls, while the London Chamber of Commerce expressed 'anxiety'. John Keswick of Matheson and Co. noted that 'he and his colleagues in the City were very puzzled by the Government's attitude about trade with China'. Keswick noted that some curious licensing decisions and a generally sub-standard presentation of the policy had got them thinking that 'the Government perhaps had in mind discouraging trade with China'. (62) The CA also acknowledged that, while the quotas covered a 'very small range of products', they would be restrictive in the longer term because they curtailed imports of light manufactured goods, such as textiles, garments, sewing machines, toys and pottery, the very products 'that China is trying to increase her exports of and where a market is being developed [in the UK]'. They noted that over a third of the total goods restricted in 1960 were cotton textiles. (63) The CA also wanted to ensure that goods under quota would continue to be trans-shipped through Hong Kong. However, on the whole, the CA and also British merchants in Hong Kong were less critical of the quotas: they did not think that Sino-British trade would be significantly affected by the imposition of controls and noted that, even if it was, the prospects for trade with China were poor given prevailing CPG economic policies. (64)

36. Once the quota system was up and running criticism by all these business groups focussed more fully on how the levels for individual quotas were set and how licenses were allocated. (For a background to the administrative system and business-state discussions about it see appendix D).

37. In some ways, British foreign economic policy-making towards China can be summed up as confused and inconsistent. Even though by 1950-51 it was evident that Britain's economic stake in China was coming to an end, the government continued to pursue a liberal policy which tried to maintain and develop Sino-British trade, a policy which damaged Britain's relations with US administrations. Policy gradually changed from 1951, epitomised by the imposition of controls on strategic exports to China, but it remained inconsistent because imports from China were freely allowed into Britain. Only when at the end of the decade some of these restrictions were taken off, did the British government introduced controls on imports of Chinese goods into Britain. In other ways however British policy was rational and consistent. It fitted in with a reorientation of the British economy away from close ties with Britain's formal and informal empire to new economic relations with Western Europe. As I will now show, British policy towards Hong Kong bucked this trend.

38. Part II: Foreign Economic Policy Decisions on Hong Kong

The three previous accounts of British policy towards China indicate that the determination of British governments to maintain control of Hong Kong made British policy-makers even more reluctant to retreat from their liberal policies towards China. My research also shows that, when policy towards China threatened the economic well-being of Hong Kong (and thus potentially turned Hong Kong into a diplomatic and financial liability for British governments), British policy-makers intervened to ensure that Hong Kong was insulated as much as possible from any damaging consequences of policy towards China. It is thus not surprising that British foreign economic policy towards Hong Kong was very different compared with that towards China.

39. (i) Investments in Hong Kong

Whereas the British state refused to support British investments in China, government loans were given to Hong Kong to aid its post-war reconstruction and the Treasury gave the colony a significant degree of budgetary autonomy. Restrictions were not placed on the flow of private capital to the colony; and, despite the potentially damaging impact on the macro-economic stability of the UK economy, Hong Kong was allowed to be one of the few places in the sterling area to have a free dollar currency exchange market. (65)

40. (ii) Controls on Exports to Hong Kong

Whereas the British state agreed (albeit reluctantly) to impose an economic embargo on Communist China, it expended time and resources to minimise its impact on Hong Kong. The colonial government set up a complex bureaucratic system to prevent strategic goods entering the port from being trans-shipped to China. In addition British diplomats successfully persuaded the Truman administration to exclude Hong Kong from its economic embargo on China, on the understanding that Hong Kong-issued documents would guarantee that imports from the US were not trans-shipped to China and that Hong Kong's exports to the US did not contain materials derived from China. (66)

41 (iii) Controls on UK imports from Hong Kong

Although from late 1958 the British government introduced quotas on imports from China, despite sustained lobbying from UK manufacturers, such as cotton textile, clothing and footwear, enamelware, toy and brush producers, no controls were placed on Hong Kong's export trade with Britain. (Hong Kong's imports were admitted under Imperial Preference and thus had a cost advantage over other low cost overseas manufacturers of light consumer goods. This in part explains why British producers lost domestic market-share to Hong Kong-made goods in the period.) Furthermore the government also provided only a limited degree of diplomatic support to the British cotton textile industry during its discussions with the Hong Kong industry to establish a VER. Consequently these talks lasted for over two years and the outcome was perceived by British cotton textile industrialists to be unsatisfactory. (67)

42. Part III Some Observations on British Policy Towards China and the Cain and Hopkins Thesis

At the beginning of the article I outlined two aspects of the Cain and Hopkins thesis I wanted to apply to this case study. As I said then my findings are inconclusive. They are also at times speculative.

On financial factors and policy-making

The specific factors influencing state policy-making on China varied from case to case. The failure of governments to aid businesses in China was in part the

result of financial stringency and in part due to the inability of British governments to shape events in the face of a Communist state determined to transform Sino-British relations. Britain imposed an economic embargo on China partly for strategic reasons but mainly to maintain good diplomatic relations with the US. The government imposed import quotas on the Chinese in response to domestic political pressures and in order to improve diplomatic and hence economic, relations with the Japanese. This range of factors seemingly questions the Cain and Hopkins thesis because it stresses international and domestic political forces not fully addressed by the authors. This case study shows how the British state's institutional capacity was limited first and foremost by a revolutionary state in China (and thus in the periphery) and secondly by a hegemonic American state. This lack of power determined what the British state could and could not do. It was only in respect to policy on Chinese imports that these constraints on British government policy-making were removed. Perhaps as a result policy was more responsive to domestic industrial business interests.

43. These are not Cain and Hopkins-type factors. However it remains difficult to dismiss the influence of financial factors because it could be argued that these alternative international or peripheral forces changed the financial context within which policy was made, and thus changed policy, or merely legitimised policies determined by financial structures. Two examples might hopefully illustrate the methodological problem. Firstly, CPG policy made the 'informal empire' in China financially unviable, and it could have been this monetary change, rather than British Foreign Office fears about diplomatic impotence in the face of an independent Chinese policy, which stopped officials providing more support for the business community in China. Secondly, the primacy given to Anglo-American relations by British officials can be re-read as British governments willing to forego a liberal policy towards China to ensure the continuation of Marshall aid, collaboration with American administrations over defence and intelligence matters and US diplomatic support for a movement towards multi-lateral trading and payments systems, a development which benefited the City of London. Furthermore, while, as I have shown, there may be only limited pieces of documentary evidence to support the case that financial forces were the prime explanation, if a behavioural motive is hegemonic, as Cain and Hopkins suggest, it might be implicitly understood and thus might not have been recorded. The Cain and Hopkins theory might be impossible to test at a micro level, hence the need for macro studies.

44. One possible way out of this methodological "cul-de-sac" however would be to compare British policy-making towards China with that towards Hong Kong. Can it be merely coincidence that foreign economic policy towards Hong Kong remained liberal (as compared to policy towards China) when there appears to have been a higher financial return from the colony for the City of London and British governments? It is not possible to answer this question without undertaking further archival research, but at this stage it is worth noting that the same range of factors that were shaping policy towards China could well have produced a different policy outcome towards Hong Kong. It is quite possible that the metropolitan state had greater institutional capacity in relation to Hong Kong because, unlike with China, it was not being constrained by other powers or by social movements in the periphery. (The US and Chinese governments wanted Hong Kong to remain an economically viable British colony and the colonial state (in the periphery) was not faced with anti-colonial movements.) Alternatively, financial forces could have been a more powerful influence on policy-making as Hong Kong had large reserves of sterling which were held in London and which supported the level of the British currency. (68) Weighing how these factors affected policy might prove easier when there is a comparative example or two. Further archival research might also help.

45. On business interests and state policy-making

All three policies towards China were detrimental to British businesses trading with the country: they constrained Sino-British economic contact and made its future institutional structure uncertain. Furthermore government policies did not discriminate to any great degree in favour of 'establishment' business groups. The government's reluctance to provide diplomatic and financial aid to businesses in China hit 'establishment' merchants hardest and the economic embargo on China severed their trade links, allowing new entrants to develop better institutional ties with Chinese trading corporations. (This would however have happened anyway because the Chinese had a preference for direct Sino-British trade which circumvented expatriate British merchants.) Import controls probably had a marginally greater impact on 'anti-establishment' traders because in the 1950s their market share had been increasing more rapidly than 'establishment' business group members. The evidence shows that neither 'establishment' nor 'anti-establishment' business interests had a major impact on policy-making. Whitehall departments consulted much more closely with 'establishment' business groups but, as far as can be ascertained, in all three cases state officials only consulted with this business community after policies had been decided.

46. These findings seemingly question the Cain and Hopkins thesis. But do they? Perhaps there may have been implicit (unsaid and thus unrecorded) understandings between the state and 'establishment' business groups. Both may have accepted that economic contacts with China were no longer financially viable, particularly as 'anti-establishment' businesses had taken a sizeable market share, and that so long as there remained a common (financial) interest in Hong Kong and the colony remained politically viable, policy towards China did not in the end really matter (except when it threatened money-making in and the power politics of Hong Kong). Tensions and disagreements, evident between 'establishment' traders and the state in the 1950s, could be explained away as ritualistic behaviour which disguised deeper agreements. Or, alternatively, the state might have circumvented disgruntled China-specific service sector interests while still at the same time aligning with wider City of London interests, who would have viewed policy towards China as irrelevant and certainly not worth jeopardising for a switch towards global trading and payments systems. The imposition of import quotas on China could also be re-read as favouring wider financial interests in the City, who wanted closer economic ties with America and Europe, over China-specific traders.

47 More information on the socio-economic composition and political orientation of British businesses trading with China might allow historians to investigate these possibilities further. A comparative study of businesses in Hong Kong might also help. It would be interesting to know what political economy shaped policy towards Hong Kong and how it adjusted from the mid 1950s onwards under the pressures of decolonisation, the declining importance of the sterling area and attempts by British governments to develop closer economic bonds with Europe. The further research needed to answer these questions could discover 'gentlemanly capitalists', hunted by historians to the verge of extinction, surviving on the island of Hong Kong.

48. Appendices

A: British Investments in China

Estimating the size of British investments in China during this period is a difficult task. Remer's survey is the best for the inter-war years. He puts the figure at £244 million in 1933, which comprised a third of all foreign investment in China. His figures do not include estimates for Hong Kong. (69) However pre-war estimates provide a very poor guide to the value of British assets in the early post-war decades. From 1937 onwards investments suffered physical damage due to the Sino-Japanese war (1937-45) and the Chinese Civil War (1946-49). Post-war British estimates had to try to take war damage into account. The Economic and Industrial Planning Staff of the Foreign Office thus came up with a figure of £110 million for physical properties. (This figure excluded investments in Hong Kong, estimated as worth £150 million at the time, and small scale businesses in China (which were difficult to survey) and capital tied up in shipping, which was very footloose.) The British commercial secretary to the embassy in Beijing put the total at £170 million. This later estimate was based on a questionnaire circulated to 40 firms, a sample which provided 'fragmentary evidence'. (70)

49. These figures need to be treated with caution because market value depends on the future earning potential of assets, which is dependant on the projected performance of the local economy, combined with an estimate of the security of long term property rights. In China from the late 1940s these factors were in a state of flux for the CPG began to alter Chinese economic policy and private property rights. While in 1952 the CA believed the British stake in China to be worth £200-250 million, it soon stopped trying to estimate its value because, to quote a British Foreign Office official, there were 'so many

imponderables that assessments made by even the most sober traders may differ by tens of millions'. As the discussion in Part I (a) indicates British assets were only worth what the Chinese authorities would pay for them. For example, in 1957 the Chinese valued the property of Sassoons at £2.4 million while the company thought it was worth £20 million. (71)

50. New archival research might provide some more accurate figures. The Chinese archives in particular might contain new quantitative information and might also tell us how the CPG made and executed policy. Further work in British business archives might reveal how much firms remitted to China; such a calculation would need to differentiate between money exorted and money for trade, potentially a difficult task. It would also be interesting to know how British firms managed their exit, when and why certain firms moved to Hong Kong and how their survival strategies compared to those adopted by European, American and overseas Chinese businesses.

51. B: UK trade with China and Hong Kong

(I) UK exports to and imports from China (total figures in million £ sterling and as percentage of total UK imports or exports in brackets)

Year	Imports from China *	Exports to China	Imports from Hong Kong*	Exports to Hong Kong
1946	2.6 (0.2)	7.8 (0.8)	0.4 (-)	6 (0.6)
1947	7.2 (0.4)	12.8 (1.1)	2 (0.1)	12.8 (1.1)
1948	8.2 (0.4)	8.7 (0.5)	5.5 (0.3)	20.7 (1.3)
1949	3.6 (0.2)	2.4 (0.1)	10.3 (0.5)	28 (1.5)
1950	10.3 (0.4)	3.6 (0.2)	17.1 (0.5)	28 (1.2)
1951	7 (0.2)	2.7 (0.1)	14.4 (0.4)	36.1 (1.3)
1952	3 (0.1)	4.6 (0.2)	6.4 (0.2)	29 (1.1)
1953	10 (0.3)	6.2 (0.2)	8.3 (0.2)	27.3 (1)
1954	8.9 (0.3)	6.9 (0.2)	11.1 (0.3)	24.1 (0.9)
1955	12.3 (0.3)	7.9 (0.3)	16.6 (0.4)	25.9 (0.9)
1956	12.5 (0.3)	10.8 (0.3)	20.1 (0.5)	33.1 (1)
1957	14.2 (0.35)	12.2 (0.35)	23.6 (0.6)	36.6 (1)
1958	18.5 (0.5)	27.2 (0.8)	27.1 (0.7)	30.9 (0.9)
1959	19.7 (0.5)	24.8 (0.7)	33.5 (0.8)	35.6 (1)
1960	24.7 (0.5)	32.1 (0.9)	43 (0.9)	40.2 (1.1)

* These figures do not include Chinese exports which went through a country on the way to the UK but they include re-exports but these are a small proportion of the totals.

Sources: *Annual Statement of the Trade of the UK with Commonwealth and Foreign Countries*, Vol. 1, (London, HMSO, for the years, 1949-60)

(I) UK imports of manufactures from China and Hong Kong (total figures in million £ Sterling and as percentage of total UK imports or exports from these sources)

Year	Imports from China	Imports from Hong Kong
1947	0.3 (11)	0.1 (50)
1948	0.1 (2)	1 (18)
1949	0.1 (4)	1.2 (11)
1950	1 (10)	5.7 (34)
1951	1 (13)	7.9 (54)
1952	0.3 (11)	3 (48)
1953	0.6 (6)	4.3 (52)
1954	1.3 (15)	8.3 (74)
1955	2.8 (22)	14.7 (88)
1956	3.1 (25)	18.9 (93)
1957	4.3 (30)	21.9 (93)
1958	6 (33)	25.5 (94)
1959	5.5 (28)	32.3 (97)
1960	7.4 (30)	41.6 (97)

Sources: *Annual Statements of the Trade of the UK with Commonwealth and Foreign Countries*, vol. 1, (London: HMSO, for the years 1949-60)

52. C: The political economy of quotas

There are a number of possible reasons why the use of import quotas increased in the twentieth century.

1. Governments were not as dependent on tariffs as a source of revenue because income taxes (and other forms of indirect taxation) had become more politically acceptable and hence they could be replaced by quotas.
2. The high price differential between low cost producers in the developing and developed world meant that tariffs had to be set at a high level to provide protection for industries such as textiles. The protection provided by quotas by comparison was not sensitive to price levels.

3. By the post-war period tariff levels were being regulated by international bodies such as the General Agreement on Tariffs and Trade (GATT), whereas quotas were not.
4. By the twentieth century, governments had better administrative systems and so could more easily set quotas and allocate licences and once the bureaucratic machinery was in place the marginal cost of introducing new quotas fell.
5. In certain countries, such as Britain, quotas could be introduced quickly by executive action, whereas tariffs needed to be sanctioned by legislative bodies. (72)

53. D: The administration of import quotas on China

At first quotas were allocated mainly on the basis of existing contracts and the past trade performance of businesses, with one half of the quota given to existing import merchants. However from April 1960 individual licences were issued against proof of 'firm orders' from Chinese trading corporations. This new system was adopted for subsequent years, except for textiles, which continued to be issued on the basis of past trade. The change may have been brought about by parliamentary pressure but a system based on past trade may have not been viable in longer term anyway because it was less efficient, ossifying trading structures, and was less appropriate for trade with China because the annual level of trade in many commodities varied greatly. It was needed for cotton textiles because demand for licences would have far exceeded supply. (73)

54. All business groups (and individual firms) complained about the licensing system and lobbied for increases to individual quotas. During 1960 the government met many of their demands. So long as there were no detrimental consequences for sectors of the British economy, and so long as China and Japan were treated equitably, it increased the size of many quotas. For example in 1960 the quota for silk piece goods was doubled to meet rising demand for silk fashions in the UK. (Higher demand meant that UK producers were less affected by rising imports.) Board of Trade officials also frequently met business groups and answered a large number of queries from firms concerning the allocation of licences. Its discussions with 'establishment groups' were particularly constructive. (74) It also revised the system for allocating licences to make it run more smoothly. In 1960 the Chinese authorities were given lists of all licence holders and the government encouraged SBTC members to inform Chinese trading corporations of how much they could import. The Chinese were also allowed to allocate unused quotas.

55. However, despite external pressure from business groups and internal reviews conducted by Board of Trade officials, no fundamental changes were made to the licensing system. Although it would have been cheaper and more convenient for the CPG to manage the quotas, the Board of Trade felt that the CPG would either refuse to co-operate or it would instruct its trading corporations to 'give the whole of the business in a particular product to a particular importer'. (75) Although, it would also have been more rational to replace quotas on individual goods - which were expensive to administer - with a general quota covering all Chinese imports into the UK, Board of Trade officials doubted whether the Chinese would agree to annual treaty negotiations and noted that a general quota would not provide sufficient protection for the UK producers most at risk from cheap Chinese imports. (76)

[Introduction](#) | [Contents](#) | [back to the top](#)

Notes for Article 6

1. Many thanks to participants at the Northern Economic Historians Conference, held at the University of Sheffield on November 11, 2000, and to Jenny Clayton, Richard Bessel, Gillian Staerck (an editor of the *electronic Journal of International History*), and anonymous referees for their comments on recent drafts. Thanks also to Peter Lowe and Norris Nash, amongst others, who have listened to my views of this subject over a number of years. [Back](#)

2. For the withdrawal of firms from China see Wenguang Shao, *China, Britain and Businessmen: Political and Commercial Relations, 1949-57* (London and Oxford: Macmillan/St Anthony's College, Oxford, 1991) and Aron Shai, 'Imperialism Imprisoned. The Closure of British Firms in the People's Republic of China', *The English Historical Review*, Vol. 104, No. 410, (1989), pp. 88-109 and *The Fate of British and French Firms in China, 1949-54: Imperialism Imprisoned* (Basingstoke: Macmillan/St Anthony's College, Oxford, 1996), which uses French and American records as well as the archives of John Swire and Sons. The economic embargo on China has been less well covered from the British perspective. The best account is by Shao, in his *China, Britain and Businessmen*, pp. 59-72, 84-108. I study both issues in *Imperialism Revisited: political and economic relations between Britain and China, 1950-54* (Basingstoke and London: Macmillan/King's College, London, 1997), placing them in the wider contexts of the evolution of the cold war in East Asia and Anglo-American relations. [Back](#)

3. See P. J. Cain and A. G. Hopkins, *British Imperialism: Innovation and Expansion, 1688-1914* (London and New York: Longman, 1993) and P. J. Cain and A. G. Hopkins, *British Imperialism: Crisis and Deconstruction, 1914-1990* (London and New York: Longman, 1993). [Back](#)

4. For Sino-Soviet relations see Sergei N. Goncharov, John W. Lewis and Xue Litai, *Uncertain Partners: Stalin, Mao, and the Korean War* (Stanford, Ca.: Stanford University Press, 1993) and Odd Arne Westad (ed.), *Brothers in Arms: The Rise and Fall of the Sino-Soviet Alliance, 1945-1963* (Stanford, Ca. and Washington: Stanford University Press and Woodrow Wilson Center Press, 1998). For Taiwan see Steve Tsang (ed.), *In the Shadow of China: Political Developments in Taiwan since 1949* (London: Hurst, 1993). For US policy towards China note Gordon H. Chang, *Friends and Enemies: The US, China, and the Soviet Union, 1948-1972* (Stanford, Ca: Stanford University Press, 1990), Nancy B. Tucker, *Patterns in the Dust: Chinese-American Relations and the Recognition Controversy, 1949-1950* (New York: Columbia University Press, 1983), William W. Stueck, *The Road to Confrontation: American Policy towards China and Korea, 1947-1950* (Chapel Hill, NC: University of North Carolina Press, 1981). [Back](#)

5. For a good overview of the Korean War see Peter Lowe, *The Origins of the Korean War* (London: Longman, 1997). For the role of the Soviet Bloc and China see Goncharov, Lewis and Xue, *Uncertain Partners* and Jian Chen, *China's Road to the Korean War: The Making of the Sino-American Confrontation* (New York: Columbia University Press, 1994). For the view that this was essentially a civil war see Bruce Cumings, *The Origins of the Korean War, Vol. I: Liberation and Emergence of Separate Regimes, 1945-1947* (Princeton, NY: Princeton University Press, 1981) and *The Origins of the Korean War, Vol. II: The Roaring of the Cataract, 1947-1950* (Princeton, NY: Princeton University Press, 1981). [Back](#)

6. For recognition of the CPG see: Ritchie Owendale, 'Britain, the United States, and the Recognition of Communist China', *Historical Journal*, Vol. 26, No. 1, 1983, pp. 139- 158; David Wolf, 'To Secure a Convenience: Britain's Recognition of Communist China', *Journal of Contemporary History*, Vol. 18, No. 2, (1983), pp. 299-326; Zhong-ping Feng, *The British Government's China Policy, 1945-50* (Keele: Keele University Press, 1994); James Tuck-Hong Tang, *Britain's Encounter with Revolutionary China, 1949-54* (London: Macmillan, 1992), pp. 1-49; Shao, *China, Britain*, pp. 1-34; Brian Porter, *Britain and the Rise of Communist China: A Study of British Attitudes, 1949-1954* (London: Oxford University Press, 1975) and Robert Boardman, *Britain and the People's Republic of China, 1949-1974* (London: Macmillan, 1976). For Anglo-American relations and British strategies in the Far East see Qiang Zhai, *The Dragon, the Lion and the Eagle: Chinese-British-American Relations, 1949-1958* (London: Kent State University Press, 1994); Peter Lowe, *Containing the Cold War in East Asia: British policies towards Japan, China and Korea, 1948- 53* (Manchester and New York: Manchester University Press, 1997); Edwin W. Martin, *Divided Counsel: The Anglo-American Response to Communist Victory* (Lexington, KY: University Press of Kentucky, 1986). For the longer term origins of Britain's policy towards China see Edmund K. S. Fung, *The Diplomacy of Imperial Retreat: Britain's South China Policy, 1924-31* (London: Oxford University Press, 1984), who argues that British governments had decided to concede legal rights in China from the mid 1920s in response to the rise of Chinese nationalism; and Steven L. Endicott, *Diplomacy and Enterprise: British China Policy 1933-1937* (Manchester and British Columbia: Manchester University Press, 1975), who argues that in the 1930s

British policy-makers, especially those working in the Treasury, were still trying to use their financial power to influence political developments in China.

[Back](#)

7. For British government decision-making on Hong Kong see Wm. Roger Louis, 'Hong Kong: The Critical Phase, 1945-1949', *American Historical Review*, Vol. 102, No. 4, (1997), pp. 1052-1084; James T. H. Tang, 'From Empire Defence to Imperial Retire at: Britain's Postwar China Policy and the Decolonization of Hong Kong', *Modern Asian Studies*, Vol. 28, No. 2, (1994), pp. 317-37; Steve Yui-Sang Tsang, *Democracy Shelved: Great Britain, China and Attempts at Constitutional Reform in Hong Kong, 1945-1952* (Oxford: Oxford University Press, 1988); Clayton, *Imperialism Revisited*, pp. 96-123. [Back](#)

8. Some sources of invisible earnings would only have resulted in transfers of income to Britain in the longer term and others would have been generated via trade with third countries. [Back](#)

9. When they did not service Sino-British trade as independents they often acted as agents for other firms. [Back](#)

10. See J. Osterhammel, 'Imperialism in Transition: British Business and the Chinese Authorities, 1931-37', *China Quarterly*, No. 98, (1984), pp. 260-287 and 'British Business in China, 1860s -1950s', in R. T. P. Davenport and Geoffrey Jones (eds.), *British Business in Asia since 1860* (Cambridge: Cambridge University Press, 1989), pp. 189-227. [Back](#)

11. For industrialisation see James Riedel, *The Industrialisation of Hong Kong*, (Tubingen: J. C. B. Mohr (Paul Siebeck), 1974), F. Leeming, 'The early industrialisation of Hong Kong', *Modern Asia n Studies*, Vol. 19, No. 3, (1975), pp. 337- 342 and Tak-Wing Ngo, 'Industrial history and the artifice of *laissez-faire* colonialism', Tak-Wing Ngo (ed.), *Hong Kong's History: State and society under colonial rule* (London and New York: Routledge, 1999), pp. 119-141. For an account of the transfer of resources from China to Hong Kong, note Catherine R. Schenk, 'Commercial Rivalry between Shanghai and Hong Kong during the Collapse of the Nationalist Regime in China, 1945-1949', *The International History Review*, Vol. 20, No. 1, (199 8), pp. 68-88. [Back](#)

12. United Kingdom Public Record Office (henceforth PRO) Colonial Office (henceforth CO) 1030/859; 'The value and cost of the Colony of Hong Kong to the United Kingdom', Feb. 1957; draft memorandum for consideration by the Board of Trade. For a brief introduction to this approach to decolonization see W. David McIntyre, *British Decolonization, 1946-1997* (Basingstoke and London: Macmillan, 1998), pp. 45-58. [Back](#)

13. PRO CO1030/859; 'The value and cost of the Colony of Hong Kong to the United Kingdom', Feb.1957; draft memorandum for consideration by the Board of Trade. [Back](#)

14. Note Catherine R. Schenk, *Britain and the Sterling Area: From Devaluation to Convertibility in the 1950s* (London and New York: Routledge, 1994), pp. 20-27 and 108 and Catherine R. Schenk, 'Closing the Hong Kong gap: the Hong Kong Free Dollar Market in the 1950s', *Economic History Review*, Vol. 47, No. 2, (1994), pp. 343-5. Also note PRO CO1030/859; 'The value and cost of the Colony of Hong Kong to the United Kingdom', Feb. 1957; draft memorandum for consideration by the Board of Trade. [Back](#)

15. Figures for re-exports from Hong Kong are only available from 1959, but even thereafter they only provide a rough guide to the amount of goods manufactured in the colony. Goods may still have been smuggled into Hong Kong from China and other parts of Asia and then re-exported from the colony, in order to benefit from the lower levels of protection in overseas markets facing Hong Kong producers. For the figures see Census and Statistics Department, *Hong Kong Statistics, 1947-1967* (Hong Kong: Hong Kong Government, 1969). [Back](#)

16. An anonymous note by a Colonial Office official, accompanying the Colonial Office cost-benefit assessment of Hong Kong, noted that the report had 'certainly minimised' the impact of Hong Kong exports to Britain on British manufacturers. This note is not attributed to any officials. See PRO CO1030/859; 'The value and cost of the Colony of Hong Kong to the United Kingdom', Feb. 1957; draft memorandum for consideration by the Board of Trade. [Back](#)

17. It should be noted that the China Association had many manufacturers as members, particularly concerns such as Imperial Chemicals Industries (henceforth ICI), British American Tobacco (henceforth BAT) and Shell, which all had physical assets in the Far East. The firms which made the largest subscriptions were mainly service sector firms such as John Swire and Sons, Chartered Bank, Hong Kong and Shanghai Bank, P & O Steam Navigation Co., Moller Line (UK) Ltd., Matheson and Co and Lombard Insurance. For details see China Association (henceforth CA), Annual Reports, held in the School of Oriental and African Studies (henceforth CHAS). [Back](#)

18. See CHAS/C/S; Board of Trade (henceforth BT) correspondence: pamphlet issued by BT 'Hints to businessmen visiting the People's Republic of China' (London: Board of Trade, 1961). For the best account see Shao, *China and Britain*, pp. 154-161. For the government's attitude see PRO BT241/508; annex B to BT brief for the Parliamentary Secretary for meeting with London Chamber of Commerce (henceforth LCC) and CA, 20 Jan. 1960. For the records of the Sino British Trading Council (henceforth SBTC) see CHAS/Separate Items, 6-9. [Back](#)

19. For an official account note Percy Timberlake, *The 48 Group: the story of the Icebreakers in China* (London: The 48 Group Club, 1994). [Back](#)

20. Cain and Hopkins, *British Imperialism: Crisis and Deconstruction*, pp. 265-291. [Back](#)

21. Three broad critiques of this thesis have surfaced. (i) *Socio-economic*. Historians have questioned whether a 'gentlemanly capitalist' elite existed. Was one located in London? Did it have such close social and economic ties, a coherent ideology/culture and a vested interest in the empire? And was there a deep dualism between the service and manufacturing sectors of the UK economy? See Note M. Daunton, 'Gentlemanly capitalism and British industry, 1820-1914', *Past and Present*, Vol. 12 2, (1989), pp. 119-159. The Cain and Hopkins thesis is closely related to the theory that an incomplete social transformation caused a dualism in British capitalism between mercantile and industrial capital. Note Perry Anderson, 'The Figures of Descent', *New Left Review*, No. 161, (1987), pp. 20-78 and for a critique note Alex Callinicos, 'Exception or Symptom: The British Crisis and the World System', *New Left Review*, No. 169, (1988), pp. 97-108. (ii) *Centre-periphery relations*. Imperial historians have argued that the thesis is too Anglo-centric and places too much emphasis on the metropolitan sphere, neglecting structures and events in the periphery as sources for imperial expansion and contraction. For an application to China note Robert Bickers, *Britain in China: Community, Culture and Colonialism 1900-1949* (Manchester and New York: Manchester University Press, 1999). (iii) *The metropolitan political-economy*. Historians have questioned (a) how and to what extent 'gentlemanly capitalists' were able to influence government imperial policy? (b) Whether a consistent government imperial strategy ever existed? (c) Whether it was solely financial forces that shaped British imperialism. For a good overview see Raymond E. Dumett, 'Introduction', pp. 1-43 in Dumett (ed.), *Gentlemanly Capitalism and British Imperialism: the new debate on empire* (London and New York: Longman, 1999). Cain and Hopkins have also been attacked for their imprecise use of terminology such as informal empire. [Back](#)

22. For a good comparative critique note Nicholas J. White, 'The business and the politics of decolonization: the British experience in the twentieth century', *Economic History Review*, Vol. 53, No. 3 , (2000), pp. 544-564. For a range of individual case studies, a critical survey and an after word by Cain and Hopkins note Dumett, *Gentlemanly Capitalism*. [Back](#)

23. CHAS/ CA/11; Annual Report, 1959-60. [Back](#)

24. For the plight of an individual business see Frank H. H. King, *The Hong Kong Bank in the Period of Development and Nationalism, 1941-1984: from Regional Bank to Multinational Group*, volume four of *The History of the Hong Kong and Shanghai Banking Corporation* (Cambridge: Cambridge University Press, 1991). Note also B. Hooper, *China Stands Up: Ending the Western Presence 1948-1950* (Sydney, Boston and London: Allen and Unwin, 1985), Shao, *China and Britain* and Shai, *The Fate of British and French Firms*. The most useful archive is CHAS. For some key sources note: CHAS/Minutes, Committee Papers and Circulars (henceforth MCP) 50/G/29; minute and circular, 4 April 1950; PRO Foreign Office (henceforth FO) 371/8334 6/FC1106/76; British Chamber of Commerce (Shanghai) to CA, 27 April 1950; CHAS/MCP/50/G; letter from H. J. Collar (ICI) to G. E. Mitchell (secretary and vice-chairman CA), 13 July 1950; PRO FO371/83353/FC1106/1106; letter from British Chamber of Commerce (Shanghai) to Elser Dening (FO), 15 Oct. 1950. [Back](#)
25. For Chinese policy note Peter Schran, 'On the Yen-an Origins of Current Economic Policies', in Dwight H. Perkins (ed), *China's Modern Economy in Historical Perspective* (Stanford, Ca.: Stanford University Press, 1975), p. 297; Hooper, *China Stands Up*, p.66; Shao, *China, Britain and Businessmen*, p. 50. [Back](#)
26. Note PRO FO371/83344/FC1106/30; minute by J. S. Shattock (FO), 13 March 1950. [Back](#)
27. For these demands note PRO FO371/99283/FC1105/63; letter from Mitchell (CA) to Anthony Eden (Foreign Secretary), 19 March 1952 and FO371/99282 /FC1105/34; letter from Tony Keswick (Matheson and Co.) to R. Scott (FO), 10 March 1952. The Hong Kong and the Shanghai Bank were opposed to remittance controls. [Back](#)
28. See PRO FO800/780; minutes of a meeting between British government officials and CA, 7 April 1952; PRO FO371/83345/FC1106/45; minute by Dening (FO), 3 March 1950 and Cabinet (henceforth CAB)129 (CP50)/73; memo randum by Ernest Bevin (Foreign Secretary), 20 April 1950 and CAB129(CP52)/107; memorandum by Eden (Foreign Secretary), 8 April 1952. [Back](#)
29. For US policy see Rosemary Foot, *The Wrong War: American Policy and the Dimensions of the Korean Conflict, 1950-1953* (New York, 1985) and Chang, *Friends and Enemies*. [Back](#)
30. The British Chiefs of Staff wanted to intervene to break the blockade. See PRO Defence 4/29/27; minute 5, 15 Feb. 1950 and PRO CAB134/289/1; minutes of meeting, with Dening in the chair, 27 Feb. 1950. The Foreign Office ruled out intervention. See PRO FO371/83344/FC1106/30; record of meeting between FO (Bevin and officials, unspecified) and CA (W. J. Keswick, J. K. Swire, W. R. Cockburn, E. J. Nathan, D. M. Oppenheim and Mitchell), 11 March 1950 and CHAS/MCP/50/G; minutes of meeting between Tony Keswick (chairman of CA) and Bevin, 17 March 1950. [Back](#)
31. Note PRO FO371/99287/FC1105/169; draft paper for cabinet by J. K. Drinkall (FO), 29 May 1952. [Back](#)
32. See PRO FO371/99289/FC1105/229; letter from D. R. Serpell (Treasury, henceforth T) to Charles Johnston (FO), 18 June 1952. [Back](#)
33. PRO FO371/99289/FC1105/228; letter from J. B. Sidebotham (CO) to Johnston (FO), 14 June 1952. [Back](#)
34. See PRO FO371/83345/FC1106/39; minute of meeting between T, FO and BT officials, 30 March 1950. [Back](#)
35. For these views note PRO BT11/3390; letter from S. D. Waley (T) to A. E. Welch (BT), 11 July 1946. [Back](#)
36. For these views note PRO BT11/3390; letter from Mary Longhuane (T) to H. A. Hooper (BT), 21 Aug. 1947; letter from Hooper to N. E. Young, 25 July 1947; minutes by P. M. W. (BT); PRO BT11/3390: Economic and Industrial Planning Staff [FO], 'British Business Investment in China (Excluding Hong Kong): Estimate of its Approximate Value, the income derived therefrom, and the physical loss and damage suffered by it during the war', c.1947. [Back](#)
37. For the best account see Shao, *China, Britain*, pp. 84-108. [Back](#)
38. For Attlee's private views see PRO FO371/83367/FC1121/78; minute by R. M Hadow, 30 June 1950. For Treasury and Board of Trade views see PRO CAB128(CM50)/46, minutes for meeting of 17 July 1950. For an early statement of this liberal economic policy note PRO CAB129(CP50)/214; memorandum by Bevin, 24 Oct. 1949. For a later statement of the policy see PRO FO371/99320/FC1152/89; letter from Charles Johnson, (head of China and Korea Department, FO) to L. Lamb (FO *chargé d'affaires ad interim*, Beijing), 26 Sept. 1952. [Back](#)
39. See PRO CAB129(CP50)204; memorandum by E. Shinwell (Minister of Defence), 9 Sept. 1950. [Back](#)
40. See Clayton, *Imperialism*, pp. 83-87. Bevin, the Foreign Secretary, was terminally ill at the time. [Back](#)
41. For policy decisions see PRO CAB128 (CM50)/46; minute, 17 July 1950; CAB128(CM)/34; minute 2, Review of Strategic Exports to China; CAB128(CM52)/9; minute 4, 29 Oct. 1952; CAB128(CM53)/16; minute 4, 3 March 1953. [Back](#)
42. In part these concessions were also a diplomatic means of forestalling a more extreme unilateral American foreign policy initiatives such as the imposition of a naval blockade of the Chinese coast. For American plans see Foot, *The Wrong War*, p.119 [Back](#)
43. For the Foreign Office position note PRO FO371/99321/102; letter from F.S.Tomlinson to Johnston, 22 October 1952 and for discussions with the CA see CHAS/Correspondence (hence forth C)/2; statement of policy by the FO and the BT, 11 November 1953. For the Board of Trade position see CAB129(CP53)81; memorandum by the President of the BT, 2 March 1953. For political pressures on the Board of Trade see FO371/105180; letter from Peter Thorneycroft (President BT) to Eden (Prime Minister), 27 Nov. 1953. [Back](#)
44. See CHAS/C/4; 'The embargo against China', memorandum for meeting with the secretary of state, in letter from Collar to C.T. Crowe, 22 December 1955. [Back](#)
45. See Shao, *China and Britain*, pp. 144-167. See also CHAS/C/4; 'The embargo against China', memorandum for meeting with the secretary of state, in letter from Collar (CA) to C. T. Crowe (FO), 22 Dec. 1955. [Back](#)
46. For a comprehensive and provocative account note Alan S. Milward and George Brennan, *Britain's Place in the World: A historical enquiry into import controls 1945-60* (London: Routledge, 1996). Also J. C. R. Dow, *The Management of the British Economy, 1945-60* (Cambridge: Cambridge University Press, 1970), pp. 153-58. [Back](#)
47. Some products from China could not enter freely (under Open General Licence) as they were subject to global quotas, but such quotas did not discriminate against China as a source of imports. [Back](#)
48. Note Milward and Brennan, *Britain's Place*, pp. 29-33, 150-51 and 238-39. [Back](#)
49. Note PRO BT241/510; minute by Frank Lee (permanent secretary at the Board of Trade), 16 Oct. 1959. [Back](#)

50. See PRO BT230/146; Confidential Memorandum by the Import Licensing Committee, No. 718, 'Imports from China'; minute by V. I Chapman (BT), 3 Jan. 1956 and note from J. Leckie (BT) to Percival (BT), 2 Feb. 1956; minute by M. C. Gibbs (BT), 15 May 1956, containing response from Peter Thorneycroft (President of the Board of Trade). For debates in 1952 note PRO BT230/146; minute by D. Carter (BT), 24 Sept. 1952. [Back](#)
51. PRO FO371/150433; 'brief for [F. Erroll] Minister of State for meeting with Cyril Osbourne (MP) and a delegation of industrialists', 15 Dec. 1959 and PRO BT241/508; draft memorandum, 'imports of cotton grey cloth from China for processing and re-exporting', prepared for meeting with the Cotton and Rayon Manufacturers' Association, in minute by M. V. Muskett (BT), 5 Jan. 1960; and brief for meeting with Osbourne (MP) and a delegation of industrialists, 15 Dec. 1959. [Back](#)
52. Note PRO BT241/510; minute by Lee (BT), 16 Oct. 1959. [Back](#)
53. *House of Commons Debates* 5th series, vol. 613, col. 593, 18 Nov. 1959. [Back](#)
54. CHAS/CA/11; Annual Report, 1960-61. [Back](#)
55. For these views See PRO BT241/510; minute by Lee (BT), 16 Oct. 1959 and BT241/508; minute (by R. Goldsmith) of [F. Erroll] Minister of State at Board of Trade meeting with representative from Vickers, c. Jan. 1960. For details of the plight of the cotton textile industry at this time see John Singleton, *Lancashire on the Scrap Heap: The Cotton Industry, 1945-1970* (Oxford: Oxford University Press/Pasold, 1991) and for its case for protection see Mary Rose, 'The Politics of Protection: An Institutional Approach to Government-Industry Relations in the British and US Cotton Industries, 1945-73', *Business History*, No. 39, (1997), pp. 128-151. [Back](#)
56. For these views see in PRO BT230/1146; note of meeting to discuss the transfer of China from the Relaxation Area to the Eastern Area for Import Licensing Purposes, 1 Oct. 1959 (representatives from the BT, FO, T, Ministry of Agriculture, Fisheries and Food and CO present). For FO views also note BT230/1146; letter from J. A. Pimlott (BT) to John Chadwick (FO), 30 Sept. 1959; PRO BT241/508; letter from P. B. Hypher (BT) to K. G. Ritchie (Beijing), 26 Jan. 1960; PRO FO371/150453/FC1151/16; note by P. G. F. Dalton (FO) to Hypher (BT), undated, approximately Jan. 1960. [Back](#)
57. See CHAS/C/5; memorandum of meeting between Hypher (BT), Marlow (LCC) and Collar (CA), 22 Feb. 1960. [Back](#)
58. For optimistic views see PRO FO371/133414/FC1151/6; minute by Dalton (FO), 29 Jan. 1958 and PRO FO371/141287/FC1151/42; letter from Hypher (BT) to Ritchie, 2 Sept. 1959. For pessimistic views see PRO FO371/141287/FC1151/35; Ritchie to Mocatta, 15 July 1959 and 23 Sept. 1959. [Back](#)
59. At the time, there was also concern within Whitehall about 'economic penetration' by Communist China into South East Asian markets. See PRO FO371/133233/UEE10432/133 and 145. But it is doubtful whether this influenced policy-making on imports from China. If anything, UK controls on Chinese exports would have made this penetration worse. [Back](#)
60. PRO BT241/509; brief for Minister of State for meeting with Osbourne (MP) and a delegation of industrialists, 6 July 1960. The quota on China was raised nine times in debates in the House of Commons in the first five months of 1960. [Back](#)
61. Note PRO FO371/141287/FC1151/71; memorandum of [F. Erroll] Minister of State at Board of Trade's meeting with Osbourne (MP), 17 Dec. 1959; PRO BT241/509; minute (by R. Goldsmith) of a meeting with Osbourne (MP) and a delegation of British businessmen [mainly 48 Group members] and letter from G. F. Rodgers to Hypher (BT), 23 May 1960; A. N. Silver (London Export Corporation) to Chief Executive Import Licensing Office [BT], 31 Dec. 1959 and 29 Jan. 1960; PRO BT241/508; minutes by R. K. Paskins (BT), 8, 14 and 19 Jan. 1960, reporting complaints from Courtaulds, Richard Johnson and Nephew Ltd., Monk Enfield Rolling Mills Ltd. and Taylor Bros. and Co; letter from the Aluminium Wire and Cable Co. to BT, 13, Jan. 1960; letter from J. C. Gilbert Ltd. to Joseph Bradbury and Sons Ltd., enclosed in a letter from The Society of Motor Manufacturers and Traders to BT, 15 Jan. 1960; minute by Paskins (BT), 11 Feb. 1960, of meeting with representative of Higer Watt Ltd.; minutes of meeting between F. Erroll (Minister of State at the Board of Trade) with Sir Leslie Rowan, Director of Finance at Vickers. (Rowan had previously been second secretary in the Treasury, 1951-58.) [Back](#)
62. PRO BT241; minute by Hypher (BT), 17 Feb. 1960 of conversation with Campbell (BT); BT230/146; minute by D. Church (BT) to A Forster (BT), 25 Jan. 1960 of meeting between J. Rodgers (parliamentary secretary at the Board of Trade) with the LCC and the CA; BT241/508; letter from Collar (CA) to Hypher (BT), 16 Nov. 1959; minute of discussion between Hypher (BT) and Marlow (SBTC) and Collar (CA), 10 Dec. 1959. [Back](#)
63. See CHAS/MCP/55; CA Bulletin, No. 160, 30 Nov. 1959 and for the figures see CHAS/CA/11; CA Annual Report, 1960-61. [Back](#)
64. For CA views note CHAS/CA/11; CA Bulletins, Nos. 167 (22 June 1960), 168 (28 July 1960) and 170 (28 Oct. 1960). For Hong Kong views see PRO BT241/508; letter from J. F. Saunders (UK Trade Commissioner in Hong Kong) to Mocatta (BT), 16 Jan. 1960; minutes of a meeting of the Hong Kong General Chamber of Commerce China Sub-Committee, (with Mocatta (BT) and Saunders present); letter from Mocatta (BT official but temporarily resident at the British Embassy Jakarta) to Hypher (BT), 9 Feb. 1960. [Back](#)
65. For financial devolution from London to Hong Kong note PRO CO1030/392; letter from Arthur Creech Jones (Secretary of State for Colonies) to A. Grantham (Governor of Hong Kong), 24 Sept. 1948 and minute by W. G. Hulland, 29 May 1956. [Back](#)
66. For these changes note Clayton, *Imperialism*, pp. 89-93 and 109-111. [Back](#)
67. For a useful overview of Anglo-Hong Kong trade and Imperial Preference in the mid 1950s see PRO BT241/295; internal BT memorandum, 'Future policy on duty free entry of goods into the UK', 11 April 1955 and BT64/4562; letter from G. B. V. Harrison (UK Trade Commissioner in Hong Kong) to W.P. Smith (BT) 11 March 1954. There are a large number of Whitehall files relating to the cotton textile industry and competition from the Asian Commonwealth. For some key policy statements note PRO CAB129/93; memoandum by the Harold Macmillan (Prime Minister), 10 July 1958; T236/5586; Draft paper for Economic Policy Committee (henceforth EPC), July 1957; note from Peter Thorneycroft (Chancellor) to EPC, 18 July 1957 and T236/5585; memorandum by David Eccles (President of the Board of Trade) to EPC, 27 June 1957 and brief by Treasury officials Thorneycroft (Chancellor), June 1957. [Back](#)
68. For the influence of US and Chinese attitudes and financial factors on British policy see Clayton, *Imperialism*, pp.96-123. [Back](#)
69. C. F. Remer, *Foreign Investments in China* (New York: H. Fertig, 1933). Also note Hou Chi-ming, *Foreign Investments and Economic Development in China, 1840-1937* (Cambridge, Ma: Harvard University Press, 1965) who uses Remer's figures. [Back](#)
70. For the reports see BT11/3390: Economic and Industrial Planning Staff, 'British Business Investment in China (excluding Hong Kong): estimate of its approximate value, the income derived therefrom, and the physical loss and damage suffered by it during the war', c.1947; telegram from the British Chamber of Commerce (Shanghai) to BT, No. 12694, 16 Feb. 1947; letter from A. L. Scott (FO) to L. Lamb (British Embassy, Nanking), 2 July 1947; telegram from Shanghai to BT, No. 11, 25 March 1947. [Back](#)

71. See PRO FO371/133414/FC1151/15 A.J. del la Mare (British Embassy, Washington) to Dalton (FO) 17 Feb. 1958. [Back](#)

72. Much of the above was based on Milward and Brennan, *Britain's Place*, but it also includes my own thoughts on the subject. [Back](#)

73. For the original debates on the system see CHAS/C/5; memorandum of meeting between Hypher (BT), Marlow (LCC), Nelson (BT) and Collar (CA), 10 Dec. 1959 and CHAS/MCP/55; CA Bulletin No. 161, 21 Dec. 1959. For changes in 1960 see CHAS/MCP/55; CA bulletins Nos. 165 (29 April 1960) and 166 (20 May 1960) and CHAS/C/11; CA Annual Report, 1960-61 and *House of Commons Debates*, 5th series, vol. 619, cols.1090-1094, 13 March 1960. [Back](#)

74. See various communications between the BT and CA in CHAS/C/5; minutes of meeting between officials from the BT, LCC and CA, 10 Dec. 1959 and 20 Aug. 1960. For John Keswick (Matheson and Co.) suggestions to the BT see CHAS/C/5; letter from John Keswick to C. Douglas Campbell (BT), 26 Nov. 1959 and PRO BT241/508; letter from Keswick to Douglas Campbell, 11 Jan. 1960. Board of Trade notices to importers about quotas on Chinese imports stated that the 'arrangements were worked out in consultation with the SBTC' [Back](#)

75. CHAS/C/5; memorandum of meeting between Hypher (BT), Marlow (LCC), Nelson (BT) and Collar (CA), 10 Dec. 1959. [Back](#)

76. For policy debates and revisions to the licensing system note PRO BT241/509; minute by Douglas Campbell (BT), 27 July 1960; note from Douglas Campbell (BT) to Hypher (BT), 13 July 1960; PRO BT241/510; Import Licensing Committee, 'Review of arrangements covering Imports from the Eastern Area and interim report, No. 788', 19 Dec. 1961; note from L. L. Lowne (BT) to D. Church (BT), 6 Dec. 1960; minute by D. N. Charlish (BT), 19 Sept. 1960; minute by Church (BT), 7 Sept. 1960 and minute by Douglas Campbell (BT), 27 July 1960. [Back](#)

[Introduction](#) | [Contents](#) | [back to the top](#)

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