

Recent History of the Salt Administration

PRIOR to 1909 the Salt Revenue Administration was conducted by the Provincial Governments. The rates of duty, and the lines on which the Administration was to be run were fixed by the Imperial Government at Peking, by which the Salt Commissioners were appointed. The Administration was under the control of the Ministry of Finance, and the Viceroy and Governors of the Provinces by virtue of their offices, were Chief Controllers General of the Provincial Salt Administration. The Provinces deducted the cost of the Administration, and remitted a portion of the net revenue annually to Peking. The total revenue received by Peking never appears to have exceeded Tls. 13,000,000 in any one year. An attempt to reform the Salt Administration was made in the year 1910, when a Central Salt Bureau, with Duke Tsai Tze at its head, was formed. The Revolution broke out before the change had produced any effect, and at the end of 1911 the Central Salt Bureau was abolished, and the Salt Administration was placed under the control of a special department of the Ministry of Finance, which was also responsible for the collection of the duties on tea and opium. Early in 1912 a special Department for the administration of the Salt Revenues was created in the Ministry of Finance.

In the Budget for 1912 the gross collections of salt revenue were estimated at Kuping Taels 47,575,486; the ordinary expenditure at Kuping Taels 7,360,041; and the extraordinary expenditure at Kuping Taels 140,856.

These estimates were not, of course, realized, as the whole Administration was disorganized as a result of the Revolution. Up to October 27, 1913, the entire receipts by the Central Government from the time of the establishment of the Republic, were \$2,600,000.

1913.

In January 1913, when negotiations were proceeding for a loan from the Group Banks, directions were given that all salt revenues were to be held as a special account. The formation of District Inspectorates was ordered to administer the Salt Revenues in all Provinces except Szechuan and Yunnan.

The Reorganization Loan Agreement, which has been reproduced in full in previous editions of the YEAR BOOK, was signed on April 26, 1913, and came into effect on May 21, 1913. Admiral Tsai Ting-kan had been appointed Chinese Chief Inspector of the Salt Revenue Department on January 16, 1913, and in April the appointment of Foreign Adviser was offered to and accepted by Sir Richard Dane, K. C. I. E. formerly Inspector General of Excise and Salt in India. On the signature of the Loan Agreement he was appointed Foreign Chief Inspector, with the approval of the Foreign Governments concerned, and he arrived in Peking in June, 1913, to take up his new post. He was to be subordinate to, and take instructions from, the Minister of Finance.

At the outset considerable difficulty was experienced in obtaining the powers, and the staff, necessary to undertake the reorganization of the Salt Administration, and the Legations concerned had to make repeated protests against what they considered breaches of the Loan Agreement. On September 17, 1913, the first payment on salt revenue account, of \$726,016.34 was made into the Group Banks. In the same month Mr. Chang Hu was appointed Vice-Minister of Finance, Chief of the Chinese Salt Revenue Administration, and Chinese Chief Inspector. Mr. Chang Hu had considerable experience in the Salt Administration, and from the date of his appointment the work of reorganization was seriously begun. The second Revolution, in 1913, resulting in the seizure of salt revenues by the revolutionaries, caused serious difficulties. In October 1913 Herr von Strauch, was appointed Foreign Deputy Chief Inspector, and during that year two Japanese, one Dane, one German, two Russian, and two French District Inspectors were appointed.

In 1913 the rates of salt taxation varied all over the country. Monopolies of transportation were also granted to favored individuals, who made enormous profits therefrom. It was not until December 1913, that the Chinese government definitely adopted the principle of uniform taxation at the source, or in other words, the imposition of a single direct duty in the producing districts. The standard rate was to be \$2.50 per picul, but only \$2 was to be collected in North China until January 1, 1915.

In 1913, \$11,471,242.76 was paid into the Salt Revenue Accounts in the Group Banks. Administrative expenses amounted to \$2,515,486.72 or 17.4 per cent of the total collections.

1914.

During 1914 Mr. Lauru, a Deputy Commissioner of the Maritime Customs was appointed Financial Secretary and Chief Accountant, and Dr. Gatrell, since dead, was appointed Secretary in the English Department. Rules governing the manufacture of salt, laws for the punishment of smugglers, and regulations for the Preventive Service were promulgated.

In 1914 a net revenue of \$60,409,675.75 was paid into the Group Banks. Administrative expenses amounted to \$4,897,054 or 9.7 percent of the revenue. During the year \$31,304,818.22 was released to the Chinese Government.

1915.

In January 1915 Mr. Chang Hu received the 4th Order of Merit, and was commended by the President for his work, and on January 13, the Provincial contributions which were to meet the service of the Reorganization Loan until the Salt Revenues sufficed for the purpose, were suspended. It was arranged, in March 1915, that a reserve of Tls. 11,650,000 should always be maintained for the service of obligations secured on the Salt Revenues. In June 1915, Mr. Chang Hu was impeached on various accounts by the new Minister of Finance, and removed from office.

During this year the scale of pay of the Foreign and Chinese District and Assistant District Inspectors, was finally decided upon. Chinese District Inspectors were to start at \$380 per month, and to rise to a maximum of \$750 per month. Foreign District Inspectors started with salary and house allowance of \$700 per month, increasing after four years' service to a maximum of \$1,000 per month. Chinese Assistant District Inspectors and Foreign Assistant District Inspectors were to receive \$200 to \$500 and \$500 to \$800 respectively.

In July 1915 the reserve to be maintained was reduced to Tls. 9,119,000.

The net revenue paid into the Group Banks in 1915 was \$69,277,536.42. Administrative expenses amounted to \$4,989,770.11, or 8.4 per cent of the revenue. The surplus released to the Chinese Government during the year was \$27,523,066.47.

1916.

President Yuan Shih-kai's monarchical project, and the revolt against him, seriously interfered with reorganization in 1916. The Yunnan authorities, for instance, commandeered all the salt revenues of that province from March onwards. Nevertheless, the total net revenues paid into the Group Banks during the year amounted to \$672,440,559.89 or 9.7 per cent of the revenues.

1917.

Herr von Strauch was dismissed on the outbreak of war between China and the Central Powers. In August 1917, the Group Banks agreed. The exchange fell below 2/6 per Shanghai Taels.

1918.

Sir Richard Dane resigned in November 1918 and was succeeded by Sir Reginald Gamble, who had previously been Auditor-General in India and had succeeded Sir Richard Dane as Commissioner of Northern India Salt Revenue.

In spite of the disorder in the country the salt revenue collections showed remarkable vitality. The net revenue

paid into the Group Banks amounted to \$71,566,000. All obligations secured on the Salt Revenue were fully met and the surplus funds released to the Chinese Government during the year amounted to \$71,671,000, including some 15 million dollars retained by local authorities, including those of Kwangtung, Szechuan and Yunnan.

A reserve of \$10,000,000 was maintained throughout the year.

1919.

In view of the favorable rate of exchange the Chief Inspectors reduced the Reserve to \$8,000,000 in February and to \$6,000,000 in September.

An important advance was made in Fukien Province, where transportation and sale of salt, which had hitherto been a Government monopoly, were thrown open to free trade. As the result of this important reform, the price of salt to the consumer was reduced and the revenue considerably increased.

The net revenue paid into the Group Banks amounted to \$80,607,000. The surplus funds available for release to the Chinese Government amounted to \$75,183,000, of which about 26 million dollars were appropriated by Provincial Authorities and Military Commanders.

1920.

Conditions in the country showed no improvement, but in spite of this the net revenue paid into the Group Banks amounted to \$79,064,000. A surplus of \$64,020,000 was released to the Chinese Government, including 24 million dollars appropriated by Provincial Authorities.

The Reserve was maintained at \$6,000,000.

1921.

The net revenue paid into the Group Banks during the year amounted to \$77,988,000, which was a decrease of \$1,076,000 on the net revenue realized in 1920 (\$79,064,000) and a decrease of more than two and a half million dollars on the net revenue realized in 1919.

All obligations secured on the Salt Revenue were fully met and the surplus funds released during 1921 to the Chinese Government amounted to \$70,474,000, including some 18 million dollars appropriated, as in previous years, by Provincial Authorities or Military Commanders.

The Reserve maintained in the Group Banks was increased from \$6,000,000 to \$7,000,000.

Sir Reginald Gamble proceeded in April on seven months' home leave, and Mr. W. R. Strickland, English Secretary, officiated as Associate Chief Inspector during his absence.

The foregoing report reprinted from the *China Year Book* for 1923 on the recent history of the Salt Administration is complete only to 1922, but the following *Reuters* message from Peking dated January 25 gives the figures for 1923 together with comparisons with 1922.

"The Salt Revenue for 1923, after meeting administrative expenses, credited to the group of banks during the year an amount of \$79,545,000, showing a decrease of \$6,244,000 as compared with 1922."

"All obligations secured on the Salt Revenue have been fully met and the surplus funds released to the Government amount to \$71,500,000 (including \$12,500,000 received from the Maritime Customs). Of the some \$30,207,000 represents sums either retained locally or appropriated by provincial authorities or military commanders."

"These retentions cannot be compared with the amount of \$31,668,000 retained in 1922 as the sum of \$30,207,000, representing local retentions in 1923, does not include the full amount of the revenue retained during the year by the Kwangtung local authorities, whose illegal and arbitrary action in direct violation of the Reorganization Loan Agreement and in spite of protests from the Consuls-General of the various Powers in Canton compelled the Chief Inspectors to close the local Salt District Inspectorate from May, 1923, and temporarily to close the Pakhoi Assistant District Inspectorate from the end of June until the middle of September."

"From information received it appears that the revenue collected in Canton by the local authorities since May, 1923, to the end of the year amounted to \$2,828,000, as compared with the collection of \$5,629,000 during the same period when the Canton District Inspectorate was functioning."

"The reserve in the Group banks was maintained during the year at \$7,000,000."

Mr. E. C. C. Wilton, C. M. G., formerly a member of the British Consular service in China and recently British Minister to Esthonia and Latvia, is now Associate Chief Inspector of the Salt Revenue Department.