



# Transnational networks of human resources and knowledge in East Asia: a case study of Taiwan merchant Wang Xuenong (1870–1915) and his trading company

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## Abstract

Taiwan is an island and trade has always been the locomotive of its economic development. From the 1620s to the 1960s, cane sugar was Taiwan's most representative export commodity. Yet little attention has been paid to the business strategies of sugar traders and the changes in their thinking. How did the Takow (Kaohsiung) merchants who first went to Japan and Hong Kong to conduct cross-border trade in person learn about international trade and build a network of human resources that crossed borders, especially after the 1870s? And how did they face the great changes of an era in which tradition and modernity were intertwined, so that, following the regime transfer in the 1890s from the Qing Dynasty to the Japanese empire, they were able to expand their business territory and become major sugar merchants in southern Taiwan?

This article examines the career of Wang Xuenong—a well-known sugar merchant in Taiwan during the Meiji period (1868–1912). It attempts to explain, from the perspective of cross-cultural knowledge transfer and human resource strategies, why and how sugar merchants such as Wang, who had gone to Japan in the early years of the Meiji Restoration for purposes of cross-border trade, introduced a trading company system that incorporated a mixture of East Asian and Western elements. It further investigates how they expanded their business from the sugar trade into a wider commercial domain that included mechanical rice milling and steamship transport. Finally, it looks at how their actions affected a transformation of Taiwan's commercial culture from the late Qing Dynasty to the early days of Japanese rule, and the historical significance of these changes in Taiwan's transitions towards industrialisation and modernisation.

**Keywords:** business territory; Chen Zhonghe; Dechang Company; knowledge transfer; sugar merchant

## Introduction

Taiwan is an island and trade has always been the locomotive of its economic development. From the 1620s to the 1960s, cane sugar was Taiwan's most representative export commodity. Yet little attention has been paid to the business strategies of sugar traders and the changes in their thinking. Sherman Cochran pointed out that the participation of entrepreneurs and their employees in trading activities is a highly personal process and it is necessary to examine the space in which they operate—especially the role of long-distance traders as cross-border cultural brokers.<sup>1</sup> In other words, how did the regions

<sup>1</sup> Sherman Cochran, 'Dui Zhongguo qiyeshi yanjiu xianzhuang de sange tiaozhan [Chinese business history: three challenges to the state of the field]', in *Qiyeshi fazhanzhong de zhidu bianqian* 企業發展中的制度變遷 [*Institutional Change in Enterprise Development*], (eds.) Zhongmin Zhang 張仲民 and Xinglong Lu 陸興龍 (Shanghai, 2003), pp. 5–6.

or countries in which traders worked influence them, especially given the changing political and cultural conditions of each area?

Taiwan's sugar cane production is centred in the south. After the opening of the treaty ports in Taiwan in the 1860s, sugar was consistently the most important export commodity of southern Taiwan.<sup>2</sup> The export market eventually expanded from China to Japan, Europe, the USA, and Australia. In the mid-1880s, driven by comparative advantage, the Taiwan sugar markets gradually concentrated in China and Japan.<sup>3</sup> As early as the 1870s, Takow (Kaohsiung) merchants came to Yokohama to conduct business. Most previous studies have focused on the role of Western trade firms and compradors in the 'treaty-port system' or 'treaty-port economy', or on how they used the privileges garnered from the unequal treaties to protect their property and business.<sup>4</sup> However, this literature has seldom explored how the indigenous merchants directly involved in cross-border trade encountered new knowledge, learned international trade technology, utilised a range of human resources, and further expanded their trade networks by going to other countries and places.

Both Wang Tay-Sheng and Kao Shu-yuan noted that, by the late Qing Dynasty, Taiwanese officials and merchants had already taken the initiative to learn and imitate the Western company system because of their contact with foreigners.<sup>5</sup> However, they did not discuss in detail when, and through which channels, Taiwanese learned about these matters; the characteristics of the late Qing companies; nor the influence of Japanese business culture and the broader socio-political changes of the Meiji Restoration (1868–1911) in Japan on Taiwanese traders and the process of knowledge transfer.

The sugar trade between Taiwan and Japan in the late Qing Dynasty involved several firms, some of which were Western trading companies. Chen Fuqian (1834–82) had established Soon Ho Hong in Yokohama by the 1870s at the latest and it became one of the two major centres of the city's Chinatown.<sup>6</sup> After that, the Hexing Company was formed by the Soon Ho manager, Chen Zhonghe (1853–1930), and Chen Fuqian's family, and this new firm benefited from Soon Ho's influence. Soon Ho Hong and Hexing Company generally used Takow as their headquarters and sent staff to Yokohama to set up a branch. Several related studies have sketched the career of Chen Fuqian and the history of his

<sup>2</sup> Man-houng Lin 林滿紅, *Cha, tang, zhangnao ye yu Taiwan zhi shehui jingji bianqian (1860–1895)* 茶、糖、樟腦業與臺灣之社會經濟變遷 (1860–1895) [*The Tea, Sugar and Camphor Industries and Socio-Economic Change in Taiwan*] (Taipei, 1997), pp. 23–32.

<sup>3</sup> *Ibid.*, p. 118.

<sup>4</sup> See Billy K. L. So and Raymond Myers (eds.), *The Treaty Port Economy in Modern China: Empirical Studies of Institutional Change and Economic Performance* (Berkeley, 2013), translated into Chinese by Yinong Cheng 成一農 and Huanyi Tian 田歡譯 as *Jindai Zhongguo de tiaoyuegang jingji: Zhidu bianqian yu jingji biaoqian de shizheng yanjiu* 近代中國的條約港經濟：制度變遷與經濟表現的實證研究 (Hangzhou, 2013); Motono Eiichi 本野英一, *Dentō Chūgoku shōgyō chitsujō no hōkai* 伝統中国商業秩序の崩壊 [*Collapse of the Traditional Mercantile System in China*] (Nagoya, 2004).

<sup>5</sup> Tay-Sheng Wang 王泰升, *Taiwan falüshi de jianli* 臺灣法律史的建立 [*The Establishment of Taiwanese Legal History*] (Taipei, 1997), pp. 290–91; Shu-Yuan Kao 高淑媛, 'Rizhi qianqi Taiwan zongdufu zhi qiye guanli zhengce 日治前期臺灣總督府之企業管理政策 [The Taiwan Governor-General's corporate policies during the early period of Japanese rule in Taiwan]', *Taiwan shi yanjiu* 臺灣史研究 [*Taiwan Historical Research*], 12.1 (2005), p. 48. In the main text, references to East Asian figures follow the standard East Asian order in which surname precedes given name.

<sup>6</sup> Ito Izumi 伊藤泉美, 'Yokohama kakyo shakai no keisei 橫濱華僑社會の形成 [The formation of the overseas Chinese community of Yokohama]', in *Yokohama kaikō shiryōkan kiyō* 橫濱開港資料館紀要 [*Yokohama Archives of History Review*], 9 (1991), ix, p. 5; Youzhi Zhao 趙祐志, "'Shunhezhan" zai Hengbin (1864–1914) [The "Shunhe firm" in Yokohama (1864–1914)]', *Chonggao xuebao* 重高學報 [*Bulletin of [San]Chong High [School]*], 3 (2000), p. 202.

family's business in Taiwan and Japan.<sup>7</sup> However, past research often overlooked the fact that Soon Ho Hong became the Yokohama branch of the Hexing Company after the former was established in 1887. In 1890, W. W. Myers (1846–1920)—a medical officer with the Imperial Maritime Customs who was stationed in Takow—said that the Hexing Company, not Soon Ho Hong, controlled most of the sugar exports from southern Taiwan.<sup>8</sup> With the Hexing Company as the foundation of his business, Chen Zhonghe and his family, who had replaced the Chen Fuqian family as the leading Takow sugar traders, became the most prominent sugar merchants.<sup>9</sup>

In addition to Chen Fuqian and Chen Zhonghe, Wang Xuenong (1870–1915), who came from Lingyialiao (now Lingya District, Kaohsiung City) (Figure 1), was trained in the Soon Ho Hong and the Hexing Company. He was a sugar merchant who had been doing business and living in Yokohama for 10 years.<sup>10</sup> He and his boss, Chen Zhonghe, were Taiwanese businessmen who had seen the Meiji Restoration in Japan with their own eyes.

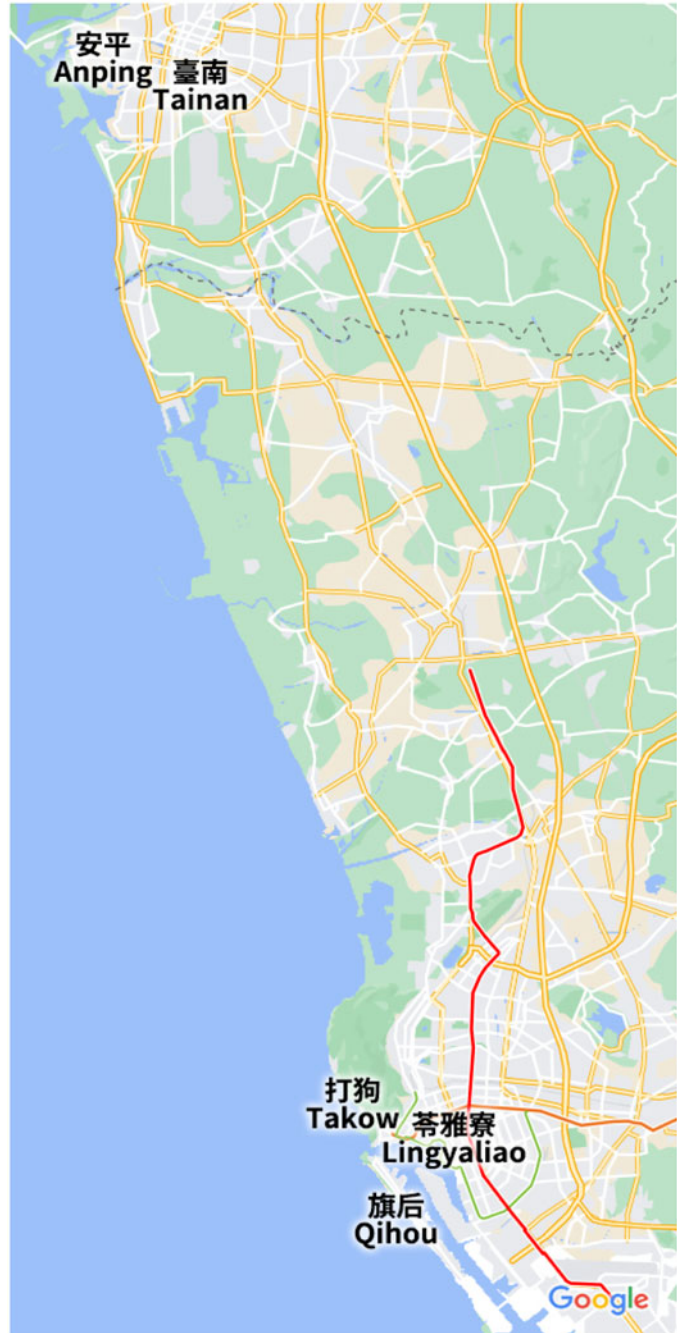
In April 1895, after the Treaty of Shimonoseki was signed and Taiwan ceded to Japan, many of Taiwan's local gentry and businessmen moved back to China with their families. Wang Xuenong went the other way. Taking advantage of the chaos and returning to Taiwan, he went to Tainan—the prefectural capital that had long been Taiwan's political and economic centre—and began doing business. He established several modern sugar

<sup>7</sup> Yuzi Yang 楊玉姿, 'Qingdai Dagou Chen Fujian jiazhu de fazhan 清代打狗陳福謙家族的發展 [The development of the family of Chen Fuqian of Takow in the Qing period]', *Gaoshi wenxian 高市文獻 [Kaohsiung Historiography]*, 1.2 (1988), pp. 1–20; Zhao, "'Shunhejian" zai Yokohama (1864–1914)', pp. 193–211; Shou-chen Chang 張守真, "'Hengbin Shunhezhan" chanquan zhuancheng wenti tantao 「橫濱順和棧」產權轉承問題探討 [An examination of the transfer of property rights of the "Yokohama Shenhe firm"]', *Taiwan wenxian 臺灣文獻 [Taiwan historica]*, 62.4 (2011), pp. 368–92; Pei-Chen Li 李佩蓁, 'Taiwan tangye juzi Chen Beixue 臺灣糖業鉅子陳北學 [Chen Beixue, the giant of the Taiwan sugar industry]', *Guoshi yanjiu tongxun 國史研究通訊 [Academia Historica research newsletter]*, 2 (2012), pp. 43–49; Pei-Chen Li 李佩蓁, 'Guoji maoyi yu Taiwan tangshang de zhuanxing: Yi Dagou Chen Fuqian jianzu wei lie (1860–1905) 國際貿易與臺灣糖商的轉型：以打狗陳福謙家族為例 (1860–1905) [International trade and the transformation of Taiwan's sugar merchants: a case study of the family of Chen Fuqian of Takow]', *Translocal Chinese: East Asian Perspectives 海外華人研究*, 9 (2019), pp. 54–72.

<sup>8</sup> The primary reason for this common mistake is reliance on Man-houng Lin's translation of W. W. Myers' 1890 report. See Man-houng Lin 林滿紅, 'Qingdai nanbu Taiwan de zhetangye 清代南部台灣的蔗糖業 [The sugarcane industry in southern Taiwan during the Qing period]', *Taiwan wenxian 臺灣文獻 [Taiwan historica]*, 28.2 (1977), pp. 137–42. Lin took 'H.H.' to refer to the Shunhe Hong, but actually it referred to the Hexing Company.

<sup>9</sup> Shu-Yuan Kao has reconstructed the pivotal role of the late Qing transition in the sugar trade from the Shunhe Hong to the Hexing Company; the competition and push and pull between the sugar merchants and foreign merchants; and the situation of late Qing Taiwan sugar from observations of changes in the Japanese market. See Shu-Yuan Kao 高淑媛, 'Yangren shengchan jixiehua yu Taiwan tangye: Yi Hengbin de Dagoutang wei lie (1870–1895) 洋人生產機械化與臺灣糖業：以橫濱的打狗糖為例 (1870–1895 年) [Foreign mechanisation of production and the Taiwan sugar industry: Takow sugar in Yokohama (1870–1895)]', *Gaoxiong wenxian 高雄文獻 [Kaohsiung Historiography]*, 4.3 (2014), pp. 7–25; Pao-tsun Tai 戴寶村, *Chen Zhonghe jiazhu shi: Cong tangye maoyi dao zhengjing shijie 陳中和家族史：從糖業貿易到政經世界 [A History of Chen Zhonghe's Family: From the Sugar Trade to the World of Politics and Economics]* (Taipei, 2008); Youzhi Zhao 趙祐志, 'Rizhi shiqi Gaoxiong Chenjia de ziben wangluo fenxi: Yi qiye jingying yu touzi wei zhongxin 日治時期高雄陳家的資本網絡分析：以企業經營與投資為中心 [An analysis of the capital networks of the Kaohsiung Chen family during the period of Japanese rule: enterprise management and investment]', *Taiwan wenxian 臺灣文獻 [Taiwan historica]*, 62.4 (2011), pp. 417–84; Shou-chen Chang 張守真 and Yuzi Yang 楊玉姿, *Chen Zhonghe xinzhuàn 陳中和新傳 [A New Biography of Chen Zhonghe]* (Kaohsiung, 2014).

<sup>10</sup> Wang Xuenong was born in March 1870. He entered school in 1876 and in 1883 began working for Shunhe Hong. During the decade between 1885 and 1895, he learned the rice and sugar trade at the Shunhe Hong offices in Yokohama Hong. See Wang Xuenong 王雪農履歷書 [Records of Wang Xuenong], in *Taiwan zongdufu gongwen leizuan 臺灣總督府公文類纂 [Records of the Government of the Governor-general of Taiwan]*, held at the Taiwan Historica 國史館臺灣文獻館, classification no. 00002254004, 1914.



**Figure 1.** Places related to the sugar traders in Taiwan. Source: created on Google Maps by the author.

companies one after another, most notably the famous Ensuigo Sugar Company, which was the first to be founded using only Taiwanese capital.

Wang further revitalised the Tainan Sanjiao—the most powerful merchant organisation in Taiwan. The Sanjiao was an association of three major trading guilds, or brokerage cartels, that had become extremely influential in Taiwan and its maritime trade during the nineteenth century; its force was felt not only in trading circles, but also in politics

and society. With regime change, Sanjiao members had scattered, with most going to mainland China, and the organisation had collapsed. Wang revived it and he became the first head of the Sanjiao association (*kumiai*) at the invitation of Shinpei Goto, the minister of civil affairs.<sup>11</sup> Although arguably a representative example of Taiwan sugar merchants during the transfer from the Qing Dynasty to the Japanese empire, Wang Xuenong himself—not to mention his relationship with Chen Zhonghe—has not been the subject of much research.

This article takes up this case. From the perspective of knowledge transfer and human resource strategies, it explains how sugar merchants such as Wang, who had already traded in Japan since the 1880s, introduced trading companies that mixed Eastern Asian (Chinese and Japanese) and Euro-American elements into Taiwan; how they expanded their business territory; and how this influenced the transformation of Taiwan's commercial culture from the late Qing to the early days of Japanese rule, as well as the historical significance of this transformation for Taiwan's transitions towards industrialisation and modernisation.

### Chen Zhonghe, Wang Xuenong, and the transnational sugar trade in Japan after the 1870s

In southern Taiwan, sugar was generally exported from the two treaty ports of Anping and Takow, but the export markets were different. Due to consumer preference, Takow sugar was mainly exported to Japan, while Anping sugar was sold to central and northern China.<sup>12</sup>

The difference in the export markets of Takow and Anping sugar affected the trading experience of the sugar merchants in the two places and their views on foreign cultures and practices. Takow sugar was initially exported to Yokohama, the first treaty port in Japan, and then in smaller amounts to Kobe. Sugar merchants also initially moved to Yokohama.<sup>13</sup> In *circa* 1856, Chen Fuqian was the comprador of the American firm W. M. Robinet & Co. After the firm closed down, he became the comprador for the Dent Company, a British concern. Chen established Soon Ho Hong in Qihou (now Qijin, Kaohsiung) in *circa* 1863 and the Soon Ho store in Lingyaliao in 1870 when the scale of its trade expanded. That store was responsible for the purchase of sugar in southern Taiwan and the sale of opium. It had three sugar warehouses located in Donggang, Aligang, and Yanshuigang for advance purchasing of sugar.<sup>14</sup>

In the same year, Chen Fuqian hired Chen Zhonghe, who was only 17 years old, to escort the sugar in a Western sailing vessel directly to Yokohama for sale. At first, the vessel went back and forth to Yokohama once a month and exchanged money at Dadetang.<sup>15</sup> In 1876, Soon Ho Chan, another warehouse specialising in the sugar trade,

<sup>11</sup> Huai Hsien Huang 黃懷賢, 'Taiwan chuangtong shangye tuanti Tainan sanjiao de zhuanbian (1760–1940) 灣傳統商業團體臺南三郊的轉變 (1760–1940) [The Transformation of Taiwan Traditional Merchant Associations: The Three jiao of Tainan, 1760–1940]' (unpublished master's thesis, National Chengchi University, 2012), pp. 53–54.

<sup>12</sup> Ueno Sen'ichi 上野專一, 'Taiwan shisatsu fukumei sho 臺灣視察復命書 [Reports on Taiwan], p. ii, (1894), unnumbered manuscript, held at the National Central Library; Ōkurashō Rizaikyoku 藏省理財局, *Taiwan keizai jijō shisatsu fukumei sho 臺灣經濟視察復命書 [Reports on Economic Affairs in Taiwan]* (Tokyo, 1899), p. 213.

<sup>13</sup> Rizaikyoku, *Taiwan keizai jijō shisatsu fukumei sho*, 213; Higuchi Hiroshi 樋口弘, *Nihon tōgyōshi 日本糖業史 [A History of the Japanese Sugar Industry]* (Tokyo, 1956), pp. 495–96.

<sup>14</sup> Chang and Yang, *Chen Zhonghe xinzhuan*, pp. 17–21; Yang, 'Qingdai Dagou Chen Fujian jiazou de fazhan', pp. 1–19; Zhao, "'Shunhejian" zai Yokohama (1864–1914)', pp. 193–210.

<sup>15</sup> 'Taiwan no satō bune 臺灣の砂糖船 [Sugar boats of Taiwan]', *Taiwan nichinichi shinpō 臺灣日日新報 [Taiwan Daily News]*, 1 January 1907, p. 37.

was officially established in a rented building in Yokohama, and it also had branches in Nagasaki and Kobe. When Chen Fuqian passed away in May 1882, Chen Zhonghe returned to Takow, where he ‘served as the general manager of the Soon Ho Hong, and sold sugar to Yokohama’.<sup>16</sup> Thus, since 1870, Chen Zhonghe had been doing business in Yokohama and he stayed in Japan at least from 1876 to 1882 to run the Soon Ho Chan in Yokohama.

When the family divided the property in 1887, most of the enterprises established by Chen Fuqian were inherited by his younger brother, Chen Beixue, who was mainly engaged in business in Tainan and therefore became a powerful sugar merchant.<sup>17</sup> In November of that year, Chen Zhonghe recruited members of Chen Fuqian’s family in Takow and established Hexing Company as a joint venture with capital raised through shares. The Hexing Company primarily operated import and export trade between China, Hong Kong, and Japan. In the tradition of the ‘98 firms’ (*jiuba hang* 九八行), it accepted commissioned sales and took a 2 per cent commission. The Soon Ho Chan in Yokohama became its branch.<sup>18</sup> In 1890, the Hexing Company already controlled more than half of the sugar produced in Fengshan County,<sup>19</sup> replacing Soon Ho Hong, and became the largest company controlling Takow sugar. At that time, Chen Zhonghe also represented Hong Kong insurance companies such as Antai, Wan’an, Ji’an, and Pu’an, and acted as the comprador of the Penang Qianyuan Insurance Company of Malaysia and the British Wright & Co.<sup>20</sup> Later, Chen Zhonghe and the Chen Fuqian family had disputes and were involved in litigation over the Hexing Company and Soon Ho Chan of Yokohama.<sup>21</sup> Even so, after 1887, with Hexing Company as his base, Chen Zhonghe spread his network throughout Japan, Hong Kong, and Southeast Asia, gradually replacing the Chen Fuqian family and becoming Takow’s most important sugar merchant.

In 1883, after Chen Zhonghe returned to Takow, the 13-year-old Wang Xuenong entered Soon Ho Hong to learn the trade. After just two years, he was sent to Soon Ho Chan in Yokohama as a bookkeeper and was promoted to deputy general manager in 1890.<sup>22</sup> Wang Xuenong’s quick promotion indicates that he must have won Chen

<sup>16</sup> ‘Chen Zhonghe lülìshù 陳中和履歷書 [Records of Chen Zhonghe]’, in *Taiwan zongdufu gongwen leizuan* 臺灣總督府公文類纂, held in the Records of the Government of the Governor-general of Taiwan at Taiwan Historical Archives 國史館臺灣文獻館, classification no. 0000011121, 1897.

<sup>17</sup> At first, Chen Beixue chose to begin his career in Tainan. By 1870, he was already managing the *Xinruihe hao* in the cloth store located on Neigonghou Street there. In 1884, he became a guarantor for *lijin* duties. Three years later, the family divided and he received the greater part of Chen Fujian’s property, including the *Bangji hao*, *Takow Shunyuan hao*, *Donggang Shunmao hao*, *Aligang Shunyuan zhan*, and the compradorship of the *Tait Company* in Qihou. Li, ‘Taiwan tangye juzi Chen Beixue’, pp. 44–45.

<sup>18</sup> Shou-chen Chang and Yuzi Yang have pointed out that, after the Yokohama *Shunhe Hong* became a branch of Hexing Company, it changed its name to *Shunhe Xingji Zhan*; see their *Chen Zhonghe xinzhuan*, p. 92. However, judging from documents and inscriptions, it was still called *Yokohama Shunhezhan*. Rinji Taiwan Kyūkan Chōsakai 臨時臺灣舊慣調査會, *Taiwan tōgyō kyūkan ippan* 臺灣糖業舊慣一斑 [A General Survey of Old Customs in the Taiwan Sugar Industry] (Kobe, 1909), p. 115; ‘Guangxu sanshi’er nian chongxiu Changqi Tianhougong beiwen 光緒三十二年重修長崎天后宮碑文 [Inscription on the reconstruction of the Nagasaki Tianhou temple in the thirty-second year of the Guangxu reign (1906)]’, now preserved at the ruins of the Chinese temple to Mazu in Nagasaki.

<sup>19</sup> ‘Chen Zhonghe lülìshù’; Li, ‘Guoji maoyi yu Taiwan tangshang de zhuanxing’, pp. 61–63; Chang and Yang, *Chen Zhonghe xinzhuan*, pp. 90–92.

<sup>20</sup> ‘Chen Zhonghe lülìshù’.

<sup>21</sup> See Chang, ‘“Hengbin Shunhezhan” chanquan zhuancheng wenti tantao’, pp. 379–85; Chang and Yang, *Chen Zhonghe xinzhuan*, chapter III.

<sup>22</sup> ‘Wang Xuenong lülìshù’; Nakagami Nagafumi 中神長文, *Tainan jijō* 臺南事情 [Tainan Affairs] (Taipei, 1985), p. 132. Comparing Nakagami’s account with the ‘Wang Xuenong lülìshù’, the records concerning Wang Xuenong during the period of Japanese rule have a number of mistakes. Nakagami’s record of events also has some discrepancies and errors; for example, from 1885 to 1895, Wang Xuenong was in Yokohama and he only returned to Taiwan in 1895.

Zhonghe's appreciation and trust. Chen took a personal interest in training Wang, who enjoyed Chen's patronage and was assigned important responsibilities. In the process, Chen and Wang established a close and lasting relationship as 'master and servant'.

Following the 1895 cession of Taiwan to Japan, armed anti-Japanese forces surged across Taiwan. Chen Zhonghe fled to Xiamen because he was being forced by Liu Yongfu, the leader of the anti-Japanese rebels in Tainan, to donate money and rice to their cause. Wang Xuenong therefore returned to Taiwan to manage Hexing Company affairs on Chen's behalf. Wang also provided information to the Japanese forces on the resistance and supplied the army with provisions. In October 1895, Liu Yongfu was defeated and escaped to China. The Republic of Formosa in southern Taiwan collapsed and, in November, the war officially ended.<sup>23</sup> In January of the following year, Chen Zhonghe returned to Takow from Xiamen and led Wang Xuenong and other subordinates to continue assisting the Japanese with intelligence on the Taiwanese resistance. As a result, Hexing Company was even besieged once by anti-Japanese guerrillas and Chen Zhonghe had to flee.

From the actions described above, we can make some inferences. Wang Xuenong and Chen Zhonghe had resided and traded in Japan for a long time and had witnessed the achievements of the Meiji Restoration first-hand. In the face of Japan's annexation of Taiwan, they adopted a strategy of accepting Japanese rule and even assisting the new government against the anti-Japanese Taiwanese forces. Therefore, they derived much benefit from the colonial government, as will be described below.

### The arrangement of business territory between boss and employee

Both Chen Zhonghe and Wang Xuenong had long-term trading experience in Yokohama. Wang Xuenong had lived in Japan for more than 10 years, starting when he was still a youth, and he often travelled to and from Kobe and Osaka.<sup>24</sup> Unlike traditional Chinese people, who always stayed in Chinatown and did not get involved with the locals, both Chen and Wang could speak Japanese very well. Chen Zhonghe established a trade relationship with Abe Kōbei (1847–1919) as early as 1873, 'as [he] knew things about Japan',<sup>25</sup> and Wang Xuenong 'had close relationships with Japanese businessmen', even closer than he had with other businessmen.<sup>26</sup> They were thus able to establish a new kind of human resource network within the Japanese commercial community, and they further gained an understanding of Japanese business culture and management principles. Moreover, Yokohama and Osaka, which they often visited, were important commercial cities during the Meiji Restoration<sup>27</sup> and so Chen Zhonghe and Wang Xuenong had the

<sup>23</sup> Tiankai Zheng 鄭天凱, *Gong Tai tulu: Taiwan shi shang zuida yichang zhanzheng 攻臺圖錄：臺灣史上最大一場戰爭* [An Illustrated Record of the Invasion of Taiwan: The Greatest War in the History of Taiwan] (Taipei, 1995), pp. 128–37. On the founding and disappearance of the Republic of Formosa, see Chiautong Ng 黃昭堂, *Taiwan Minzhuguo yanjiu: Taiwan duli yundongshi de yiduanzhang 臺灣民主國研究：臺灣獨立運動史的一斷章* [A Study of the Republic of Formosa: One Chapter in the History of the Taiwanese Independence Movement], (trans.) Weizhi Liao 廖為智 (Taipei, 2005).

<sup>24</sup> 'Kuajiji de ren 會計得人 [Accountants]', *Taiwan nichinichi shinpō* [Taiwan Daily News], 20 November 1898, Chinese-language paper, 6th edn.

<sup>25</sup> Chen Zhonghe transported Takow sugar to Yokohama in 1873 and sold it to Abe Kōbei in Enobuya. In 1884, Abe opened Masudaya Abe Kobei Store in Yokohama. Chang and Yang, *Chen Zhonghe xinzhuan*, pp. 80–81.

<sup>26</sup> *Taiwan zongdufu gongwen leizuan*, classification no. 00002217011, 1897; 'Kuajiji de ren'.

<sup>27</sup> Yokohama was the first treaty port in Japan, and it was the first to absorb Western culture and new knowledge, and to the greatest degree. Under the leadership of Godai Tomoatsu (1836–85), Osaka not only continued to maintain its status as a commercial centre, but was also a major centre of commerce and Westernisation in the Kansai region. Tsugawa Masayuki 津川正幸, 'Godai Tomoatsu to Dōjima Beishō Kaisho Meiji 13 nen 3 gatsu 4 gatsu gen baibai chūshi ikken 五代友厚と堂島米商会所明治13年3月4日限売買中止一件' [A document on

opportunity to observe closely how Japan moved towards commercial modernisation. They can be said to have been the Taiwanese who knew Japan best at that time and so they were able to act as brokers of commercial culture to transfer knowledge to Taiwan.

Chen Zhonghe's early trading experience in Dadetang is also worth noting. Dadetang was actually operated by the Guangzhao commercial group, which was composed of businessmen from Guangzhou and Zhaoqing.<sup>28</sup> The Guangzhao commercial group made up the overwhelming majority of the overseas Chinese in Yokohama, and also controlled the Chinese Guild Hall, which was established in *circa* 1870.<sup>29</sup> It can be seen from Chen Zhonghe's election as the trustee of the Guild Hall in 1876 that he had a close relationship with the Guangzhao commercial group.<sup>30</sup> Furthermore, Chen also conducted trade with the Fujianese Taichang firm in Nagasaki.<sup>31</sup> These contacts may well have helped him to extend his trade network to Hong Kong and Southeast Asia.

In conducting the sugar trade between Taiwan and Japan, shop staff were sent to Yokohama and Kobe for a long time; in addition, sometimes it was necessary for them to pass through Hong Kong or remit the payment from Yokohama Shoji Bank to Hong [Kong] Shang[hai] Bank (the predecessor of HSBC Bank) in Hong Kong and then purchase oil, opium, and foodstuffs to bring back to Taiwan.<sup>32</sup> After 1885, Taiwanese brown sugar encountered fierce competition in the Yokohama market from the mechanised sugar production of Westerners from Hong Kong.<sup>33</sup> Therefore, traders who were dispatched to Hong Kong often had to purchase goods and investigate business conditions in Hong Kong, and so acquired a thorough experience of Hong Kong; they also took the opportunity to learn international trade management skills.<sup>34</sup>

Chen Zhonghe was 'familiar with the general trends of Asia' because, apart from his familiarity with Japan, he had also travelled to Xiamen and Hong Kong and was able to speak English.<sup>35</sup> The Hexing Company, which he managed, did not adopt the traditional Taiwanese *hong* (行) or *hao* as part of its name.<sup>36</sup> It had just seven shareholders and

Godai Tomoatsu and the Dojima Rice Exchange suspension in the 3rd and 4th months of Meiji 13 (1880)', *Kansai Daigaku keizai ronshū* 關西大學經濟論集 [*The Economic Review of Kansai University*], 22.1 (1972), p. 1.

<sup>28</sup> Dadetang was run by the Guangzhao commercial group established by merchants from Guangzhou and Zhaoqing. It mainly imported sugar from Hong Kong into Yokohama. Its products included rice, camphor, poria (a kind of mushroom), and rhubarb. Zhao, "'Shunhejian" zai Yokohama (1864–1914)', pp. 206–7.

<sup>29</sup> Ito, 'Yokohama kakyō shakai no keisei', pp. 16–21; Zhao, "'Shunhejian" zai Yokohama (1864–1914)', pp. 203–5.

<sup>30</sup> 'Chen Zhonghe lülìshū'.

<sup>31</sup> Trade documents of the Taichang firm, 1862–1901, collection no. T1001-13306-13309, held at the Archives of the Institute of Taiwan History, Academia Sinica.

<sup>32</sup> See the following articles from *Taiwan nichinichi shinbō* 臺灣日日新報 [*Taiwan Daily News*]: 'Nanbu sōgyōdan 南部商業談 [A discussion of commerce in the south]', 8 July 1905, 4th edn; 'Nanbu sōgyō dan (shozen) [A discussion of commerce in the south (continued)]', 9 July 1905, 4th edn. See also Miyazaki Kenzō 宮崎健三, *Chin Chūwa ō den* 陳中和翁傳 [*Biography of Mr. Chen Zhonghe*] (Taipei, 1931), p. 10.

<sup>33</sup> Kao, 'Yangren shengchan jixiehua yu Taiwan tangye', pp. 7–25.

<sup>34</sup> 'Nanbu sōgyō dan'; 'Nanbu sōgyō dan (shozen)'.

<sup>35</sup> *Taiwan zongdūfu gongwen leizuan*, classification no. 00002217011, 1897.

<sup>36</sup> The word 'company' had already appeared in the Qing Dynasty (see Liu Shuihu-Feng 劉序楓, 'Jindai Huanan chuantong shehuizhong "gongsi" xingtai zaikao: You haishang maoyi dao defang shehui 近代華南傳統社會中「公司」形態再考：由海上貿易到地方社會 [A reconsideration of the "company" form in traditional southern Chinese society in the modern period: from maritime trade to local society]', in *Bijiao shiyexia de Taiwan shangye chuantong 比較視野下的臺灣商業傳統 [Commercial Traditions in Taiwan: A Comparative Perspective]*, (ed.) Lin Yu -ju (Taipei, 2012), pp. 227–66. Before Hexing Company, however, Taiwan did not have a business name that included the word 'company'. For instance, businesses in the Zhuqian and Lukang areas were named using the word *hao* before 1895. Yu -ju Lin 林玉茹, *Qingdai Zhuqian diqu de zaidi shangren ji qi huodong wangluo* 清代竹塹地區的在地商人及其活動網絡 [*Merchants in the Zhuqian Area and Their Networks of Association during the Qing Dynasty*] (Taipei, 2000), Appendix Chart 2.



formed a private company or a closed company based on family capital. He most likely adopted this approach from Western companies (*yanghang* 洋行)<sup>37</sup> in order to conduct international trade. The motivation was the British enactment of the ‘company law’ in 1862 and its introduction into Hong Kong in 1865; the law required a minimum of seven shareholders to form a company. This also made it more common for new firms to use the term ‘company’ (*gongsi*) in their names.<sup>38</sup> Moreover, in order to compete against the Western powers, the new Meiji government of Japan established a trading company (Kōshō Kaisha) in 1869 with the participation of Inoue Kaoru and Godai Tomoatsu, both of whom had experience with Western companies. The Satsuma Rebellion of 1877 stimulated inflation and the establishment of companies gradually became popular.<sup>39</sup> In other words, setting up trading companies in Hong Kong and Japan to carry out international trade became a trend.

In the 1890s, the businesses established by Chen Zhonghe and Wang Xuenong and foreign partnerships were mostly called companies and seldom used the term *hong* in their names. Dechang Company (Dechang Gongsi), established by Wang Xuenong, was even called ‘Dechang Foreign Company’ (Dechang Yang Hong 德昌洋行).<sup>40</sup> In other words, even though, as Li Pei-Chen has noted, the Hexing Company system still had its limitations, to only regard it as a ‘mature form of the traditional Chinese joint-stock (合股) [venture]’ is to underestimate it. The 1911 work *Civil Law in Taiwan* noted that, in the late Qing Dynasty, Taiwan’s traditional joint-stock ventures had undergone changes for the first time, with the addition of ‘precise and reasonable’ contracts. Wang Tay-Sheng called the form a ‘joint venture with a twist’ (*bianxing hegu* 變形合股),<sup>41</sup> which is more appropriate.

Hexing Company had not yet fully become a Western-style enterprise. Still, the historical significance of Taiwanese businesses (starting with Hexing in the 1880s) using ‘company’ in their names as well as adopting more detailed joint-stock contracts cannot be ignored. Chen Zhonghe and Wang Xuenong had long lived abroad to conduct foreign trade and they had deep experience in Japan and Hong Kong. As early as the late Qing Dynasty, they had even expanded their business network into Southeast Asia. They were the first generation of Taiwanese merchants who personally engaged in cross-border trade in the late nineteenth century. They had a wealth of experience in ‘commercial warfare’, understood the new developments in the international arena at the time, and were the first to follow the ‘company’ trend in order to manage cross-border trade.

Chen Zhonghe did not completely adopt a management model based on blood, but instead appointed men of talent. Clearly, Wang Xuenong was employed by him because

<sup>37</sup> Zhongmin Zhang 張忠民, *Jiannan de bianqian: Jindai Zhongguo gongsi zhidu yanjiu* 艱難的變遷：近代中國公司制度研究 [An Arduous Transformation: An Analysis of the Modern Company System in China] (Shanghai, 2001), p. 103.

<sup>38</sup> The UK enacted the Limited Liability Act in 1855. After its amendment in 1862, the law was officially called the Company Act. In 1865, Hong Kong formulated its first Company Ordinance in accordance with the Company Act. Hong Kong Companies Registry 香港公司註冊處, *Xianggang gongsi zhuce de lishi—Yanjiu baogao* 香港公司註冊的歷史——研究報告 [The History of Hong Kong Company Registration: A Research Report] (Hong Kong, 2013), p. 12; Zong’e Li 李宗鏗, *Xianggang heyuefa yu gongsifa* 香港合約法與公司法 [Contract Law and Company Law in Hong Kong] (Hong Kong, 1995), pp. 100–4.

<sup>39</sup> Takamura Naosuke 高村直助, *Kaisha no tanjō* 会社の誕生 [The Birth of the Company] (Tokyo, 1996), pp. 31, 54.

<sup>40</sup> In 1899, Wang Xuenong donated to the reconstruction of the Temple of Heaven initiated by Cai Guolin and others in the name of the Dechang Foreign Company. See ‘Chongxiu Tiantan beiji 重修天壇碑記 [Inscription on the reconstruction of the Temple of Heaven]’, at present located in Tiangongtan Park in present-day Hsinchu City, Taiwan.

<sup>41</sup> Li, ‘Guoji maoyi yu Taiwan tangshang de zhuanxing’, p. 62; Rinji Taiwan Kyūkan Chōsakai 臨時臺灣舊慣調查會, *Taiwan shihō* 臺灣私法 [Civil Law in Taiwan], III, part 2 (Tokyo, 1911), p. 120; Wang, *Taiwan falishi de jianli*, pp. 290–91.

Wang was good at accounting. Wang even managed the business on Chen's behalf when the latter retreated to Xiamen. The relationship between Chen Zhonghe as owner and Wang Xuenong as an employee was similar to that of Chen Fuqian and Chen Zhonghe. However, perhaps based on their personal experience and due to their witnessing the contention and litigation over property that occurred between Chen Fuqian and Chen Beixue's family,<sup>42</sup> they learned a lesson and moved from the 'master-servant' relationship to establishing respective spaces within the business and cooperating closely.

In doing this, they may have taken reference from Japanese traditional business customs. For example, Echigoya was the predecessor of the Mitsui Consortium. The staff to be hired were divided into various classes according to age and ability. After long-term employees were promoted from being workers who lived at the company to *bekke* (branch homes) who commuted from their own homes, the head family could let them become independent families and use the trademark of the store as a way to share commercial credit. Most businesses in Kyoto and Osaka had the habit of allowing long-term shopkeepers (*bantō*) who were not related by blood to eventually stand alone as a reward for service.<sup>43</sup> Chen Zhonghe, who returned to Takow from Xiamen, and Wang Xuenong, who had helped protect the master's property during the war, also faced this issue. Wang Xuenong, who was 26 years old and quite capable, wisely decided to set up independently in Tainan.

In fact, the production and trade patterns of Takow and Tainan sugar in the late Qing Dynasty were quite different. Starting from Chen Fuqian, Takow sugar gradually fell into the hands of one or two traders, including Soon Ho Hong and later Hexing Company. In contrast, the trade in sugar produced in the Tainan area had since the early Qing Dynasty been controlled by a network of sugar guilds that sold to North and Central China, making it difficult for foreign merchants to compete with it.<sup>44</sup>

In the 1890s, the Takow sugar production area was mainly controlled by Hexing Company; it was thus a case of 'one mountain cannot accommodate two tigers'. Wang Xuenong, who wanted to be independent, would naturally not choose to compete with Chen Zhonghe in Takow. Chen Zhonghe returned to Takow from Xiamen at the beginning of 1896 and, in December of that year, Wang Xuenong went to Tainan and established his own business: Dechang Company.<sup>45</sup> Wang Xuenong still maintained a close connection with Chen Zhonghe through co-investment partnerships<sup>46</sup> but each had his own separate business territory. Wang Xuenong's business was rarely involved in the Takow area, although Hexing Company's network expanded to Tainan through Wang's connections. Instead, the 'master' and the 'servant' jointly divided the sugar trade in southern Taiwan. This brought about a new situation, known at the time as 'Takow, Chen Zhonghe; Tainan, Wang Xuenong'; they were the two largest merchants in southern

<sup>42</sup> For details, see Li, 'Taiwan tangye juzi Chen Beixue'.

<sup>43</sup> Mitsui Bunko 三井文庫 (ed.), *Shiryō ga kataru Mitsui no ayumi: Echigoya kara Mitsui zaibatsu* 史料が語る三井のあゆみ—越後屋から三井財閥 [The Development of Mitsui as Described in Historical Materials: From the Echigoya [shop to] the Mitsui Financial Conglomerate] (Tokyo, 2015), p. 39.

<sup>44</sup> In addition to Hexing Company, another important sugar merchant was the Zhang Yangqing family. See Lin, 'Qingdai nanbu Taiwan de zhetangye', pp. 137, 141–42; Yu-ju Lin 林玉茹, 'Zhengzhi, zuqun yu maoyi: Shiba shiji haishang tuantijiao zai Taiwan de chuxian 政治、族群與貿易：十八世紀海商團體郊在臺灣的出現 [Politics, lineage and trade: the emergence of maritime trade organisations in eighteenth-century Taiwan]', *Guoshiguan guankan* 國史館館刊 [Academia Historica Journal] (December 2019), pp. 22–28.

<sup>45</sup> 'Wang Xuenong lilishu', 1914.

<sup>46</sup> For example, in 1899, Taiwan's Governor-General Kodama Gentarō made a tour of the south. Chen Zhonghe was unable to receive the governor because he was in mourning for his father, so he was received by Wang Xuenong on his behalf. 'Zappō mondai zōkō 雜報門第增光 [Miscellaneous reports: a family gains glory]', *Taiwan nichinichi shinpō* 臺灣日日新報 [Taiwan Daily News], 30 September 1899, 5th edn.

Taiwan before 1905. Their story shows how the first batch of Taiwanese businessmen with international trade experience in the late Qing Dynasty absorbed new knowledge from foreign countries, seized opportunities, and developed their own business territories.

### A trading company with a mixture of Eastern Asian and Euro-American resources and systems

Having come to Tainan at the end of 1896, Wang Xuenong first gathered 15 ‘shareholders’ from Taiwan and China.<sup>47</sup> With 30 shares totalling 30,000 yuan, he founded together with them a joint venture known as Dechang Company.<sup>48</sup> Based in Tainan Prefecture, it conducted ‘business [in places] including China, overseas, [and] the southern and northern [parts] of Taiwan’. Wang set up a warehouse in Yokohama and the concern operated in Japan, Hong Kong, Xiamen, Shantou, Shanghai, Ningbo, Tianjin, Yantai, and other places, picking up and distributing goods, especially cloth. Dechang also acted as a 98 firm for purchasing and selling goods from the north and south of Tainan Prefecture.<sup>49</sup> In other words, as it responded to the range of trading situations from domestic to global, Dechang Company integrated the qualities of traditional 98 firms and of modern foreign companies. It coordinated with Tainan’s sugar export market—mainly the part of it that stretched northwards from central China—and expanded its trading network from Japan and Hong Kong to China and Southeast Asia.

With his experience in multinational trade spanning Japan, Hong Kong, and China, Wang Xuenong understood global trends and could recruit capital from outside Taiwan. Although Dechang imitated the establishment of Hexing Company in form, it was also innovative. The 17-item contract noted the ‘naming [of the enterprise as] Dechang Company’; the issuance of ‘stocks’ (*gupiao*) to shareholders as certificates of their shares, which could be passed on to their heirs; and the election by the shareholders of Wang Xuenong and He Dexiu<sup>50</sup> to serve as the principal and deputy *dangshi* (manager), as well as the establishment of an unpaid *xieliren* (associate). It also specified in detail the capital composition of the firm, the powers and salaries of the managers, responsibilities concerning profit and loss, the distribution of income, the establishment of a provident fund, shareholder loans, the transfer of shares, auditing of accounts, business closure, and various regulations concerning corporate ethics from managers down to shareholders.<sup>51</sup>

This was quite different from the relatively simple content of a traditional joint-stock firm contract. Dechang Company in its formation thus revealed the spirit and norms of a modern company. It is worth noting that the amount of capital paid in by shareholders received fixed interest every year. ‘Those who put money into the firm’ were to receive 10 per cent interest every year. In other words, in addition to holding shares, shareholders could leave money in the company, on which they obtained a fixed interest. This was somewhat similar to the *sashikuwa-kin* (差加金, additional investment) of Osaka

<sup>47</sup> Among the 15 shareholders, Huang Zhaoji was from China and Chen Longji, who also invested in Jiexing Company, was most likely from Lingyaliào. Rinji Taiwan Kyūkan Chōsakai 臨時臺灣舊慣調查會, *Taiwan shihō furoku sankōsho* 臺灣私法附錄參考書 [Civil Law in Taiwan: Appended Reference Materials], juan 3 xia, juan 4 (Taipei, 1911), pp. 7, 27; and *Taiwan shihō*, juan 3, xia, p. 250.

<sup>48</sup> It was also known as Dechang Hong, Dechang Firm, Dechang Foreign Co., etc.

<sup>49</sup> Traditional Taiwanese import and export trade merchants were divided into two types: the ‘98 firms’ (*jiuba hang*) and the ‘bow firms’ (*chuantou hang*). A 98 firm helped merchants or ships visiting Hong Kong search for local cargo and sell the goods, for which it charged a 2 per cent commission. A bow firm had its own vessels and operated a shipping industry.

<sup>50</sup> He Dexiu also came from Takow. He ran the Deying firm, which was involved in the rice and sugar trade.

<sup>51</sup> Rinji Taiwan Kyūkan Chōsakai, *Taiwan shihō furoku sankōsho*, juan 3 xia, pp. 7–8.

Commercial Company, which was established in 1869 as one of the first Japanese trading companies.<sup>52</sup> Second, the principal and deputy managers were paid not only a set monthly salary, but also, along with the associate, a dividend known as a 'shadow share'. Moreover, 5 per cent of the company's profit was used as a provident fund and passed on to the employees as a yearly bonus; the rest was shared equally by the shareholders. Third, the managers 'handled the overall business' and, in consultation with the associate, controlled the appointment of the staff, except for the accountants (*zhangfang*, *kuaji*) in charge of the money, who were elected by the shareholders.<sup>53</sup>

This joint-stock contract, as well as the contract of the Jiexing 捷興 Company (known popularly as Laiji Chan 唻記棧) that was set up in 1895 and also came out of the Hexing Company, did indeed take Hexing Company as their model. But, besides adding coordinators,<sup>54</sup> they also added provident funds, stock inheritance, and more rigorous corporate ethics regulations. Furthermore, Dechang Company's corporate institutionalisation was on a higher level than that of the Hexing Company. It had separated investors (capital owners) and operating managers (professional managers), and had escaped the constraints of raising funds primarily within a given family. The associate system was shaped even more by the commercial laws of Japan, as well as by those of Hong Kong and other British territories; the system was not part of Taiwan's traditional business practice.<sup>55</sup>

Dechang Company clearly had a more pronounced Japanese element. This is because, although Japan began to use the term 'company' at the end of the Tokugawa period (1603–1867), it was not until 1881, after a period of exploration, that the company law was drafted; it was only officially promulgated in 1889. In the second half of the 1880s, with the enterprise boom, a wave of liberalisation facilitated the establishment of companies.<sup>56</sup> During this period, Chen Zhonghe returned to Taiwan, while Wang Xuenong stayed in Yokohama and witnessed this process first-hand. Therefore, in 1896, when Wang founded Dechang Company, he included Japanese commercial law and corporate ethics in its constitution.

A comparison of the Dechang example with the joint-stock contracts established by Ruixing Foreign Company or Fucheng (Tainan)'s Shimoji in around the 1880s<sup>57</sup> highlights the advantages of Dechang Company in capital raising and governance structure. It not only integrated Chinese, Japanese, and Western corporate organisational models, but also adopted the strengths of both traditional and modern enterprises. Wang Xuenong knew how to use bank financing and to negotiate bills (*yahui* 押匯) of import and export<sup>58</sup>; he further hired a Japanese staff member, Eguchi Otosan, to assist in the operation.<sup>59</sup> His ability to utilise multiple forms of knowledge and a variety of human resources helped Wang Xuenong to recruit capital, obtain investment from abroad, and expand his trade network. This facilitated the success of his early career and he quickly rose to become the richest man in Tainan.<sup>60</sup>

Dechang Company mainly exported sugar, rice, and salt while importing cotton cloth and groceries. Later, it also became involved in tobacco manufacturing and the sesame,

<sup>52</sup> On such 'additional investment', the interest was 1 to 1.5 per cent per month. Naosuke, *Kaisha no tanjō*, pp. 34–35.

<sup>53</sup> Rinji Taiwan Kyūkan Chōsakai, *Taiwan shihō furoku sankōsho*, *juan 3 xia*, *juan 4 xia*, pp. 7–10.

<sup>54</sup> Li, 'Guoji maoyi yu Taiwan tangshang de zhuanxing', p. 66.

<sup>55</sup> Rinji Taiwan Kyūkan Chōsakai 臨時臺灣舊慣調查會, *Taiwan shihō* 臺灣事情, *juan 3 xia* (Taipei, 1903), p. 179.

<sup>56</sup> Naosuke, *Kaisha no tanjō*, pp. 31–32, 49–77.

<sup>57</sup> Rinji Taiwan Kyūkan Chōsakai, *Taiwan shihō furoku sankōsho*, *juan 3 xia*, *juan 4*, pp. 3–5, 20.

<sup>58</sup> Negotiation of export bills can frequently be seen in the trade documents of the Taichang firm.

<sup>59</sup> 'Lüefen yanqing 略分言情 [Exchanging conventional greetings]', *Taiwan nichinichi shinpō* 臺灣日日新報 [*Taiwan Daily News*], 13 June 1899, 3rd edn.

<sup>60</sup> Wang Xuenong was the wealthiest man in Tainan during the early years of Japanese rule. See Lin, 'Kuaguo maoyi yu wenhua zhongjie', part 3.

longan, and camphor industries.<sup>61</sup> Of these, the trades in sugar, rice, and tobacco were the most representative. Compared with his contemporaries, Wang Xuenong was more like a modern merchant; his picture, for example, demonstrates his choice of a ‘Westernised’ and modern persona (Figure 2). He was the first sugar merchant to register a trademark in colonial Taiwan: following the issuance of the trademark law in Taiwan in 1899, he quickly registered trademarks for tobacco in 1901 and sugar in 1905 (Figure 3).<sup>62</sup>



**Figure 2.** Wang Xuenong. Source: Taiwan zongdufu 臺灣總督府 [The Office of the Governor-General of Taiwan], *Taiwan lie shen zhuan* 臺灣列紳傳 [Biographies of Taiwan Local Gentry] (Taipei, 1916), p. 309.

### Trademarks registered by Wang Xuenong in 1907

For the sugar trade, Wang Xuenong mainly used loans from the 74th Bank and the 34th Bank of Japan in order to make advance payments to sugar producers for the purchase of sugar, so as to ensure that the products were obtained; they were then shipped to Yokohama and Kobe for sale. Trade with Hong Kong and Xiamen was done through the

<sup>61</sup> Taiwan Shinpōsha 臺南新報社, *Nanbu Taiwan shinshiroku* 南部臺灣紳士錄 [A Record of Gentry in Southern Taiwan] (Tainan, 1907), pp. 56, 125, 539; ‘Nihonsen no fu shin’yō 日本船の不信用 [The untrustworthiness of Japanese ships]’, *Taiwan nichinichi shinpō* 臺灣日日新報 [Taiwan Daily News], 30 August 1898, 3rd edn; ‘Hontō shōko no shihon gyōtai kumitorin ginkō-chō Taiwan ginkō e sōfu 本島商賈ノ資本業體汲取引銀行調臺灣銀行へ送付 [Survey of businessmen on the island and bank transactions sent to the Bank of Taiwan]’, *Taiwan zongdufu gongwen leizuan*, classification no. 00004600020, 1899; Rinji Taiwan Kyūkan Chōsakai 臨時臺灣舊慣調査會, *Chōsa keizai shiryō hōkoku* 調查經濟資料報告 [Report on Materials from the Survey of the Economy] (Taipei, 1903), I, pp. 284, 310, 369.

<sup>62</sup> Hui-wen Xu 許蕙玟, ‘Yanxu he xinsheng: Rizhi qianqi Taiwan de shangbiaofa yu shangye (1899–1921) 延續和新生：日治前期臺灣的商標法與商業（1899–1921）’ [Continuity and Rebirth: Trademark Law and Business in Taiwan during the Early Decades of Japanese Rule (1899–1921)] (unpublished PhD thesis, National Chi Nan University, 2022), p. 74.



**Figure 3.** Sugar trademark registered by Wang Xuenong in 1907. Source: Hui-wen Xu 許蕙玟, ‘Yanxu he xinsheng: Rizhi qianqi Taiwan de shangbiaofa yu shangye (1899–1921)’, p. 74.

Hongkong and Shanghai Banking Corporation.<sup>63</sup> Most of the long-distance trade to Japan was carried by Japanese or foreign ships to Yokohama and delivered to Dechang Chan (warehouse) or Soon Ho Chan for sale; later, in 1898, the Kobe Dechang Chan was established.<sup>64</sup> Beginning in 1900, the trade network was further expanded to Nagasaki by commissioning the Nagasaki Taichang firm and Taiyi firm to act on Dechang’s behalf in the sale of sugar and rice.<sup>65</sup> The documents of the Taichang firm held in the Archives of the Institute of Taiwan History reveal that Chen Zhonghe and Wang Xuenong had long been in contact with Chen Guoliang and Chen Shiwang, the father and son who ran the Nagasaki Taiyi firm since 1901; and the network of Chen and Wang in Southeast Asia and Hong Kong was formed to some extent through the introductions provided by the Taiyi firms as a consequence of their relationship with the Taichang firm.<sup>66</sup>

The purchase of sugar was originally centred in the Tainan area. By 1903 at the latest, most of the sugar in northern Taiwan was also sold to Japan under the OSL code by Dechang and Japanese sugar merchants could hardly compete with it. Dechang did not withdraw from the ‘world of sugar’ until the Russo-Japanese War in 1905 and Chen Zhonghe and Wang Xuenong experienced a ‘sugar crisis’; only then did all northern sugar fall into the hands of Japanese sugar merchants.<sup>67</sup>

<sup>63</sup> Kawakita Kōji 川北幸壽, *Taiwan kin’yū jijō shisatsu fukumeisho* 臺灣金融事情視察復命書 [Reports on Financial Affairs in Taiwan] (Taipei, 1902), p. 139; ‘Hontō shōko no shihon gyōtai kumitoriiin ginkō-chō Taiwan ginkō e sōfu’; ‘Shimasei Tōkin aitsuna 島政 糖金相繫 [Island policy: mutual connections between sugar and gold]’, *Taiwan nichinichi shinbō* 臺灣日日新報 [Taiwan Daily News], 16 December 1900, 5th edn.

<sup>64</sup> The Dechang Chan in Kobe was probably established in 1899. Rinji Taiwan Kyūkan Chōsakai, *Taiwan tōgyō kyūkan ippan*, pp. 115–18.

<sup>65</sup> From March 1900 to February 1910, Dechang Company wrote ten letters to the Nagasaki Taichang and Taiyi firms. Most of these are concentrated between 1900 and 1903 or in 1910. They commissioned the Taichang firm to sell sugar and rice on Dechang’s behalf and provided the expenses for intermediaries and for import bills (*yahui*) negotiated on Dechang’s behalf. After 1904, there is no record of further correspondence. Between 1907 and 1909, there is only mention of Wang Xuenong’s son, Wang Guobin, sending New Year’s greetings to the Taiyi firm. Only in 1910 did trade resume. See ‘Changqi Taiyihao wenshu 長崎泰益號文書 [Documents of the Nagasaki Taiyi firm]’, collection no. 10931–10940, held by the Archives of the Institute of Taiwan History, Academia Sinica.

<sup>66</sup> Trade documents of the Taichang firm, 1862–1901, collection no. T1001-13306-13309, held at the Archives of the Institute of Taiwan History, Academia Sinica.

<sup>67</sup> Rinji Taiwan Tōmukyoku 臨時臺灣糖務局, *Dainiji tōgyō kiji* 第二次糖業記事 [Second Report Record of the Sugar Industry] (Taipei, 1903), p. 101; ‘Hokubu no shin tō 北部の新糖 [The new sugar of the north]’, *Taiwan nichinichi shinbō* 臺灣日日新報 [Taiwan Daily News], 15 November 1905, 2nd edn.

Dechang's secondary business was not limited to the sugar trade, but also included the transporting of rice to Yokohama, Kobe, Moji, and Nagasaki. Since the 1890s, rice had been in short supply in Taipei and it was often imported from Lukang or southern Taiwan.<sup>68</sup> Therefore, Wang Xuenong often hired steamships or junks to transport rice to Tamsui and Keelung for sale. In January 1902, due to the loss of the second rice harvest that year in Tainan, Dechang Company imported cheap Annam (Vietnamese) rice on the ship *Maizuru Maru*, which had a capacity of 1,000 *koku*. In February 1903, due to the failure of the harvest of the previous year in Japan, brown rice was carried from Tainan to Yokohama and Kobe for sale.<sup>69</sup> Such actions fully demonstrated Wang's skill in coordinating his business with the pulse of the international market, expanding his Tainan-centred trade network to Southeast Asia, and connecting the Southeast Asian and Japanese rice trade.

In addition to domestic and foreign trade in commodities such as sugar and rice, Dechang was still engaged in the business of traditional Taiwanese guild merchants. It handled 'the trade of the northern and southern ninety-eight firms' and had the characteristics of both a 98 firm and a 'bow firm' (*chuantou hang*).<sup>70</sup> In 1898, according to newspaper reports, Dechang Company was 'concurrently operating in the northern and southern *jiao* trades and undertaking entire steamships; the goods shipped were hard to calculate. However, sugar, rice, and cedar (Chinese fir) were the major commodities'.<sup>71</sup> From 1902 to 1904, the trading pattern between Dechang Company and Fuchang—a sugar firm operated by Huang Guangnuan in Futougang Street, Tainan—can be seen from a glance at an extant commissioning list. Using steamships such as the *Busan Maru*, *Taitung Maru*, and *Lilia*, Wang transported Fuchang's *Fuqing* (TC, HGC, Tainan sugar), *Taiqing* (KG, Taiwan sugar), and northern sugar (OSL) to Soon Hoon Chan or Dechang Chan in Yokohama, as well as to Dechang Chan in Kobe, who sold it on to the local Japanese merchants, and then collected from Fuchang various sorts of commissions (*hangzhong*, *jiuba zhong*), guild fees (*huichou*, *sanjiaohui feiyong*), warehouse rent, freight shipping fees (*zaizi*), unloading fees (longshoremen *boli*), pier charges (*matoufei*), insurance fees (security, fire insurance), and business tax.<sup>72</sup> This was a typical form of 98 firm trade; Wang Xuenong, like Chen Zhonghe, also acted as an agent for foreign merchants in the marine insurance industry.<sup>73</sup>

Among Taiwan's traditional import and export traders, those with less capital tended to operate only 98 firms. Those with strong capital bases, however, further owned ships and directly transported goods for export; they operated bow firms<sup>74</sup>—that is, they were engaged in the shipping industry. In February 1898, Dechang Company became a bow firm with its own ship for transportation. Wang Xuenong probably first used the *Jindeshun*—

<sup>68</sup> Yu-ju Lin 林玉茹, 'Shangye wangluo yu weituo maoyi zhidu de xingcheng: Shijiu shijimo Lugang Quanjiao shangren yu Zhongguo neidi de fanchuan maoyi 商業網絡與委託貿易制度的形成：十九世紀末鹿港泉郊商人與中國內地的帆船貿易 [Commercial networks and the formation of a cooperative commissioning system: the traditional junk trade between Lugang Quanjiao guild merchants and mainland China during the late nineteenth century]', *Xin shixue* 新史學 [New History], 18.2 (2007), pp. 71–72.

<sup>69</sup> 'Changqi Taiyihao wenshu', collection number 10933; 'Nanbu no Annan kome yunyū 南部的安南米輸入 [The importing of Annan rice from the south]', *Taiwan nichinichi shinpō* 臺灣日日新報 [Taiwan Daily News], 1 January 1902, 2nd edn.

<sup>70</sup> Please see note 49.

<sup>71</sup> 'Kuajiji de ren'.

<sup>72</sup> *Zhanfei* referred to fees charged for goods stored in a warehouse. There was also a *zi'antang* fee, but the specifics of this latter fee are not clear. Rinji Taiwan Kyūkan Chōsakai, *Taiwan tōgyō kyūkan ippan*, pp. 115–18.

<sup>73</sup> *Shinpōsha*, *Nanbu Taiwan shinshiroku*, p. 539.

<sup>74</sup> Lin, *Qingdai zhuqian diqu de zaidi shangren jiqi huodong wangluo*, pp. 115–21.

new junk built by his father, Wang Quan (1847–1927), for transport.<sup>75</sup> It was not until 1906 that he actually bought it from his father. In 1900, Wang Xuenong purchased an old junk, *Jinronglong*, which had been made in Shiyang, Fujian during the Qing Dynasty and was larger than *Jindeshun*; he renamed it *Hailong*.<sup>76</sup> Perhaps due to the high cost of newly built junks, Wang Xuenong, who was very careful in calculating costs and operated by a strict budget, preferred to hire new ships from his father on a cooperative basis first; for purchase, he acquired Taiwanese junks or those made in the Qing Dynasty that had already been in use for some time. The fact that he clearly separated the property of his family and his company further shows the modernity and rationality of his business strategies.

The two junks *Jindeshun* and *Hailong* mainly carried cargo between Takow, Anping, and Donggang. However, it was difficult to control the arrival and delivery dates for ships that relied purely on the wind for power. For this reason, in August 1898, Wang Xuenong, who aspired to operate in the shipping industry, purchased two small steamships in the 200-ton to 300-ton range and named them *Taiwanfu* and *Fengshan*, respectively. Having been granted exclusive trading privileges by the Japanese authorities in Taiwan, he was now involved in both cargo and passenger transportation. Unlike the junks, these small steamships sailed not only along the coast of southern Taiwan, but also directly to Hong Kong for trade; they also carried passengers.<sup>77</sup> Wang Xuenong thus successively expanded from the maritime cargo industry into passenger transport through junks and steamships that he owned himself; likewise, the sailing route of his ships also expanded from the coast of southern Taiwan to Hong Kong.

In addition to running Dechang Company, beginning in 1898, Wang Xuenong successively put together a joint venture to form Haixing Company and set up a new mechanical rice-milling company, called Nanxing Company; both endeavours were accomplished with the support or cooperation of Chen Zhonghe. In 1898, Chen Zhonghe, Wang Xuenong, and Robert Hastings<sup>78</sup> established the South Formosa Trading Co. Ltd—a joint venture with a

<sup>75</sup> Wang Xuenong was the first-born child of Wang Quan. He replaced his father as the head of the household in 1902. 'Wang Xuenong huji tengben 王雪農戶籍謄本 [Wang Xuenong's household registration]', provided by Wang's descendants in Tainan.

<sup>76</sup> 'Zhinaxingchuan Jinyutai, Jinfengcheng, Jinyi'an, Jinjieshun, Jinzhenxing, Jindeshun and Jinchunhe chuanji dengshu xiafu 支那形船金豫泰、金豐成、金怡安、金捷順、金振興、金德順、金春和船籍證書下付 [Issuance of ship registrations for the junk Jinyutai, Jinfengcheng, Jinyi'an, Jinjieshun, Jinzhenxing, Jindeshun and Jinchunhe]', *Taiwan zongdufu gongwen leizuan* 臺灣總督府公文類纂, classification no. 00004590011, 1898; see also 'Zhinaxingchuan Jindeshun hao guoji zhengshu jiaofu de jian 支那形船金德順號國籍證書交付ノ件 [Documents on the issuance of an international certification for the Chinese-style sailing ship *Jindeshun*]', classification no.00004618026, 1900; 'Zhinaxingchuan Jindeshun hao guoji zhengshu jiaofu de jian 支那形船金德順號國籍證書交付ノ件 [Documents on the issuance of an international certification for the Chinese-style sailing ship *Jindeshun*]', classification no. 00004921010, 1906.

<sup>77</sup> 'Kisen kensa shōsho hasshutsusū 汽船検査證書發出數 [Numbers of steamship inspection certifications issued]', *Taiwan sotokufu fuho* 臺灣總督府府報 [*Gazette of the Taiwan Governor-General's Office*], no. 890 (19 January 1901); no. 1203 (14 August 1902); see also the following articles from *Taiwan nichinichi shinbō* 臺灣日日新報 [*Taiwan Daily News*]: 'Engan kaikō 沿岸開航 [Coastal voyages]', 6 August 1898, 3rd edn; 'Rin'un tomikyō 輪運頓興 [The increasing of steamship transport]', 14 August 1898, 5th edn; 'Kisen shingō 瀛船信號 [Steamship signals]', 11 November 1899, 3rd edn.

<sup>78</sup> Robert J. Hastings, a British subject, took a position with the Takow Customs in 1869; he transferred to Anping Customs in 1876 and resigned his post circa 1882. In 1886, he partnered with David M. Wright (1849–95), who was also British, to establish Wright & Co. In 1887, he served as the agent of Qichang & Co., the largest US firm in southern Taiwan. In 1897, he went bankrupt. See Pei-Chen Li 李佩蓁, 'Yifu yi hezuo? Qingmo Taiwan nanbu kou'an maiban shangren de shuangchong jiaose 依附抑合作?: 清末臺灣南部口岸買辦商人的雙重角色 [Dependence or cooperation? The double role of compradors in southern Taiwan ports at the end of the Qing period]', *Taiwan shi yanjiu* 臺灣史研究 [*Taiwan Historical Research*], 20.2 (June 2013), pp. 39, 42; Institute of Modern History, Academia Sinica 中央研究院近代史研究所 (ed.), *Zhong Mei guanxi shiliao* 中美關係史料 [*Historical Materials on China-America Relations*], Guangxu 2 (1876) (Taipei, 1988), pp. 1315–16; James



capital of 70,000 yuan in Anping.<sup>79</sup> The company had Hastings as the general manager; it specialised in foreign trade, with its purchase of sugar and rice centred on Yanshuigang and the Chiayi area. It exported sugar mostly to Tianjin. After 1899, however, due to tariff changes, transactions with Japan gradually increased. As Chen Zhonghe and Wang Xuenong handled trade affairs with European and American countries, the transaction bank was the International Bank and Haixing Company was also the bank's agent; in 1899, its transactions were also handled by a branch of the 34th Bank.<sup>80</sup> Like ordinary sugar traders, Haixing Company used loans to producers in order to secure its sources of sugar and rice. In 1904, the company became a corporation jointly established by citizens of Japan (Taiwan), the UK, and China; its purposes were the operation of machinery for sugar production, the import and export of various goods, transportation, and rice milling.<sup>81</sup>

Through their cross-border trade experience and networks, Chen Zhonghe and Wang Xuenong fully understood the needs of the mechanical rice-milling industry. In May 1901, given the profitable outlook of the rice export market,<sup>82</sup> they established a joint venture with a British businessman in Anping, Charlie Hastings, to establish a new mechanical rice-milling company called Nanxing Company and a rice mill in Takow. Nanxing Company purchased a 40-horsepower machine that could grind 200 piculs per day. In August 1903, Hastings withdrew due to a dispute over interests and Nanxing became a 'pure Taiwanese business'.<sup>83</sup> Nanxing Company was the first new electric rice mill in Taiwan; it changed from the traditional rice-milling method known as *tulongjian*. Chen Zhonghe and Wang Xuenong were also the first industrialists in Taiwan to use power machinery for rice milling.<sup>84</sup>

In short, Chen Zhonghe and Wang Xuenong were unlike the traditional Chinese businessmen who, when living abroad, confined themselves to Chinatowns or those in Tainan who only traded with mainland China. They had lived and run businesses in Yokohama for a long time; they were not only proficient in foreign languages, but also conducted cross-border trade between Japan, Hong Kong, China, and Southeast Asia. To do so, as early as the 1880s, they introduced a 'corporate system' influenced by the British 'company law'. Among the great changes that followed the First Sino-Japanese War, Tainan's gentry and important businessmen moved to China, leaving a vacuum in the business community. Wang Xuenong took advantage of this opportunity, moving to Tainan to expand

W. Davidson, *The Island of Formosa; Past and Present: History, People, Resources and Commercial Prospects* (London and New York; Yokohama, Shanghai, Hong Kong, and Singapore, 1903), p. 124.

<sup>79</sup> As the Temporary Commission for the Survey of Traditional Taiwan Customs pointed out in 1904, Haixing Company was a branch of the South Formosa Trading Company Ltd that had been founded in Hong Kong in 1849; it opened stores in Anping, Tainan, and Fengshan in 1899. Rinji Taiwan Kyūkan Chōsakai, *Taiwan shihō*, *juan 3 xia*, pp. 250–51.

<sup>80</sup> Koju, *Taiwan kin'yū jijō shisatsu fukumeisho*, pp. 138–39; Rinji Taiwan Kyūkan Chōsakai, *Taiwan shihō furoku sankōsho*, *juan 3 xia*, pp. 142–43.

<sup>81</sup> Regarding the identity of the newly added Chinese partner, no sources have been found. Rinji Taiwan Kyūkan Chōsakai, *Taiwan shihō*, *juan 3 xia*, p. 251.

<sup>82</sup> In 1898, Japan, due to an insufficient rice harvest, imported rice from Taiwan for the first time. Rice prices remained very high in 1899. 'Beitō no kakaku 米糖の價格 [Rice and sugar prices]', *Taiwan nichinichi shinpō* 臺灣日日新報 [*Taiwan Daily News*], 1 May 1907, 22nd edn.

<sup>83</sup> See the following articles from *Taiwan nichinichi shinpō* 臺灣日日新報 [*Taiwan Daily News*]: 'Tainan seimaijo no setsuritsu 臺南精米所の設立 [The establishment of a rice mill in Tainan]', 30 May 1901, 2nd edn; 'Anping seimaijo no keikyō 安平精米所の景況 [Business outlook for the Anping rice mill]', 27 August 1903, 2nd edn; 28 August 1903, 3rd edn.

<sup>84</sup> Tai, *Chen Zhonghe jiazhi shi*, p. 111; Li-Yung Lee, *Migu liutong yu Taiwan shehui (1895–1945) 米穀流通與臺灣社會 (1895–1945)* [*The circulation of rice and other grains and Taiwan society (1895–1945)*] (Taipei, 2009), p. 51.

Hexing Company's business territory. He also established Dechang Company to engage in import and export trade, and in shipping.

Wang Xuenong also joined hands with Chen Zhonghe and invited British merchants to set up a trading company and a new-style rice mill. The 'company' they created was not a blind imitation of Western models, but instead adopted aspects of both traditional Chinese joint-stock and modern corporate firms; it mixed Chinese, Japanese, and British elements. Its capital and human resources came from Taiwan, from Japan, from China, and from British businesses in Taiwan. With the support of their trading network, which included Japanese businessmen, overseas Chinese in Japan, British businessmen, and Chinese businessmen, and with Tainan as their headquarters, they expanded their operations to Japan, to northern China, and to Southeast Asia.

## Conclusion

Previous discussions of companies (*gongsi*) have usually directly equated them with the form of the modern corporation as part of a process of Westernisation. They have overlooked the Taiwanese merchants who, from the 1870s onwards, had gone to Japan and Hong Kong to engage directly in the sugar trade; the changes they wrought in Taiwan's business culture during the late Qing Dynasty and the early period of Japanese control of the island; and their historical significance. This article has focused on Wang Xuenong and examined how he, along with his original employer, Chen Zhonghe, differed from the Chinese merchants who went overseas but operated primarily within Chinatowns. Because they were in business for a long time in Yokohama and travelled back and forth to Osaka, Kobe, Nagasaki, and other important commercial cities, both men were able to observe with great accuracy Japanese business culture and its changes during the early decades of the Meiji Restoration; and they absorbed both the corporate ethics and the management policies of Japanese business.

When Taiwan was ceded to Japan in 1895 and most important merchants fled back to China, Wang Xuenong seized his opportunity. He went to Tainan in 1896 and, combining both traditional and modern elements, set up Dechang Company. Wang Xuenong and Chen Zhonghe successfully set up a trading company as a joint venture with a British merchant in Anping and established the first modern mechanised rice-milling concern in Taiwan: Nanxing Company. Being fluent in foreign languages and cognizant of the international situation, Wang and Chen were able to combine knowledge, human resources, and networks drawn from China, Japan, and Britain, and set up a company that combined elements from these various business cultures. They obtained financing from banks, acted as agents for foreign merchants in the insurance industry, and constructed a trading network that was centred in Tainan that reached China, Japan, Hong Kong, and Southeast Asia. In so doing, they came to dominate the sugar industry in southern Taiwan and the import-export trade. Between 1890 and 1900, the diverse and detailed contracts of the company forms that they set up fully expressed their cross-cultural knowledge drawn from China, Japan, and the West, as well as the interconnections among their trading networks. That is to say, Wang Xuenong combined his knowledge of transnational trade and his access to human resources in Japan and Hong Kong to further upgrade and renew the organisation of his business. He integrated bank capital into the company's resources, pioneered modern mechanical power processing in Taiwan, and became involved in the transportation of sugar and rice. In all these ways, Dechang Company moved gradually towards becoming a modern company and helped to gradually precipitate industrialisation in Taiwan.

The complex career of Wang Xuenong reveals the insufficiencies of earlier discussions of treaty-port commercial culture and of Japanese colonialism. In the past, we have only

paid attention to the influence that China and the Western powers exerted on Taiwan in the nineteenth century. We have not looked at how, from the mid-nineteenth century onwards, businessmen from Taiwan went themselves to Japan to conduct business and the mixture of Chinese, Western, and Japanese commercial cultures that consequently emerged. Moreover, the monopoly held by Taiwanese merchants and foreign companies throughout this period meant that Japanese merchants had little direct trade or contact with Taiwan. The important Japanese elements of this new form of company and of commerce were thus not an imposition from outside. This transformation as a whole should be understood not in simple impact–response terms, but rather as a complicated and gradual process in which businessmen from Taiwan took the lead in reshaping their business culture and Taiwan’s position in international trade.

**Acknowledgements.** This article is based on Yu-ju Lin 林玉茹, ‘Kuaguo maoyi yu wenhua zhongjie: Kua zhengquan xia Tainan diyi fushen Wang Xuenong de chuxian’ 跨國貿易與文化仲介：跨政權下臺南第一富商王雪農的出現 [Cross-national trade and cultural brokers: The emergence of Wang Xuenong, the richest gentleman in Tainan during regime transition], *Taiwan shi yanjiu* 臺灣史研究 [Taiwan historical research], 27.4 (2020), pp. 1–48. Sections two and three have been substantially revised, and the article now incorporates both new ideas and new historical materials, as well as correction of errors. This research was sponsored by the National Science and Technology Council, project no. MOST108-2410-H-001-029. I would like to thank the special issue organisers, Professor Nakamu Naofumi and Dr. Chen Hailian, for their useful comments.

**Conflicts of interest.** None.

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**Cite this article:** Lin Y (2024). Transnational networks of human resources and knowledge in East Asia: a case study of Taiwan merchant Wang Xuenong (1870–1915) and his trading company. *Journal of the Royal Asiatic Society* 34, 499–517. <https://doi.org/10.1017/S1356186323000573>