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The Predicament of the Canal Hub: Decline and Adaptation of Huai'an Native Customs in Modern China

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Abstract: This paper examines the Huai'an Native Customs in modern China as a case study, focusing on the decline and adaptation of traditional inland tax stations within the canal hub ecosystem. The study demonstrates that the Huai'an Native Customs, established during the Ming and Qing dynasties as a cornerstone of the canal transport system, though once reaching its zenith, succumbed to functional obsolescence in the modern era. This decline was driven by multiple factors: silting of canal waterways, encroachment of tariff autonomy by treaty-port Maritime Customs, and disruptions from successive wars. Despite multiple reform initiatives in the late Qing and early Republican periods, the Huai'an Native Customs ultimately failed to achieve a transformative shift. Its abolition in 1931 was not merely an imperative for fiscal centralization under the Nationalist Government but a historical inevitability in the modernization of China's tariff system, marking the irreversible transition from traditional to modern fiscal institutions.

1. Introduction

Huai'an Native Customs, also known as Huai'an Monopoly Tax Station, was established during the Ming Dynasty's Xuande era. It served as a canal tax office in Huai'an, Jiangsu Province, from the Ming and Qing dynasties to the early Republic of China. Situated at the north-south canal transport hub, Huai'an Native Customs once held a prominent position, renowned as the "Premier Tax Station under Heaven". In modern times, the customs gradually declined. Despite repeated proposals for reform and rectification, its decline could not be arrested. In the Republican era, although Native Customs remained an important part of the national fiscal system, Huai'an Customs faced multiple pressures: government tax reforms, the squeeze from the modern maritime customs system, and the impact of the rise of modern transportation. Struggling to adapt, it was finally abolished in 1931 and withdrew from historical prominence.

While academic research on Native Customs has made substantial achievements, studies on the critical historical period from the late Qing to the abolition of traditional customs during the Republican era remain weak due to differences in periodization of research and focus areas, with related discussions still insufficient. Meanwhile, despite the considerable attention paid to Native Customs studies, the academic focus on modern Huai'an Native Customs has been relatively limited, and case studies on Huai'an Native Customs have long remained in a state of relative silence. In light of this, this paper intends to take Huai'an Native Customs as the research object, comb its institutional evolution, and focus on the critical period from the late Qing to the abolition of traditional customs during the Republican era, exploring its role and fate in modern financial transformation, so as to provide new perspectives and reflections for the study of traditional customs systems and regional economic history.

2. Establishment and Evolution of Huai'an Native Customs and the Late Qing Crisis

Throughout China's imperial dynasties, tax stations were established to levy taxes: firstly, to meet military and state requirements; secondly, to implicitly reflect the principle of suppressing commerce; and thirdly, to serve the function of promoting trade to enrich the state. According to the *Great Ming Code* of the Wanli reign: "In the early days of the dynasty, only commercial taxes existed, and there was no ship paper money tax. It was not until the Xuande period that seven Chaoguan (Paper Money Tax Stations) were established."[1]This indicates that in the early Ming, a dual currency system of copper coins and paper money was implemented, with tax offices established nationwide to collect commercial taxes. Later, due to the over issuance of paper money, it depreciated and became stagnant in circulation. In the fourth year of the Xuande reign (1429), to promote the circulation of paper money, the Ming government established Paper Money Tax Stations at seven locations along the Beijing-Hangzhou Grand Canal—including Huai'an Prefecture, Yangzhou Prefecture, and Shangxinhe—where merchants congregated, levying ship paper money tax to ensure that "ships employed for loading cargo would pay taxes based on the quantity of goods and the distance traveled."[2]

Among them, the Huai'an Native Customs office was located in Banzhazhen, six miles northwest of Huai'an City, and had twelve sub-stations including Junshang, Caowan, and Waihe. At this time, Huai'an exclusively levied chuanliao (Shipping cargo tax), not taxing goods, which differed from traditional Monopoly Tax Stations that levied taxes on passing commercial goods. In the 6th year of the Hongzhi reign (1493), the Ming government explicitly stipulated standard regulations for Paper Money Tax Stations, decreeing that a commissioner from the Nanjing Ministry of Revenue shall be specially appointed, serving a one-year term and prohibited from reappointment. Henceforth, the Huai'an Paper Money Tax Stations, Huai'an Granary, and Qingjiang Workshop constituted the Huai'an taxation system. By the end of the Ming Dynasty, Huai'an's tax revenue reached 75,875 taels of silver, more than three times the tax amount at its initial establishment.

In the early Qing Dynasty, the government followed the Ming institutional framework, "levying customs and market taxes similar to those of previous dynasties and the commercial taxes of the Ming."[3]In the 2nd year of the Shunzhi reign (1645), three tax stations were still established in Huai'an: Huai'an Paper Money Tax Station, Huai'an Granary, and Qingjiang Workshop, respectively administered by the Branch Directorate of the Ministry of Revenue and the Branch Directorate of the Ministry of Works. During the Kangxi and Qianlong reigns, the distribution of Huai'an Native Customs ports underwent significant changes due to the expansion of its jurisdiction and administrative adjustments in Huai'an Prefecture. For example, in the 9th year of the Kangxi reign (1670), Huai'an Granary and Qingjiang Workshop were merged into a single Huai'an tax station, overseen by a single tax commissioner. In the 5th (1727) and 7th (1729) years of the Yongzheng reign, Suqian Customs and Miaowan Port (formerly under the jurisdiction of Jianghai Customs) were successively transferred to Huai'an Native Customs management. By the late Qianlong period, the port setup of Huai'an Native Customs became relatively stable, undergoing few overall changes until the end of the Qing Dynasty.

With the gradual perfection of Huai'an's institutional setup and the development of commodity economy, north-south commercial circulation increased, leading to frequent growth in tax revenue, making it one of the nation's leading tax stations. For example, in the 8th year of the Shunzhi reign (1651), Huai'an's annual tax quota was only 58,300 taels of silver; during the Yongzheng reign, although its tax quota was set at over 200,000 taels, its surplus could reach up to 230,000 taels. The tax revenue of Huai'an Native Customs peaked during the Qianlong period: statistics show that between the 5th and 13th years of the Qianlong reign (1740–1748), its annual tax revenue could reach a maximum of 623,000 taels, ranking first among tax stations along the Grand Canal.

After the Jiaqing and Daoguang reigns, Huai'an Native Customs, like other Native Customs stations, inevitably fell into decline. Statistics show that in the late Daoguang period, the Qing court's customs revenue still reached 4.72 million taels of silver, accounting for approximately 13% of annual fiscal revenue. By the 27th year of the Guangxu reign (1901), however, despite the total national fiscal revenue growing to 88.2 million taels, Native Customs revenue—a traditional tax source—shrank to 2.7 million taels, contributing less than 3% of the total. Huai'an's tax revenue declined even more sharply: from an annual average of 500,000 taels in the early Qing to just over 40,000 taels in the 30th year of the Guangxu reign, less than 10% of its early Qing level. This numerical shift reflects that the late Qing fiscal structure underwent significant transformation over half a century, with traditional tax sources continuously weakening and the decline of Native Customs becoming a universal phenomenon. Contemporaries' understanding of Huai'an Native Customs was also relatively accurate:

"Huai'an Native Customs served as the north-south thoroughfare, where boats and carriages conveyed goods, and all merchants traversed its routes. In its early days, with no sea routes in operation, the abundant inland waterways ensured robust tax revenue. However, subsequent changes brought drastic transformations: firstly, the northward shift of the Yellow River caused land routes to bypass Huai'an; secondly, steamship navigation led to most cargo being transported by sea; thirdly, the cessation of grain barge transport reduced northbound goods; fourthly, the conversion of provincial native opium taxes to unified levies; but the greatest loss came from the encroachment by foreign tariffs." [4]

To begin with, domestic warfare and the Yellow River's course shift were critical contributing factors to Huai'an Native Customs' decline. During the Taiping Rebellion, the region surrounding Huai'an saw frequent battles, leading to customs officials scattering and merchant vessels fleeing, causing a drastic drop in tax revenue. Coupled with the Yellow River's northward course shift in 1855, the northern Jiangsu section of the Grand Canal remained silted for over a decade, severely disrupting the north-south commercial transport system and exacerbating Huai'an's tax revenue crisis. As a report in Xianfeng 6th year (1856) stated: "Since the outbreak of war, commerce has stagnated for years. Additionally, delays in blocking floods in the eastern and southern rivers have rendered both upstream and downstream Yellow River routes unnavigable." Evidently, military conflicts and Yellow River breaches had a profound impact on Huai'an Native Customs' revenue.

Secondly, the encroachment of Maritime Customs on Huai'an should not be overlooked. Between the 4th year of the Xianfeng reign (1854) and the 26th year of the Guangxu reign (1900), Huai'an's tax revenue plummeted precipitously, reaching only 18.2% of its tax volume during the single-port trade period. The cause lies in the establishment of Maritime Customs offices by customs commissioners nationwide, coupled with the vigorous promotion of sub-port taxes and the rise of maritime transport, which stripped Huai'an of its pivotal role as a canal grain transport hub. Concomitant with the decline of river transport, the section of the Grand Canal between the Yellow River and Linqing quickly silted up into flat land. In the 27th year of the Guangxu reign (1901), the Qing government abolished the Canal Transport Governor's Office in Huai'an, stripping the city of its political and geographical prerequisites for prosperity and accelerating its decline.

Meanwhile, with the opening of the Jingpu (Tianjin-Pukou) and Longhai (Lianyungang-Xi'an)

Railways, Huai'an's strategic position as a hub for southern water transport and northern land transport vanished. Most travelers switched to the fast and convenient trains, causing a rapid decline in passenger and cargo transport, catering services, and other related businesses in Huai'an. In short, with the shift of grain transport to maritime routes, the abandonment of river transport, and the impact of railway networks, commercial circulation within the jurisdiction of Huai'an Native Customs plummeted.

3. Reforms of Huai'an Native Customs during the Late Qing and Early Republican Periods

The late Qing reform of Huai'an Native Customs represented a passive adaptation of traditional tax station institutions under modernization pressures, with its measures and dilemmas epitomizing the complex contradictions of institutional transition. In the 5th month of the 30th year of the Guangxu reign (1904), the Ministry of Revenue submitted a memorial and received an imperial edict ordering the dismissal of the Huai'an Customs Supervisor, transferring its administration to the Governor-General of Liangjiang (Jiangnan and Jiangxi), and entrusting its day-to-day management to Huai'an Prefecture. That September, Liangjiang Governor-General Zhou Fu and Huai'an Prefect Wang Shutang began rectifying Huai'an's customs affairs. Addressing the severe overstaffing, Zhou and Wang streamlined the institution by dismissing over 1,300 clerks, scribes, and servants, retaining only 60 officials and selecting 87 duty personnel, disbanding personal retainers, abolishing paper money tax collectors, and appointing new staff with designated salaries.

Meanwhile, facing Huai'an Native Customs' chaotic management and widespread corruption and extortion, a single-invoice audit system was implemented, which stipulated: "All miscellaneous fees charged to merchants shall be abolished, retaining only meal allowances. Underreporting shall be subject to a fourfold penalty... Salaries and operational costs for staff shall be uniformly covered by Huohao silver (remelting loss fees). If insufficient, they shall be supplemented by Pingyu silver (surplus profits) and penalty funds, without touching principal tax revenue, to ensure maximum tax remittance to the imperial treasury." [5]That is, all expenditures of the customs office were to be recorded on single invoices for supervision, with all miscellaneous taxes abolished except for meal fees. A fourfold penalty was imposed for underreporting. At the same time, staff salaries and operational costs were to be paid entirely from huohao silver; if inadequate, they were to be supplemented by pingyu silver and fines, without using principal tax funds, to ensure tax revenue was remitted to the state treasury as much as possible. Over the subsequent four terms, Huai'an's tax revenue showed marked improvements from the rectification. However, despite some modest improvements from successive rectifications, Zhou Fu noted in his memorial to the Guangxu Emperor: "Foreign merchants transporting goods inland and Chinese merchants dealing in foreign or native goods alike hold Maritime Customs tax certificates for inspection and clearance... Huai'an's tax revenue has been deficient first due to the Yellow River's course shift, second due to the opening of Jianghai (Shanghai) Customs, and third due to the encroachment of foreign tax certificates. Decades of massive deficits have created a situation too entrenched to reverse."

From this perspective, the tension between "internal rectifications" and "external encroachment" reveals the vulnerability of traditional Native Customs in their struggle against the modern Maritime Customs system. Even with optimized management, they could hardly reverse the decline trend caused by the loss of geographical hub status and the reconfiguration of Chinese-foreign trade patterns.

At the founding of the Republic of China, given the continued fiscal importance of Native Customs duties, the Beijing Government maintained their administrative efficiency through ongoing institutional adjustments.

First, at the level of tax authority division, the early Republican government attempted to establish a tax division system for central-local tax authority allocation, but it became a mere formality due to the expansion of local separatist forces and the weakening of central administrative capacity. Constrained by the imperfect fiscal management system, the implementation of separating national and local taxes proved unfeasible, prompting the authorities to quickly abolish the tax division plan and revert to the old system of provincial financial agencies overseeing tax revenue, essentially continuing the Qing-era remittance model. Later, to balance the need for fiscal centralization with the inertia of traditional tax institutions, the Beijing Government established an "earmarked fund system," designating key tax categories such as stamp tax, tobacco and alcohol taxes, and Native Customs duties as central earmarked funds to strengthen central fiscal control. Against this backdrop, after the new government took over Huai'an Native Customs, it was placed under central jurisdiction in 1913, with the Ministry of Finance appointing special supervisors for management, attempting to revitalize Native Customs revenue through vertical administration.

Secondly, as most Native Customs in the early Republic continued to follow Qing-era tariff regulations, and tax rates varied widely between different customs, this hindered inter-regional commodity circulation. Therefore, revising Native Customs tariff regulations and unifying tax rates became a pressing issue. In May 1914, after basically standardizing tax rates for Native Customs within and beyond fifty miles, the Ministry of Finance of the Beijing Government concluded that unifying tax rates for inland Native Customs was imperative. In June of the same year, the Ministry of Finance promulgated the Regulations for Rectifying Native Customs Tariffs, which stipulated:

1) Native Customs tax rates would be revised based on half the Maritime Customs tariff (a 2.5% ad valorem duty).

2) For any Native Customs with tax rates below half the Maritime Customs tariff, rates would be uniformly raised to half; for those at or exceeding half, existing rates would remain in effect.

3) Native Customs within fifty miles under Maritime Customs administration must also comply with the above provisions. [6]

Concurrently, the Ministry of Finance promptly formulated the Revised Tariff Schedule for Huai'an Native Customs, classifying goods passing through Huai'an into 16 major categories comprising 378 items. It also investigated the values of goods not listed in the old tariff, drafting estimated tariff rules for 46 additional items, with tax amounts set at 2.5% of their current values. Thereafter, Huai'an's tariff structure underwent no major changes. Due to the significant increase in tax rates for most commodities, Huai'an's annual tax revenue from the 2nd to the 14th year of the Republic rose to between 120,000 and 330,000 yuan.

It is evident that such top-down "external shock" reforms failed to address deep-seated contradictions: the transformation of transportation networks where canal shipping was replaced by railways and steamships, and the monopolistic encroachment on tax sources by foreign-controlled Maritime Customs. The early Republic's adjustments to Huai'an Native Customs ultimately remained at the level of technical tinkering. The reform practices of this period not only highlighted the urgency of fiscal modernization but also exposed the historical dilemma that, without economic geographical restructuring and institutional innovation, the traditional customs system could not achieve fundamental transformation.

4. The Abolition of Huai'an Native Customs and Its Post-Abolition Arrangements

In fact, discussions about abolishing various Native Customs stations began as soon as the Nationalist Government was established. Supporters of abolishing Native Customs argued that their retention was a result of unequal treaties, noting: "The purpose of maintaining Native Customs is not to continue collecting traditional Native Customs duties, but to repurpose these institutions for levying production and sales taxes. Critics now contend that production and sales taxes generate meager revenue, involve extortion and delays reminiscent of likin taxes, entail cumbersome procedures, and frequently conflict with treaty provisions. It would be better to abandon these taxes and adopt new tax systems."[7]Moreover, the uniform application of a 2.5% tax rate across Native Customs drew widespread criticism from Chinese citizens. The government's arbitrary raising of tax rates to 2.5% for goods previously taxed at lower rates not only imposed heavier burdens on merchants and civilians but also inevitably sparked their opposition.

In discussions about abolishing Native Customs stations, Huai'an Native Customs was the first in the firing line. In 1913, a special commissioner from the Ministry of Finance conducted an inspection of Huai'an Native Customs and proposed measures for its rectification. The Ministry of Finance also instructed: "The commissioner shall conduct regular inspections and thorough cleanups to achieve tangible results in tax administration rectification."

Following the failed proposal to abolish Native Customs in the early Republican period, during the Second Jiangsu Provincial Chamber of Commerce Federation convened by the National Chamber of Commerce Federation and Jiangsu Provincial Office in March 1919, representatives Ni Bofu and Cao Yuqing from the Yiling and Xianzhen chambers of commerce again proposed "a motion to abolish Yangyou and Huai'an Native Customs." Subsequently, representatives Wang Wenzao and Xu Zhaojia submitted to the Provincial Assembly a proposal to abolish Native Customs, eliminate landing, trans-river, and meal fees, and offset losses by merging sub-checkpoints. On October 29 of the same year, another request was made to merge or abolish Yangyou and Huai'an Native Customs, urging the Provincial Government to consult the Ministry of Finance to either abolish or merge the two Native Customs stations to alleviate public hardship. [8]

However, the Ministry of Finance's response to Huai'an was lukewarm: "Landing, trans-river, and other taxes collected by Huai'an Native Customs are recorded in its official records and have been implemented for years... It is also noted that deep-rooted abuses in Huai'an and Yangzhou Native Customs have been addressed through repeated strict reform orders from the Ministry, with various customs reporting compliance. Although long-standing problems are hard to reverse, gradual rectification should yield progressive results." In its subsequent reply to the chambers of commerce, the Ministry argued that merchants' demand to abolish Huai'an and Yangyou Native Customs stemmed from misunderstanding the fundamental distinction between Native Customs duties and likin-style commodity taxes. Thus, the campaign to abolish Huai'an Native Customs subsided for the time being.

Not until the establishment of the Nanjing Nationalist Government did the active campaign for tariff autonomy place the abolition of the likin and Native Customs systems on the agenda. In 1927, the Nanjing Nationalist Government promulgated the *Proclamation on Abolishing Likin and Implementing Tariff Autonomy*, stating: "Entrusted by the nation, this government has always been vigilant, fully aware that to promote national economic development, the pernicious likin and systems akin to likin must be thoroughly eradicated to alleviate public hardship." However, due to severe financial deficits at the time, orders to abolish likin and Native Customs were not actually implemented.

In 1928, the Nanjing Nationalist Government issued *the Declaration on Renegotiating New Treaties*, asserting that "the abolition of all unequal treaties and the negotiation of new treaties based on mutual equality and respect for sovereignty have long been regarded as urgent priorities." It launched a treaty revision campaign, one of whose objectives was to abolish inland tariffs such as Native Customs duties and likin taxes while increasing Maritime Customs revenue. However, by 1929, the Nanjing Nationalist Government still could not resolve issues such as "worries about customs officials' unemployment" and "newly increased tariff revenue," leaving "the problem of abolishing Native Customs" with "no precise budget or scheduled timeline for their abolition." Finally, in October 1930, Minister of Finance issued a circular: "Native Customs beyond fifty miles, sub-port taxes, re-import duties, etc., shall all be permanently abolished.” Thus, Huai’an Native Customs, like many other Native Customs stations, was completely brought to an end.

As previously noted, Huai’an Native Customs oversaw numerous checkpoints, employing thousands of staff members and individuals dependent on customs-related livelihoods. Contemporary records described the situation before and after its abolition: “After the circular announcing the abolition of likin taxes was issued, residents of Banzhai warned each other as if a great disaster were imminent. When the Ministry’s order arrived, all hope vanished; the entire town was filled with wailing and sobbing throughout the night, a scene of such misery that it was unbearable to hear.” [9]

To address the livelihood issues of former customs employees, the Ministry of Finance established the Huai Shan Factory. Its funding sources included a 2,000-yuan donation from Mao Guangsheng, the last Supervisor of Huai’an Native Customs, and 2,000 yuan from the sale of ferries. The factory primarily engaged in weaving cloth and towels. However, due to poor management and limited business scope, it failed to comprehensively address the unemployment crisis and was soon closed. Most unemployed individuals were forced to seek work in cities such as Nanjing, Zhenjiang, Suzhou, Wuxi, and Shanghai, with a significant number entering Shanghai’s textile mills. Thus, the once-prosperous Huai’an Native Customs officially withdrew from historical stage.

The abolition of Huai’an Native Customs was not merely the closure of a tax station but a landmark event in China’s modern tax system transformation. It brought to an end the 502-year-old inland tariff station system that had persisted since the Xuande reign of the Ming Dynasty. Although the abolition process was delayed by financial considerations, its eventual implementation still reflected the state’s determination to advance modernization by abolishing outdated tax systems and establishing a unified market.

5. Conclusion

The rise and fall of Huai’an Native Customs essentially epitomizes the “geographical hub obsolescence” faced by traditional inland tax station systems during modernization. And Huai’an’s predicament reveals that the survival of traditional economic hubs depends heavily on specific technological conditions and institutional environments. When modern transportation technologies broke through the spatial constraints of inland shipping, and new tax systems replaced geography-based transit taxation, the obsolescence of old institutions became historically inevitable. Its trajectory offers a lesson for contemporary regional development: only by achieving dynamic balance among geographical endowments, technological innovation, and institutional design—and breaking free from path dependence on single-hub advantages—can we avoid the historical cycle of prosperity tied to hub vitality, decline with hub decay. The demise of Huai’an Native Customs marks the end of the canal era and serves as a microcosm of China’s modern economic transformation, whose institutional experiences and transformation logic continue to resonate at the intersection of history and reality.

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