The Differences and the Cause Analysis between Chinese and Western Trade Systems in the 15th-16th Century

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Abstract. The paper aims to compare Western capitalist colonial trading system in the 15th-16th century with the tributary trade system and maritime commerce system in Ming dynasty in Chinese history. Due to different geopolitical and socio-economic factors, the schools of thoughts underlying the two trade systems differed, so did the ways in which the two systems were built and sustained. As a result, the capitalist Western Europe was on its way to rise while the China was losing the opportunity to merge into globalization, followed by a greater divergence between the two.

1. Introduction

The new maritime era originated in Europe brought drastic changes to the entire world, including a breakthrough in human civilization. Hence the West and the East went furtherly down their own paths of development. Regrettably, the Ming Dynasty saw transient blossom of tributary trade system and maritime commerce system, along with the decline of the ancient and secluded China. On the contrary, Europe was able to accumulate a large amount of wealth through colonial trade and became the center of civilization and economy in the world.

This paper intends to start from the most important way of globalization at that time-foreign trade to compare the two trade systems in the West and the East and explore the hidden political, economic, and socio-cultural roots. This is of great theoretical and practical significance in terms of how to deepen economic globalization under the historical background of “One Belt One Road” initiative.

2. Two Different Trade Systems

2.1 Colonial trade and the rise of the West

In the latter half of the 15th century, feudal monarchs represented by Prince Henry from Portugal actively organized major expedition activities. After Portugal and Spain occupied America, traders from Europe plundered rare metal, raw materials, and food in America through deceptive business conducts, and they also forced the native people to work by brutal conquests, slaughters and even slavery[1]. The initial purpose of navigation in the West was to increase national revenue and accumulate primitive capital. Gradually, sea commerce became one of the main resources of fiscal revenue in many Western kingdoms [2]. Hence the material foundation of Western navigation was switching to a greater dependence on the brutal plunder of the colonies. This is one of the most important reasons why navigation was able to sustain in the West.

Mulan Peng holds the idea that the West benefited from “ecological windfall” gained from the colonized new land. And it was by force and violence that the colonies were brought into European trade systems[3]. It can be seen that this way of doing business was far from reciprocity transaction. Instead, it was a “predatory” in nature. During the 15th and the 16th century, with the establishment of many new lanes on the sea, there was a boost in the interchange between Eastern and Western culture and commerce, followed by the renaissance of colonialism and Manchesterism [4].
to say that the navigators from the West Europe laid the foundation for colonialism by way of bloody swords and crosses, which further facilitated the flourishing of capitalism in Europe. Therefore, the new maritime era was marked as “the beginning of world history” because it was the onset of the rise of the West and preluded a more globalized modern world.

2.2 Tributary trade and the fall of the Ming Dynasty

In the early stage of his reign, Emperor Yongle frequently sent ambassadors on various diplomatic activities to promote the stateliness of the country and to solve overseas complexities. Zhenghe and his fleet were the most important and largest diplomatic mission. From 1405 to 1433, Zhenghe embarked upon many major expeditions. These activities were in the form of official diplomacy and supported by national revenue and state handicraft industry. As a result, the Ming Dynasty was able to establish diplomatic relations with 36 countries along the coast of the Indian Ocean.

One of the most fruitful outcomes of Zhenghe’s navigations was the establishment of tributary trade system. If a nation or a tribe paid tribute to the Ming Dynasty, then the Chinese government would give back gifts whose value was ten times of the given tribute as rewards. Besides, not only did the Ming Dynasty acknowledge and support the legitimacy of the tributary state, but also permitted nongovernmental trades between the two nations. Otherwise, trades would be forbidden. This had to do with the idea of “the enlightenment of all people” which said that the Chinese government bought over the allegiance of neighboring countries with wealth and commodities. This thought traced back to the ancient Chinese philosophy of “enlightenment of people with virtues” which means maintaining a multilateral relation of different levels of closeness through cultural and economic connections and then form a world order with China at the center.

The rise and fall of official navigation depended largely on the emperor’s will. With the restoration and enlargement of vassal relations, the political purpose of an empire of absolute monarchy was achieved. The Ming Dynasty enjoyed plenty of treasury surplus thanks to the economic recovery when the dynasty was first founded. However, this kind of prosperity faded into fiscal problems after years of expeditions led by Zhenghe because they had imposed a huge drain on the national treasury. This phenomenon was severely censured by bureaucrats at that time. What was worse, official handicraft industry fell into crisis, so the Ming Dynasty was on its way to decline since Emperor Xuande. This was the fundamental reason why the Ming Dynasty’s major sailing activities stopped abruptly since Zhenghe’s seven expeditions.

Another important reason why the China started to lag behind Western powers since the 16th century was that the impact of a coercion policy called “no ship on the sea.” Nongovernmental foreign trade was restricted due to a ban on sea commerce from the government, which means that China was not able to acquire enough currency capital through overseas trade to foster capitalism.

3. Differences of Trade Systems and Cause Analysis

3.1 Political and economic analysis

3.1.1 Geopolitics and social-economic structures in Europe

The colonial trade in the West was the outcome of a series of social contradictions and radical changes that had existed for a long time. The first factor was the geopolitical competition in Europe. Although Europe was endowed with fertile land, the lack of continuity in terms of geographical distribution made the whole continent decentralized both politically and economically, and this fostered a high level of competitiveness among the nations. Since the 14th and the 15th century, starting with Portugal and Spain, monarchic states in Europe were turning into nation states. Due to the fact that those states continually waged war with one another, warfare and financing were the top priority for them, which propelled the development of capitalism. In order to generate new income streams, European monarchs showed particular interests both in domestic and foreign trade and overseas expansion.
The second factor was the transformation of economic base in Europe. Commodity money economy was thriving in Europe in the 15th century\[^{10}\] after a long-term influence of commodity-money relationship since the middle Ages. Monarchs in the newly-born nation state would unite the emerging civil bourgeois to fight against feudal aristocracy so as to strengthen their fiscal power. This further weakened feudalism and accelerated the transition to capitalism. Hence the Europe at that time was semi-feudal and semi-capitalist\[^{2}\]. The development of capitalism stimulated the thriving of productivity and socio-economic development. There was a surge of the output of advantageous products throughout Europe. What followed was an unprecedented demand for new markets and conduct overseas business.

The replacement of feudalism with capitalism set science and technology and productivity free. Changes in geopolitics and fierce competition in Europe made emerging nations state develop a stronger longing for overseas expansion. Expeditions originated from deep-rooted social problems in Western Europe were bound to be persistent.

In addition, the active demand of establishing a new trade order became the accelerator of overseas expansion for many European nations. In 1453, the Ottoman Empire marched westward to drive Genovese out of Mediterranean trade\[^{8}\]. So the old trade balance was broken. Genovese businessmen turned from the carrying traders on the Mediterranean into financial capitalists sponsoring colonial activities of Portugal and Spain, whereas traders from Venice chose to support the wars launched by the Dutch against Spain\[^{7}\]. There was a severe competition among the countries to open up new lanes on the sea and divide sphere of influence. The focus of competition therefore shifted from the land to the sea.

3.1.2 Commodity economy in the feudal Ming Dynasty

The China from the 15th to the 16th century witnessed a fully developed feudal society marked by the climax of imperial autocracy. In the meantime, handicraft industry was greatly improved, and commodity economy just started to bloom. Along with the development of industry and commerce and transportation, there was a breakthrough in coke smelting technology. Sophisticated weaving machine was invented; geographical division of labor grew wider; and new technology was updated. Productivity was greatly improved. There also emerged a series of coastal harbors and towns such as Guangzhou and Quanzhou specializing in overseas trade\[^{11}\]. Merchant groups and commercial capital groups sprouted throughout China such as Huizhou merchants, Shanxi merchants, and Fujian merchants and so on\[^{12}\].

Back then, capitalism was in the bud in the textile industry in the south of the Yangtze River. Stimulated by craftsmen fighting against the oppression of the government and the development of commodity economy, workshop owners formed with employees an employment relationship “the owners paid and the workers worked.” Consequently, commercial capital turned into industrial capital, and laborers became employed workers. However, this capitalist production relation that emerged in the middle of the Ming dynasty, was still in its infancy. Not only was it much too weak, it also was able to develop in a few limited areas and industries\[^{10}\].

In fact, China was materially ready to develop overseas trade at that time because China’s advanced industrial and agricultural production had equipped it with plenty of products for export. This was especially the case when the West had a high demand for China’s tea leaves, ceramics, silk and cotton goods, metal product, and other forms of handicraft articles\[^{13}\].

Different from the Europe that was based on competitiveness and multilateral relations, China had achieved unity for a long time. Compared with a strong and unified China, its neighboring countries were too weak to impose any threat on China. Given the lack of competitors from the outside, the biggest threat for the Chinese monarchs was insiders. The Chinese government, therefore, paid special attention to the stability of the society instead of competing for wealth with other countries in international trade\[^{14}\]. Although capitalist production relation emerged in China no later than that of in Europe, the feudal economic foundation was still deeply rooted under the protection of feudal superstructure. The fairly good conditions for developing overseas commerce was suppressed by a colossus of bureaucracy. The small-scale peasant economy that was
self-sufficient did not undergo necessary transformations, and commodity economy was not given enough opportunities to develop, the result of which was the emerging capitalism was severely hindered, and the development and accumulation of production broke off.

3.2 Sociocultural analysis behind the trade systems

3.2.1 Mercantilism in Europe

The West Europe is surrounded by sea on three sides and scattered with islands. People living there had always realized the importance of industry and commerce and maritime industry, so ocean played an important role in European civilization. Besides, European civilization featured a combination of agriculture and commerce, animal husbandry and sea civilization. Later on, industry and commerce became the main economic pillars of city-states in the West Europe. For autocratic sovereign, “national interests are more important than anything else.” At the start of the 14th century, mercantilism was the mainstream principle guiding feudal monarchy. When the heralds of bourgeois revolution—Renaissance and religious reform reached their peak, humanists from the West Europe, in order to justify the pursuit of wealth, fiercely criticized Christians’ philosophy of embracing poverty and resisting prosperity [15]. The Europe in the 15th and 16th century was obsessed with wealth. Driven by “the Gold Rush” and “Eastern Gold Land”, there was a common desire for making a fortune on the other side of the sea. Expeditions had a widespread social base and thus served as the social prerequisite for the liaison between monarchs and private expeditions [2].

Consequently, this kind of desire for accumulating capital determined that the ocean trade in the West was colonial and predatory in nature. The governments offered to help merchants to expand international business, such as monopolizing foreign trade, issuing decrees in favor of commerce and industry, restricting or banning the outflow of currencies to other countries and the import of commodities from the outside, adopting protective tariffs, and expanding colonial business by combining state power and business. [16] The commerce under the guidance of mercantilism brought non-stop inflowing of gold and silver and hence was strong enough to provide continuous economic support for the development of capitalism in the West.

3.2.2 Mentalities of physiocracy and restriction of business and “justice outweighing benefit” in the Ming Dynasty

Throughout Chinese history, almost all thinkers and rulers put agriculture first and industry and commerce last. Although the idea of physiocracy and restriction of business wavered when capitalism was looming, agriculture was still considered as paramount by the ruling class or the people. Huang Renyu deems that Ming Dynasty’s practice of protecting agriculture and disregarding commerce and finance was the main contributor to the falling of the Ming Dynasty from the powerful Han Dynasty and Tang Dynasty [17]. The policy of physiocracy extended itself to international trade in the Ming Dynasty. The ban on maritime activities stifled the development of maritime commerce. This de-commercialized orientation led to the fact that China's marine industry and non-governmental trade at sea were not given enough stimulation domestically and were too bound to extend on the sea [15].

From the very beginning, official tributary trade of the Ming Dynasty was aimed at achieving certain political diplomatic purposes such as “cherishing men from afar” and “establishing Chinese-foreign system,” which put a drain on national revenue. Exchanges made during Zhenghe’s seven expeditions were the embodiment of Chinese mentalities of “implementing justice and humanity” and “giving more and getting less.” The essence was to realize moralization i.e., to influence with virtues instead of soldiers. The reason why tributary trade was able to last for hundreds of years was that the neighboring countries were in need of the Chinese civilization, particularly the economic flow from the Imperial China to those nations through tributary trade. Tributary states gained enormous economic profits, and in return China’s suzerain status was acknowledged by its surrounding nations [16]. This type of unequal trade, which was in stark contrast with the Western style of predatory colonial trade, continuously consumed national revenue.
It wasted too much manpower and money and did little to help the country to become stronger. Ever since the Emperor Xuande, the material base for expeditions was diminished so that the sailing enterprise of the Ming Dynasty was not able to sustain.

4. Conclusions

From the 15th to the 16th century, colonial trade in the West Europe was a combination of national and personal enterprise. This type of trade was accompanied with deception and violent looting. What followed was a huge amount of wealth flowing into the state nations. In contrast, official expeditions in the Ming government did not have the necessities to sustain. And the tributary trade consumed its national power greatly. The expeditions led by the Ming Government were separate from non-governmental commercial activities that were always against governmental policies. This resulted in the outflowing of national wealth and consuming of national power for the Ming government.

The competition between the emerging European nation states met the needs of the buoyant capitalism. Hence the material base was well supported by superstructure. Under the guidance of mercantilism, the opening up of new sea lanes reflected the interests of people from all walks of life, accelerated the primitive accumulation of capital, and thus heralded the rise of the West. The feudalist and self-secluded Ming Empire, though with strong economic power, advanced navigation techniques, and favorable economic conditions for business, focused on developing agriculture and suppressing commerce and did not make full use of its advantages to conduct international trade. The result was the loss of the opportunity to open up the world market. Consequently, China was forced to be involved in the world capitalist market until the 19th century.

In today’s increasingly globalized world with political and economic complexities, each nation state still faces the choice between “inward development” and “outward development.” “One Belt and One Road” initiative was the choice that China has made, and the U.S. preferred “American First.” Past experiences have told us that when facing any new economic situation, we have to conform to the objective laws of economic growth and adjust to development path actively with an open heart. Only in this way can we bring our own advantages into play and achieve peaceful growth.

References


