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Industry in Republican  
China (1912-37): The Case of  
Unilever and the Chinese Consumer**

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# **Imperialism, Globalization, And The Soap/Suds Industry In Republican China (1912-37):The Case Of Unilever And The Chinese Consumer**

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"Soap is Civilisation." Unilever Company Slogan

"Once Chinese consumers have become accustomed to a certain brand, no matter whether it be cigarettes, soap or tooth paste, they are the world's most loyal customers, and they will support a brand with a degree of unanimity and faithfulness which should bring tears of joy to the eyes of the manufacturer."

Carl Crow, *Four Hundred Million Customers* (1937), 17-18.

## **Introduction: 'A Flood of Foreign Imports'**

One of the most contentious issues in Chinese history has been the assessment of foreign involvement in the Chinese economy since the end of the nineteenth century. Following Allen and Donnithorne's 1954 publication *Western Enterprise in Far Eastern Economic Development* which claimed the limited ability of Western foreign firms to penetrate the economy of late Qing/early Republican China, several generations of China historians and economists have framed their research and evaluations around this declaration. From studies arguing 'the myth of the China market' (Paul Varg, *The Making of a Myth: The United States and China, 1897-1912* [1968]; Marilyn B. Young, *The Rhetoric of Empire: American China Policy, 1895-1901* [1968]), to the 1970s analyses by Robert Dernberger, Rhoads Murphy, and Dwight Perkins, there was a general conviction that the (Western) 'foreign impact' on China could not

have *significantly* influenced the overall economic performance of early twentieth century China. Perhaps, the statement by Albert Feuerwerker writing in 1976 best summarizes this viewpoint: "Foreign trade and investment played a relatively small role in the Chinese economy--even in the twentieth century" (*Economic Trends in the Republic of China, 1912-1949*:92). Meanwhile other scholars stressed China's 'economic stagnation' in the early Republican era because of political chaos (Eckstein; Ch'i Hsi-sheng, J.Sheridan).

In contrast to all these studies, two important publications presented another version of Chinese economic history. First, Chi-ming Hou in his 1965 book *Foreign Investment and Economic Development in China 1840-1937*, and then John K.Chang in his 1969 volume *Industrial Development in Pre-Communist China: A Quantitative Analysis* argued that the Chinese economy did 'advance' in the first decades of the twentieth century, and not necessarily in spite of the foreign factor. Both found economic modernization in certain sectors, and during particular year-spans within the Republican era, relatively high growth rates. Following their pioneering research, Thomas Rawski has asserted the 'success stories' of Republican China. As for the role of foreign involvement in Chinese development, Rawski noted in his 1989 book *Economic Growth in Pre-war China* (344): "The direct and specific influence of foreign activity on the size and composition of farm output, money supply, the level of capital formation, the rate and pattern of modern-sector growth, interest rates, the size of government budgets, and other significant economic indicators was *generally small* (emphasis added)." While Rawski has not been without his critics, i.e. those who fault his methodology and the unreliability of his data, his work has in fact sustained earlier claims about the weakness of foreign involvement in the Chinese economy.

An important challenge to this standpoint may be found in the published research of Sherman Cochran. He has accentuated how successfully foreign firms invested in China outside treaty ports, and engaged in commercial activities related to China's domestic trade and agriculture. His 1980 book *Big Business in China: Sino-Foreign Rivalry in the Cigarette Industry, 1890-1930* demonstrated that the cigarette industry in China was enormously profitable for the British-American Tobacco Co., and that the dichotomy 'foreign versus domestic' may not always expedite understanding of China's business history. In his more recent work *Encountering Chinese Networks: Western, Japanese, and Chinese Corporations in China, 1880-1937* (2000) he has argued against 'essentializing' Western, Chinese, or Japanese business practices in the Republican era. By focusing on the history of specific firms and their operations, Cochran has shown the range of possibilities for profit-making enterprises in the pre-war economy.

In sum, whether the total effect of foreign involvement in the economy of Qing and Republican China was a matter of insignificance, stimulus, or exploitation remains debateable. Less contentious, however, is the contemporary Chinese *perception* of the foreign presence. As Karl Gerth has recently pointed out, since the second half of the nineteenth century, both elite and ordinary Chinese believed that their empire/country had lost its economic sovereignty due to 'a flood of foreign imports'. Some fifty years after the Qianlong Emperor (r.1736-96) informed Lord Macartney in 1793 "...there is nothing we lack...we have never set much store on strange or ingenious objects, nor do we need any more of your country's manufactures," China was compelled to sign the first of a series of unequal treaties that, in effect, denied the Qing government the right to impose tariffs on foreign goods or to utilize quotas, embargoes, and other protection devices. The sequence of military defeats that spurred these 'agreements' forcing the Qing government to

pay huge indemnities, also warranted the uninterrupted flow of opium into China. Moreover, as the earlier self-image of self-sufficiency faded (along with the supremacy of Chinese tea and silk in global markets), there emerged an awareness of the growing popularity of foreign consumer goods. The influx of mass-produced consumer products, 'the fruits of industrialization' from Euro-America, and later Japan, such as cotton goods (including lace, handkerchiefs, socks, towels, muslins), matches, and candies, competed with locally-made merchandise. Moreover, the 4000 or so Americans and Europeans living in China by the 1870s became 'walking advertisements' of these foreign goods. Thus, the military confrontations with foreign powers during the nineteenth century brought not only the humiliation of defeat, but also what Chinese believed was a 'commercial assault' on the local economy.

This belief became a conviction when published statistics exposed China's trade deficits. From 1864 when the foreign-dominated Chinese Maritime Customs office began to tabulate and print annual trade statistics, the Qing authorities could confront the hard data of this commercial invasion. From 1877 (and until the founding of the present Chinese government), China had an annual trade deficit (Hsiao Liang-lin:23-4). Consequently, a number of Chinese officials began to identify the continual trade imbalance with the view that foreign trade 'exacerbated poverty' in China. For example, Xue Fucheng (1838-94) and Ma Jianzhong (1845-1900) wrote how these statistics indicated China's impending economic downfall because of its trade deficit. As Gerth has observed, the trade deficit symbolized "the unfair access to the China market enjoyed by foreigners." In the minds of many contemporary Chinese observers, imports came at the expense of domestic economic development. Gerth's research shows that this impression was bolstered by the early twentieth century when China's trade deficit quadrupled, and foreign investment expanded. He writes (43): "Between 1902 and the

eve of World War I in 1914, foreign investment nearly doubled. Likewise the number of British, American, French, Russian, and Japanese firms operating in China in the first decade of the twentieth century rose from just over 1000 in 1902 to nearly 10,000 by 1921."

As we have suggested earlier, it is not easy to make an absolute judgement about the role of foreign trade and investment during the late Qing/early Republican era. Richardson (40) outlines the complex set of interactions here: "Trade and investment served simultaneously to stimulate and to restrain the domestic economy and to strengthen as well as to undermine the position of particular participants in that economy." On the other hand, it is not difficult to document the particular circumstances of China's encounter with a new material culture. First, treaty ports where shops already in the 1840s displayed 'Western merchandise', including a few machine-made cottons, became showcases of the new, Western consumer culture. Second, the Chinese confrontation with Western material culture spread outside these treaty port enclaves as foreign printing technologies such as copper engraving, lithography, and photography revolutionized the Chinese print industry in the late Qing. Now mass-produced pictorials, popular newspapers and magazines, cheap novels, and other inexpensive ephemera created a new visual culture of which the printed advertisement played an important role in exposing to those who even could not read what the new foreign commodities were all about (Reed).

In the late nineteenth century, with this new reproduction technology, printers were equipped for 'saturation advertising' which extended the commercial enterprise of the Western entrepreneur into the consciousness of the Chinese consumer. As a recent study of a leading Chinese newspaper of the era, *Shenbao* demonstrates, the pages of Chinese-language newspapers from the 1870s onward advertised foreign goods extensively (Mittler). At first, these ads were directed toward

Chinese wholesale merchants in the hope they would purchase 'foreign delicacies' such as brandy, butter, wines, or ham. By the 1880s, the products of foreign technology, i.e. the telegraph and the telephone, were promoted for 'big purchasers'. However, by the close of the nineteenth century, the popular press targeted less well-off consumers with foreign goods. Those companies which manufactured personal items such as medicines, cosmetics, and soaps increasingly turned to the popular media to publicise their wares.

With China's 1895 defeat in the Sino-Japanese War, the foreign treaty powers all gained the right to build factories in China. Thus, by the turn of the last century along with the foreign-dominated industries--shipping, mining, banking, and railroads--came foreign-owned factories which supplied Chinese consumers directly. Although one should not underestimate the strength of Chinese-owned and managed industrial enterprises to survive in competition with foreign corporations, now foreign companies could establish local businesses to supply a Chinese demand created by foreign imports. According to Gerth (49), "matches, paper, soap, cigarettes, and cotton textiles all fall within this category."

Nevertheless, Chinese entrepreneurs did not sit by idly, and allow foreign companies the opportunity to capture the home market. Men like Zhang Jian (1853-1926) who tried to create the model industrial town Nantong and founded many companies, including the Dasheng Cotton Mill (Köll; Shao), or the 'flour and cotton kings', the Rong brothers of Shanghai (Bergère; Huang Hanmin), or Fang Yexian (1893-1940), the co-founder of a major chemical manufacture concern (Ma Bingrong), or Wu Yunchu (1891-1953), the creator of the flavour-additive glutamate (MSG) (Wang Daliang), were examples of a new business elite anxious to promote Chinese-owned modern industries. These men and many others offered organizational and financial support to local chambers of commerce, native-place associations, and newer ad hoc organizations to



encourage customers 'to buy Chinese', and not least, to boycott foreign goods when the occasion arose. The boycotts of 1905, 1908, 1909, 1915, 1919, 1923, 1928, 1931, and then every year into the second Sino-Japanese War were 'a sustained expression of anti-imperialism' which ultimately created risks for foreign investors. As Chinese entrepreneurs recast certain items as 'national products', e.g. lace (which in fact was first introduced by French missionaries), in order to promote local industry, trade tensions between China and foreign powers heightened.

Of the afore-mentioned items in Gerth's list, soap is of special significance because of its connection to another modernizing discourse popular in early twentieth century China. As Western ideas about science, medicine, and hygiene spread from Shanghai and other treaty port enclaves (Macpherson), Chinese reformers came to associate domestic sanitation and personal hygiene practices with nationalist goals of a rejuvenated country and an invigorated populace (Dikötter). For that reason, the production and consumption of soap and laundry detergents in China became integral to the development of Chinese conceptions of modern nationhood. To be sure, links between imperialism, consumerism, and nationalism were not confined to this one product nor to a series of consumer items, and one may associate the development of Chinese consumerism to the broader history of intensified global consumption beginning in the mid-nineteenth century.

In this way, this essay attempts to follow a recent historiographical shift in analyses of imperialism. Whereas earlier studies may have been primarily directed to the expansionist policies of modern great powers and their political 'impact' on subjugated regions, historians now consider, among other matters, connections between globalizing forces (including the assimilation of modern technology) and local institutions: to what extent did 'globalization' (cf. Osterhammel/Petersson:18) occur when foreign and indigenous business interests confronted and challenged (or

negotiated with) each other? The current debate over cultural homogenization (Western-based transnational corporations as agents 'institutionalizing' their products onto foreign cultures, e.g. 'McDonaldization', as opposed to local cultures 'localizing' global business enterprises; cf. Watson) has its antecedent in the Chinese Republican era. The study of the soap industry in China serves as an interesting case of how the forces of global imperialism during the first half of the twentieth century interacted with native economic institutions and practices (cf. Cochran 2002). In this paper, we will explore the dimensions of China's soap industry during that period in relation to this debate by focusing on the role of soap in Chinese consumer culture, and the capacity of the world's leading foreign soap manufacturer, Unilever, to permeate the Chinese market.

### **Empire, Soap Manufacture, and the Modern, Healthy Nation**

The social history of soap in China has several dimensions. In a certain sense, soap was the fruit of the industrial revolution, empire and imperialism. In Britain, until the early nineteenth century, soap was not a highly-valued component of household management. The washing of clothes and bedding was done in most homes only twice a year, and people did not frequently bathe themselves. While the larger British cities, London, Bristol, and Norwich had 'soap boilers', and some country people handcrafted their own soap before the nineteenth century, it was the grime and soot in the industrializing cities that made soap an everyday necessity (Wilson 1:3-5). Moreover, as the sources for cheap palm and coconut oil expanded to include the imperial plantations of West Africa, Malaya, Ceylon, Fiji, and New Guinea, and, as the Victorian middle-classes increasingly bought inexpensive cotton goods, a large domestic market in Britain for body soaps and laundry detergents evolved.

There followed a fierce economic competition between British, American, and German soap manufacturers during the 1860s and 70s, but it was only in the 1880s that the first wrapped soap was sold under a brand name. Hereafter, soaps became known by their corporate signature (Pears, Monkey, Sunlight, etc.). By the end of the nineteenth century, ten large companies with extensive global connections monopolized the soap trade that had once been plied by hundreds of small companies (McClintock:207-11).

In China, the use of soap, what Joseph Needham termed 'detergents' for bathing and for the laundering of clothes, was not unknown. Needham in his extensive research in the history of Chinese medicine and technology found Chinese texts dating from the seventh century that explicated methods for converting saponin plants into washing substances, analogous to cakes of soap. China also had a long history of public bath-houses and celebrated hot springs, admired by Marco Polo. The modern soaps which Westerners first proudly displayed in treaty port enclaves had a different chemical composition (based on fatty acids) from Chinese 'detergents' and appealed to a restricted number of local customers because of their association with the 'exotic' and foreign. Because Western soap was a machine-manufactured item, it appeared at first as a luxury, and thus a prestigious commodity for purchase. But eventually manufactured soap became commonplace among the foreign goods available in urban regions.

Chinese manufacturers were not slow to catch on to the possibilities of producing Western-type soap for local consumers at the beginning of the twentieth century. Soap was one item in an array of personal and household articles that appealed to China's modernizing elite: along with soap, this group prized tooth powder, towels, light bulbs, and electric fans. The China Chemical Industries, under the direction of Fang Yexian began manufacturing everyday chemical products, including

mosquito coils, tooth powder, food flavourings, and soap in the early twentieth century, and by 1925 this company overtook their American and Japanese competitors in sales (Ma Bingrong). Another Chinese enterprise, the Five Continents Dispensary Company, became Republican China's most important distributor and later, manufacturer of pharmacological products, including soap, by the end of the 1920s. These companies had relative success in economic terms: in 1932, the ratio of profit to investment for the soap sector was 45 percent, with most capital originating in joint-stock companies (Liu Dachun II:48, 64). One of the most prosperous Chinese soap companies was the New China Chemical Factory, established in the Communist-held Yenan region in 1939; it continued production throughout the Sino-Japanese war years. (Reardon-Anderson).

The manufacture of basic industrial chemicals in China was spurred on by World War I. Because the war disrupted the supply of many consumer products (textiles, glass, paper, as well as soap) from abroad, Chinese manufacturers established local enterprises to produce these items (Reardon-Anderson). In fact, from a Chinese perspective, these years during World War I and shortly thereafter were regarded as a 'golden age' (*huangjun shiji*) of modern autarkic economic development. As Marie-Claire Bergère has written:

The decline of imports and foreign competition led to the development of substitute industries; the increased demand for raw materials and foodstuffs stimulated exports, and meanwhile the rise of silver on the world market reinforced the buying power of Chinese currency (Bergère:64).

The Chinese attraction to soap and other manufactured hygiene products may also be viewed in the context of the colonial encounter. As the treaty port ruling nations extended the notion of 'civilisation' to the

domestic realm, they built sewers, installed electric lighting, and established medical facilities in the cities they occupied. Convinced that hygiene was a key element to the health of 'civilisation', the colonial powers critiqued China on the grounds of its filth and lack of sanitation systems (Macpherson). One scholar of Shanghai's history has argued that the International Settlement there had as early as the 1850s become "what the British liked to call the 'Model Settlement': a showcase for Western progress and technical innovation, with drains, gas lighting, public water closets, firmly surfaced roads, raised sidewalks for pedestrians, and even, finally a municipal water supply" (Johnson:343). To the imperialist powers, China's lack of modern hygiene justified their right to exclude Chinese from residence in the Shanghai International Settlement.

By the turn of the twentieth century, nationalist Chinese reformers, anxious to meet foreign standards, began to recast local hygiene precepts (*weisheng*). Until then, the expression *weisheng* referred to the various regimes of diet, meditation, and self-medication that individuals exercised in order to guard their health. However, as Chinese intellectuals debated how their country could achieve modern status, the meaning of *weisheng* "shifted away from Chinese cosmology and moved to encompass state power, scientific standards of progress, the cleanliness of bodies, and the fitness of races" (Rogaski:1). These men had first accessed Western notions of hygiene through a number of translations produced by the Englishman John Fryer (1839-1928). He and his Chinese collaborators were bent on spreading "Western learning" as superior to Chinese approaches to the natural world. But Fryer's *Huaxue weisheng lun* (Chemistry and Hygiene), while warning Chinese youth about the dangers of alcohol and opium, did not link government, law, nation, or collective action to nature, health, and hygiene.

The affiliation between health and a prosperous nation emerged from the Japanese concept *eisei* (with the same Chinese characters as

*weisheng*). As Meiji Japan's physician-bureaucrats provided a blueprint to guide their country toward wealth and power, they 'reinvented' the Chinese concept *weisheng* to encompass the body politic. First, Nagayo Sensai (1838-1902) formulated the idea of a government bureau of hygiene (not unlike that promulgated in Bismarkian Germany which he had visited), and then the colonial administrator (and founder of the South Manchurian Railway Company) Gotô Shimpei (1857-1929) and medical professor (and novelist) Mori Ôgai (1862-1922) presented formula through which the health of individuals became "subsumed under, guided by, and dedicated to the nation" (Rogaski:161). Steps to incorporate this Japanese model into the late Qing modernization program, were realized with the establishment of the Western-style Beiyang Navy Medical School in 1888, the creation of quarantine zones and isolation hospitals in regions where epidemics occurred, and finally, the formulation of a public health policy during the decade after the 1901 Boxer Rebellion.

According to Frank Dikötter (123), by the early twentieth century, the concept *weisheng* "achieved an unprecedented status of power and prestige," which was communicated to the masses in a variety of popular media. He points to a burgeoning number of handbooks, manuals, and treatises, written in simple language, that were printed in large numbers to guide the broad populace in an assault against filth and germs. In newspapers, it became common to find whole new sections such as 'science for daily use' (*riyong kexue*) which informed readers about how the home and household were primary sites for hygienic improvement. Because Chinese reformers considered the female population a key factor in the country's modernization program, the women's press, in particular, became an important instrument for the propagation of *weisheng* ideals (Orliski). In women's magazines, body soaps and laundry detergents, and other cleaning materials were promoted, both in written articles and in magazine advertisements. As a recent study of one

issue of the principal women's journal, *Funü zazhi* (The Ladies' Journal) has revealed, many of the commercial sponsors were in fact companies that manufactured personal hygiene products, including the Colgate-Palmolive-Peet Co., Dr. Williams Medicine Co., Eibb's Dentifrice, Modess, Pepsodent Co., and the Society of Chemical Industry in Basle (Barlow:313).

Advertisements aimed at women favoured a clean, and well-groomed appearance and ultimately, contributed to the formation of the 'New Woman' (Laing; Barlow). The exquisite array of colourful posters by Chinese artists featuring reproductions of well-known movie actresses collected in Ellen Laing's recent book, *Selling Happiness*, confirms how even the most mundane of products, e.g. soap, cloth, mosquito repellent (along with cigarettes), were 'glamorized' for mass marketing to lure the ordinary customer. As in the West and Japan, twentieth century soap packaging in China became something of an art form, and commercial artists pioneered graphic designs that echoed modernist aesthetics and helped create brand identities. Modernist design, in particular, was also associated with romantic images of technology and industry as societal curatives (cf. Lavin).

In sum, Chinese and foreign manufacturers of soap, soap products, and other items related to personal hygiene in Republican China were delivering a kind of commodity that had enormous ideological implications. But the success of their businesses were dependent on the transformation of local habits of the vast majority of the population which did not live in urban areas. We now turn to how one European company, Unilever, tried and to a certain extent successfully captured this market in China, and despite enormous political risks.

## **Unilever and the China Market**

The Unilever Corporation first came into existence on January 1, 1930 through a merger between the 'NV Margarine Unie' (van den Bergh and Jurgens), a Dutch margarine company, and 'Lever Brothers Limited', a British soap corporation. The two organizations united after years of intense competition for both raw materials and customers. Margarine Unie produced margarine and other edible oils and fats, but also made soap, and had achieved a strong and prosperous position within Europe and to a certain extent in the United Kingdom (Wilson I). Lever Brothers also made margarine, but its principal product was soap; the company owned subsidiaries in Europe, the USA, and throughout the British empire as well as in Belgian and Dutch colonies, and not least, in China. Given the fact that both companies manufactured their products in a similar fashion "in which the raw materials (vegetable oils, animal fats, chemicals, etc.) were...boiled up together in a vat and came out as a finished product" (Fieldhouse:13), the merger allowed both organizations to focus on the financial advantages of joining forces together. While Margarine Unie had monetary resources at its disposal, and was almost entirely focused on Europe and North America for selling its products, Lever Brothers had greater experience with, and access to global markets. According to Wilson, Lever Brothers had been "short on money" during the 1920s when the ramifications of some earlier bad investments in the British fish industry and in African trading, followed by the general economic crisis in Europe, caused the company's capitalization structure to weaken (Wilson I: chps. 18-20). The amalgamation of these two companies made Unilever the world's largest business enterprise engaged in the manufacture and distribution of non-mineral fats and oils. In soap manufacture, Unilever had only two major competitors, the American companies Proctor and Gamble, and the Colgate-Palmolive Co., but neither organization had as much business in East Asia as Lever



Brothers (cf. Heldring and Pierson; Lief). Unilever had two head offices, in London and Rotterdam. The latter supervised Unilever's business in continental Europe, while London administered the British and overseas activities.

Unilever was a 'multi-national' which represented both British and Dutch business interests. At this point, we should say a few words about the history of Dutch involvement in the Chinese economy (cf. de Goey). The Netherlands was never among the largest investor nations in China. Unlike Great Britain, France, the USA, Germany, Russia, or Japan, Holland was slow to enter the Chinese business arena. Nevertheless, one should not underestimate the extent of Dutch business interests there during the Republican era. Contrary to the figures given in Chi-ming Hou's and C.F. Remer's studies that Dutch investment in China for 1931 represented only .9% of total foreign investment in that year, Dutch involvement was much greater. Aside from Dutch portfolio investments, mainly the purchase of Chinese government bonds issued in the Netherlands with a total of \$18.2m (f.45.28m) in 1931, there was also Dutch direct investment in China for a sum total of \$35.5m. Given J. Osterhammel's (1982:256) approximation that the combined value of all foreign direct investment (FDI) in China was \$2.3 billion, the Dutch figure represents 1.5% of all FDI in 1931. The Netherlands was the seventh-largest foreign direct investor in China during the Republican period.

Although one may associate the origins of Dutch involvement in China with the activities of the Vereenigde Oost-Indische Compagnie (VOC) before the nineteenth century, there was little to no Dutch investment in China after the Napoleonic wars and the final destruction of the VOC office in Guangzhou in the 1839-42 Opium War. During the last thirty years of the nineteenth century Dutch involvement in China was consciously 'low-key'. Out of fear that pursuing an active role in the promotion of Dutch business within China would inhibit the negotiations

with the Qing government over the recruitment of Chinese coolie labour for work on tobacco plantations in the Dutch Indies, the Dutch colonial administration let German trading companies serve their interests in China (van der Putten 1996).

It was only at the beginning of the twentieth century when Dutch firms first made significant inroads into China. Between 1902 and 1930, some seventy Dutch businesses, including six major Dutch concerns, and two Anglo-Dutch enterprises, in banking, shipping, construction, production, and distribution became active in China. The eight most dynamic Dutch corporations were the Nederlandsch-Indische Handelsbank and the Nederlandsch-Maatschappij in banking, the Java-China-Japan Lijn in shipping, the Nederlandsch Maatschappij voor Havenwerken and the Nederlandsch Syndicaat voor China in harbour and railroad construction respectively, Royal Dutch/Shell in the production and sales of petroleum and oil products, Philips in the production and distribution of electronic items, and Unilever in the production and sales of soap and margarine (Baart). Like the majority of other foreign enterprises in China, most Dutch businesses were concentrated in the services sector of the economy (banking, shipping, and transport construction).

Lever Brothers, originally founded by W.H. Lever (1851-1925) (later Lord Leverhulme) was at the start of his career a purveyor of grocery items, and then became one of the most celebrated British manufacturers of soap (Reader); his best known product, 'Sunlight Soap' was a popular item in English working class homes where the Victorian "fetish" for cleanliness ("clean sex; clean money; and cleansing the great unwashed") helped make this brand, among others, a common consumer item (McClintock). From the mid-1890s Lever Brothers began to build or buy soap factories overseas with the purpose of developing markets in these regions.

According to Fieldhouse, this type of enterprise (in contrast to the multi-national focused on the extraction of goods [oil or minerals], or the purchase of agricultural commodities in one place for sale elsewhere, or the manufacture of products abroad for sale in the home country) aims to manufacture goods for markets *within* countries in which the subsidiary is located, rather than for export overseas. Fieldhouse suggests that the 'classic reason' for this market-development enterprise was the discriminating import tariff. But this obstacle did not pertain to foreign imports to China until 1928, and even thereafter, such regulation was negotiable. Nor does Fieldhouse's other proposal for the establishment of the market-enterprise in a far-away location, i.e. the reduced costs for distribution of the product throughout the world, apply to Republican China. There was only one reason for Lever Brothers to manufacture soap in China: the company wanted to gain easier access to a broad market in a densely populated country of at least 400 million customers.

Like other commercial companies, Lever Brothers considered Republican China an attractive investment in the long term. But unlike the majority of foreign firms doing business in China, Lever Brothers was a global enterprise with extensive operations all over the British empire, including South Africa, India, Ceylon, and in Australia. Most foreign companies in China were 'regional': they developed out of specific colonial interests in East and Southeast Asia. While the French, Japanese, and Russian interests were often connected to Indochina, Japan, and eastern Siberia respectively, specifically Dutch firms had close links to business in the East Indies. Two Dutch banking organizations financed trade between China and the Indies, and one Dutch shipping company connected Chinese ports with Japan and the Indies. These Dutch enterprises may be compared to firms established by other nations specifically for operation within China, such as the Japanese South Manchurian Railway Co., or the (British) Hong Kong

Shanghai Banking Corporation. Only three global companies had large-scale investments in China, i.e. Standard Oil of New York, the British-American Tobacco Corporation (BAT), and, not least, Royal Dutch/Shell which had the greatest investment in China. One may also classify Unilever as a global corporation, comparable in scope to the aforementioned enterprises. But given its relatively late entrance into the China market, its development there was somewhat special.

A recent investigation of the Unilever archives sketches the history of Lever Brothers soap manufacture in China before the merger with the Margarine Unie, and adds new perspectives to Fieldhouse's study (see van der Putten 2001). The company first entered China in 1911 when the newly created 'Lever Brothers China' (LBC) took over from treaty port agents the distribution of Lever Brothers soap to wholesale dealers (cf. Wilson I:225-26). By 1915, LBC managed about thirty percent of all British soap exports to China (including the company's own manufactured soap in Kobe, Japan), had a head office in Shanghai, a branch office in Canton, and agency and sale depots in ten cities scattered all over China. At this point, the market for manufactured soap had two components: a small foreign one for toilet soap and high quality laundry soap for treaty port customers (about 100,000 foreigners); and a larger Chinese one, for medium quality laundry soap.

A visit to China by one of the home office directors, C.E. Tatlow in 1920, amplified the view of China as a land of opportunity:

There are two features which are outstanding in the impressions I have gained in China. The one is that there is a vast trade to be done in soap, and the other is that, successful as our selling efforts may appear to have been, we have barely scratched the surface of the soap trade in China. (cited from van der Putten 2001:226)

To overcome local competition in soap manufacture, to streamline cheap bulk production, and to reach as many Chinese customers as

possible, Tatlow recommended that LBC build a soap factory quickly in Shanghai. By 1924, LBC, now operating under the name 'China Soap Company', to mitigate anti-foreign prejudice, began to manufacture toilet/laundry soap in its own factory located in the industrial area of Shanghai's International Settlement, under the supervision of one European works manager, several European technicians, and countless Chinese labourers whose costs were so cheap that the installation of automated machinery waited another seventeen years. CSC purchased raw materials for processing, i.e. cotton seed oil, coconut oil, tallow, and bean oil, directly from local producers, and set up an extensive 'up-country' distribution system using depots, agents, sub-depots, and sub-agents employing local dealers to market the six brands of soap the company manufactured: Sunlight, Lifebuoy, Lux, Swan, Velvet, Skin, and Zulu.

CSC's up-country distribution system followed the model used by Royal Dutch/Shell, Standard Oil, and BAT. The company supplied soap to its Chinese agents, usually influential merchants, who in turn furnished sub-agents and local dealers. The agents held a stock of soap in return for which they gave the company certain securities, such as cash deposits, title deeds, share scrip, or guarantee bonds. According to van der Putten: "The company's own sales force was made up of fourteen European and thirty-six Chinese inspectors...whose task was to visit the agents, sub-agents, and local dealers. They tried to stimulate business, checked up the stock in the 109 main depots and 167 sub-depots spread over China's main provinces, [with] each depot managed by an agent or sub-agent" (van der Putten 2001:227).

Van der Putten's research reveals that despite these efforts to create a unified organization for the production and distribution of soap within China, Lever Brothers did not make real profits until the end of the 1920s. Investment in 'up-country' distribution was high, and the demand

for industrial soap in the countryside insufficient to cover the distributing and marketing costs. In comparison to the demand for kerosene or cigarettes outside the major metropolises, the need for industrial soap was not great. Locally-made soap seemed to satisfy local requirements. It is not clear whether CSC offered enough material incentive to secure the loyalty of its local Chinese agents to effect good sales. In any event, to cut costs (including the salaries of European employees), and to make up CSC's monetary losses, Lever Brothers dropped the selling organization in China's interior. To a certain extent this tactic worked: by the second half of 1928, CSC began to make a profit. The output of the Shanghai factory increased from 275 to 550 tons per week. But Tatlow's idea to bring Lever Brothers soap into the home of every Chinese did not become a reality: "cheap bulk production in Shanghai could not counterbalance high distribution costs in the interior country" (van der Putten 2001:228). Such was the state of Lever Brothers China when Unilever was created in 1930.

### **Unilever in China 1930-41**

During the first years of its existence in China, Unilever (still under the guise of CSC), pursued a strategy that narrowed the distance to the consumers, both in terms of geography and organization. Although the world-wide economic depression had challenged the firm's ability to compete, as lower prices for items like butter made margarine less attractive, CSC did succeed against a variety of factors to make a profit and satisfy its shareholders. The CSC figures reveal the transition from the world depression to the end of the thirties: in 1929, the sales of Unilever's China-made soap products (in metric tons) was 17,000; in 1934, 15,000, but in 1939, 24,000 (Wilson II:354). Unilever marketed the margarine produced in China under the label 'Edible Products Limited'

(EP), but in comparison to soap it had a much smaller market, confined to Europeans in former treaty ports and bakers and biscuit makers. While we limit our discussion here to Unilever's soap sector, one may take note that EP too flourished in China, and that by the end of the 1930s, it had expanded into the production of ice-cream and sausages.

Unilever's soap industry in China from its first beginnings focused on its 'home territory': Shanghai and environs which produced about half of the total turnover. In this region, CSC dealt with dealers directly, while outside the 'home territory', the company allowed agents to sell its soap products from its now 31 agency depots located all over China. In the 1930s, the soap market continued to grow, but it was the Chinese producers in the laundry soap sector who seemed to profit most. Local soap factories had little to no transport costs and could sell their products more cheaply. By 1935, CSC was clearly losing ground to the largest Chinese competitor, the Five Continents Dispensary Co. (also known as IDC), which was also based in Shanghai. IDC successfully marketed in eastern and central China its soap 'Koopun' (considered to be of the same quality as Unilever's main soap product 'Sunlight') under the slogan 'Chinese should buy Chinese products'; Koopun's consumer selling price was also cheaper than Sunlight.

Van der Putten's research reaffirms Wilson's findings: in 1935, CSC held only less than ten percent of the market share in soap sales in central China. Unilever tried to make up its losses in Chinese sales by exporting its soap to other regions in Asia, including the Dutch Indies. It also considered amalgamating with IDC, but before negotiations could proceed, the Japanese began their occupation of Shanghai (summer 1937) and forced IDC to cease production. Two Japanese soap companies took over the IDC factory and the Koopun label. Nevertheless, neither of these firms, Nissan or Mitsubishi, was able to capture a large market share. In contrast, within a year of the Japanese occupation,

CSC's net profits shot up 700 percent: from 6,969 British pounds in 1937, to 57,932 pounds in 1938. Thereafter, profits continued to accrue, culminating in 1941, with a net profit of 209,852 pounds (van der Putten 2001:233).

Unilever's attainments from 1937 differed markedly from its first years in China when nationalism and the waning capacity (and will) of Britain to exert political influence became significant factors to the making of company policy. With the Japanese threat close at hand already in 1931, Unilever had at first tried to minimize its political risks in China by refraining from buying hardened fish oil or fat from Japan. The installation of Jiang Kaishek's Guomindang (GMD) regime in Nanjing in 1927 meant that CSC had had to face the repercussions of the government's claim to steamship duties on foreign corporations exporting from former treaty ports. An attempt in 1931 by Unilever to ship its soap from Shanghai to northern Lianyungang (which was not a treaty port) and then on to Qingdao (which had been a treaty port) to evade export duties ended in failure. Unilever had tried to persuade the British commercial consul to defend their interests, but his efforts did not succeed, and the company had no choice but to pay steamship duty on the transport of soap between ports.

Thereafter, CSC began to try to gain favour with the Chinese government, even paying corporate tax voluntarily, in order to enlist the regime's support against those who violated CSC's trademarks. As Chinese soap manufacturers imitated the packaging of Unilever brands, the company protested trademark infringements to British officials, but again they could do little. Attempts by the British Embassy to convince the Chinese government via its Trademark Bureau proved fruitless, and thus, Unilever officials began to realize how useful obtaining political support from the GMD government would be to the company's interests. In 1936, Tatlow's successor, J. Hansard, suggested to the Unilever



Overseas Committee that the company "donate carbolic soap to 'cleaned up' areas in Jiangsi [Province]" where the GMD army had wiped out the Communist Jiangsi Soviet (van der Putten 2001:239). Because Unilever had long term goals to remain in China and to build up a strong base there, rather than to make a quick profit, it saw achieving 'official support' from the Nanjing regime was to its advantage. As late as 1939, the Overseas Committee remained convinced that China was a land of potential soap customers. Hansard's report of his 1938/39 visit to China, Japan, and Manchuko records:

[China] a country of 400 million inhabitants (geographically within reach) and a soap trade of only 80,000 to 100,000 tons per annum is not one which [Unilever] can afford to be out of (cited in van der Putten 2001:231).

In the early 1930s, Unilever also needed to accommodate itself to the risks caused by Japanese imperialism. With the Japanese occupation of Manchuria in 1931, the company had thought that the north Chinese market was lost, but the Japanese import tariff on CSC soap shipped to that region remained minimal. One reason that Unilever's soap sales in Manchuria may have gone unaffected was the company's other business activities in the region: from 1934, Unilever (via wholesale dealers) sold glycerine to the Japanese military which used it for anti-freeze purposes (van der Putten 2001:242).

The Japanese invasion into China proper from 1937 activated Unilever officials to consider other new strategies for China. Unilever contemplated building a factory in the northern city of Tianjin where the Japanese were firmly entrenched. The advantage of a factory there was easier access to northern markets which Unilever expected to maintain, even after the Japanese takeover. During a series of negotiations for this project between Hansard and Japanese officials, Unilever was able to

reach an accord with the Japanese government "guaranteeing that Unilever could continue and expand its business in Japanese-occupied China, while being allowed equal access to raw materials with any Japanese competitor" (van der Putten 2001:247). Unilever was in an excellent position to negotiate with the Japanese because the company had become the "largest single buyer of Japanese goods outside the Yen-block:

...it had been spending between 3.4 and 3.5 million pounds sterling annually on Japanese products (including soya beans and soya bean oil from Manchuria, and canned fish and whale oil)...In all, Unilever's purchases amounted to three percent of all Japanese exports to non-Yen countries" (*ibid.*).

Thus, Unilever had become a critical supplier of foreign currency to the Japanese regime which had a serious shortage at the time. In that way, Unilever was supporting Japan's war efforts: the company supplied the needed foreign exchange with which Japan could import strategic goods such as fuel.

The shift in Unilever's policy toward Japan may be considered indicative of how the company pursued its mission in China from 1937. Unlike other Dutch firms, such as Philips or the Nederlandsch Maatschappij voor Havenwerken which were in direct competition with Japanese businesses providing electrical goods or harbour services, Unilever did not see Japanese advancement in China a threat to its activities. While these Dutch companies withdrew from China in 1937, Unilever continued to believe in the potential of the Chinese market, and to practice accommodation toward the Japanese overseer. Unilever justified its actions by claiming Japan could always find other buyers of its products if the company stopped its purchases. Moreover, as Japan furnished raw materials essential to Unilever's canned salmon business,

the company believed it was actually doing a service to the British government which now was preparing for war in Europe, and looking to Unilever as a major food supplier.

On the other hand, the implications of Unilever's behaviour vis-a-vis Japan did not go unnoticed by the British ambassador in Tokyo. According to van der Putten's extensive research in London's PLO Archive, Ambassador Sir Robert Craigie in February 1939 protested formally to the Foreign Office that Unilever was furnishing the Yen block with sterling equivalent to about 12% of Japan's gold reserve (van der Putten 2001:248). Despite these allegations, the British government did nothing to thwart Unilever's agenda for building a factory in north China. What did stop Unilever's plans was Japan's own shortage of foreign exchange. Because the nation was in such great need of foreign currency, it imposed a series of export control rules in north China. This meant that whatever foreign exchange Unilever earned from its north China project would have had to be handed over to the Japan-controlled Federal Reserve Bank in Beijing. Already, the company had found that the free exchange market in Tianjin where it converted the profits of sales in north China into sterling had proved costly. By the end 1938 Unilever scrapped its plan to build the Tianjin factory.

Back in Shanghai's International Settlement where Unilever continued to operate, the company faced further challenges. After its expulsion from Shanghai, IDC had resumed production in a new factory inside the Settlement where it was safe from the Japanese military. Unilever feared that IDC, with its lower production costs and prices, now had the competitive advantage in sales in the International Settlement and French Concession. It countered IDC by cutting down its own prices of toilet soap. Unilever had also tried to thwart IDC's rapprochement toward Nissan in 1938 to reach an agreement about the Japanese relinquishing the use of the Koopun label. And just as Unilever was

exploring possibilities of how to take over IDC production in the Settlement, the Japanese put the Chinese company completely out of business.

Both 1939 and 1940 proved 'golden years' for the sale of Unilever soap in China. But by late 1940 it became clear the company could no longer merchandise soap in north China or anywhere else in the interior. Moreover, it became difficult to procure raw materials for processing; local oil stocks dwindled. Almost a year later, in autumn 1941 when supplies were in acute shortage, Unilever--still in business in the Shanghai region, and along the Chinese littoral--approached British and Dutch consul officials in Shanghai for assistance. They helped arrange palm oil and copra to be shipped to China from the Netherlands Indies whose government had prohibited all exports to Shanghai. Nevertheless, such efforts could not change the inevitable: on December 8, 1941, Japanese forces began their occupation of the International Settlement, interned Unilever's European staff, and took over Unilever's factories (van der Putten 2001:256-57).

### **Unilever in China: An Agent of Eccentric Imperialism?**

What does the case of Unilever in China tell us about how the forces of imperialism, consumerism, and nationalism converged and diverged in Republican China? From the perspective of global economic history, Unilever's ten-year operation there may inform us about two specific matters in the broader context of these forces: the extent of world-wide economic integration in the early twentieth-century, and secondly, the strength of Chinese consumerism.

Let us begin with the topic of economic integration on a global scale after World War I. Some historians have argued that the years from 1914 to 1950 were a time of disruption to the process of integration, even

labelling this era one of 'de-globalization' (cf. Hopkins:29). Accordingly, with the economic dislocations caused by World War I, followed by the Great Depression, and consequently, the enforcement of strict capital transfer regulations, global interaction seemed to have slowed down. Thus, in this context, Unilever's 'plunge' into the soap business in China may seem somewhat baffling.

On the other hand, during this same period, we know there were substantial numbers of experienced, knowledgeable, and influential persons holding positive views about overseas investment. In search of ways to improve their assets abroad, many of these people envisioned China 'a land of opportunity'. During the 1930s, and even until as late as 1938, Britain's most competent economists (including the chief advisor of the Treasury, Sir Frederick Leith-Ross), bankers, and diplomats voiced their enthusiasm and optimism about the possibilities of the China market, a site for interminable profits in banking, import-export businesses, and manufacturing industries as well as public utilities. In 1936, D.G.M. Bernard of Jardine, Matheson along with Sir Louis Beale, the British commercial counsellor in Shanghai in public statements were exalting China's emerging prosperity and Britain's future role in this development (Osterhammel 1984:261-62). Besides Britain which headed the list of China's trading partners, the United States, Japan, and Germany were also major players during this decade.

This affirmative interest in China as an investment venue, despite the general post-World War I economic downturn and depression, may be rationalized in two ways. First, in retrospect, the period of the early 1930s was in the eyes of 'old-China hands' a time of rejuvenation, with the promise of greater economic expansion. Foreign officials and business leaders forecasting the country's economic future then were inclined to believe Jiang Kaishek's 'New China' to be a force for stability. The end to the chaos and commotion of all the general strikes and mass labour

movements of the 1920s, the displacement of the communists into China's interior, and not least, the decline of warlord rivalries all seemed to favour a better environment for doing business. In other words, the thirties promised a reversal of the political turmoil and economic disturbances of the previous decade.

And second, if one conceives the entire era from the end of World War I to the outbreak of World War II, as a time of 'global regionalism'(Osterhammel/Petersson:106-07), then foreign involvement in the Chinese economy makes sense. In effect, what 'global regionalism' meant was that a number of foreign powers strengthened existing ties with foreign regions. Thus, the dominant colonial powers, Britain, France, and the Netherlands reinforced the economic bonds within their colonial empires while the operation of their 'informal spheres of influence' in China took on ever greater importance. Japan in the intervening period (like Germany) followed the policy of economic recovery through 're-armament and the creation of economically dependent spheres of influence'. For Japan, China was now, more than ever, its principal target in this program.

Unilever's entrance into the China market in 1930 conformed to Anglo-Dutch interests there. As both nations encouraged their extensive commercial, banking, and manufacturing investment in China to bolster, and even to improve their own depressed economies, Unilever's commitment to China was not unrealistic. But when Britain's strategic interests began to take precedence over commercial ambitions by the last years of the thirties, Unilever's dealings with Japan became unwelcome. In the end, Britain's weakened position in the face of Japanese aggrandizement determined Unilever's fate in China. The powers of 'global regionalism' were now at war with each other.

Another force that concerns Unilever's history in China is consumerism. The ease with which modern manufactured soap acquired

endorsement in twentieth century China demonstrates the extent to which global modernizing discourses were absorbed and nurtured by local entrepreneurs and others anxious to effect social and cultural change. For these reformers, Unilever's drive to capture a large segment of the soap market aroused long-standing antipathies toward foreign involvement in the Chinese economy. That Unilever continued the practice set in motion by Lever Brothers to camouflage its brand name with the CSC label intimates the success of Chinese efforts to encourage 'Chinese to buy Chinese'. That Unilever's soap sales did not thrive until the Japanese shut IDC totally out of business confirms the triumph of Chinese-owned enterprises in the soap sector. We may also suggest that this development adds a new dimension to understanding the unfolding of modern Chinese nationalism. IDC's success prior 1937 implies that Chinese industry did not necessarily operate under disadvantage: whatever easy access Unilever had to capital, technology, and advertising, the firm could not displace domestic manufacturers in this sector.

In conclusion, the changes wrought by the introduction of mass consumer products, like soap in Republican China, is a subject that has not received its due attention. Although China scholars have recently exhibited enormous interest in how the 'soft power' of commerce and culture impacted quotidian facets of Chinese life during that era (especially in Shanghai), they have tended to ignore how the 'hard power' of politics and war intersected with these mundane discourses. While one may debate whether Unilever, as a multinational enterprise, was an agent of imperialism and empire, it is certain that the company's history in China cannot be divorced from the changing political and economic priorities that evolved in the 1930-41 epoch. In other words, the 'globalization' of the soap industry in China was not an autonomous process -- sub-global, regional, and local forces were always bound in

some way to wider economic networks which were in turn tied to the political forces willing to exploit local and regional balances of wealth and power.

In this way, we should try to assess how the history of Unilever in China conforms to the 'eccentric model' of imperialism, first suggested by the late Ronald Robinson. Conceived in 'terms of the play of international economic and political markets in which the degrees of monopoly and competition in relations at world, metropolitan, and local levels decide necessity and profitability', this model may serve as an analytical tool that bridges the gap between historical particularities and highly abstract ideal types of analysis. The case of Unilever in Republican China was not a unique episode in global imperialism, and it would be worthwhile to compare its development with other enterprises that functioned and flourished there at the same time according to this 'eccentric model'.



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