Literature, History and Philosophy
ISSN Print: 3079-5400
ISSN Online: 3079-5419
https://doi.org/10.63313/LHP.8038

An Investigation into the Obstacles to Implementing the “Abolition of Lijin and Tariff Increase” in the Late Qing Dynasty

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How to cite this paper: Zhang, H. X. (2026). An investigation into the obstacles to implementing the "abolition of lijin and tariff increase" in the late Qing dynasty. Literature, History and Philosophy, 2(1), 1–8. ISSN Print: 3079-5400, ISSN Online: 3079-5419.
https://doi.org/10.63313/LHP.8038
Published: 2026-05-20

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Abstract

The lijin system was a significant tax collection mechanism instituted by the Qing government during the late Qing period. The issue of “abolishing lijin and increasing tariffs” can be traced back to the Sino-British treaty revision negotiations of the 1860s, where, at the suggestion of Sir Robert Hart, the British representative first proposed the rudiments of this scheme. Thereafter, this tax reform underwent a series of negotiations involving the Qing central government, local governments, and the Western powers, ultimately culminating in a consensus enshrined in the Mackay Treaty. However, its implementation encountered considerable obstacles, and the reform ultimately could not be executed during the late Qing period. The lijin system was not completely abolished until the Republican era. Building upon an overview of the background and the process by which the “abolition of lijin and tariff increase” was proposed, this paper will concretely analyze the feasibility of this measure. It will then proceed to examine the numerous problems that invited criticism of the reform, and ultimately investigate why this measure proved so difficult to implement and why the lijin system, which clearly hampered China’s economic development, could not be abolished during the late Qing period.

Keywords

Abolition of Lijin and Tariff Increase; Qing Government; Local Government; Western Powers; Negotiations

1. An Overview of the “Abolition of Lijin and Tariff Increase”

1.1. Historical Background

The lijin system was a measure instituted by the Qing government during the Taiping Rebellion, imposing a tax on goods in the process of production, transportation, and sale to meet urgent military expenditures. However, after the rebellion was suppressed, the lijin system, far from being abolished, was instead progressively refined and gradually became a state institution.

Nevertheless, due to the establishment of layer upon layer of lijin checkpoints (lika) across various regions and the extortionate practices of clerks in local lijin bureaus, the system severely disrupted the order of domestic commodity circulation. While hindering the commodity-dumping activities of capitalist powers in China, it also posed a substantial obstacle to the development of a modern capitalist commodity economy within China.

This triggered debates and discussions among different entities, both domestic and foreign–including the Qing government, local governments, and the Western powers –concerning whether the lijin system should be abolished and how such a reform should be carried out.

1.2. A Summary of the Process

In the eighth year of the Tongzhi reign (1869), during the Sino-British treaty revision negotiations, the British minister, acting on a proposal by Sir Robert Hart, put forward an embryonic version of the "abolish likin, raise tariffs" scheme–that is, to increase import duties while simultaneously dismantling the likin levied on imported goods. By the sixth year of the Guangxu reign (1880), the plan was raised once again by the British side, and the Qing government signalled its consent. It nevertheless stalled a second time, as the foreign powers remained unconvinced that the exemption from likin could be effectively enforced.

During the Sino-British treaty revision consultations of the eighth year of the Tongzhi reign (1869), the British minister, adopting a strategy recommended by Sir Robert Hart, Inspector General of the Chinese Maritime Customs, first introduced the concept of "abolishing likin and raising tariffs." The proposal envisaged gradually dismantling the likin system imposed on imported goods in return for higher import tariff rates. By the sixth year of the Guangxu reign (1880), the British government revived the initiative, and the Qing court, after due deliberation, tentatively agreed. However, the foreign powers harboured serious doubts as to whether the Qing government would be capable of implementing the likin exemption, and the treaty revision proposal therefore never progressed to a substantive stage of execution, lapsing once more into stagnation.

In the years that followed, numerous officials and scholars articulated their own views and stances on the likin system–a subject that will be examined in detail later in this study.

In the twenty-second year of the Guangxu reign (1896), Li Hongzhang was entrusted with a diplomatic mission to several European nations, during which he consulted with various countries on raising the tariff rates applied to imported foreign goods. No substantive outcomes, however, were achieved. In the following month of that same year, Sheng Xuanhuai, then occupying a high-ranking official post, submitted a memorial to the throne entitled "Proposals for the Great Plan of Self-Strengthening." In it, he explicitly advocated the reform of "abolishing likin and supplementing [government revenue through] higher tariffs." The Qing court, nonetheless,

remained deeply apprehensive about the abolition of likin, and its negotiations with the British government likewise failed to yield any agreement.

After eight months of arduous, back-and-forth consultations and negotiations, the Sino-British talks on a new commercial treaty finally drew to a close in the twenty-eighth year of the Guangxu reign (1902), culminating in the formal signing of the Supplementary Treaty of Commerce and Navigation (commonly known as the Mackay Treaty). The treaty laid down explicit provisions for the "abolish likin, raise tariffs" scheme: first, the Chinese side was required to completely dismantle all existing likin stations and any barrier institutions of a similar nature throughout the country; second, the tariff rate on imported foreign goods was to be uniformly raised to 12.5 percent.

However, under the terms of the established treaty, the measure of "abolishing likin and raising tariffs" could only be put into practice after it had secured the unanimous consent and ratification of all the foreign powers. Over the three years that followed, the Qing government managed, with considerable difficulty, to conclude relevant agreements with only the United States and Japan, but it proved unable to reach a consensus with the other powers. As a result, the "abolish likin, raise tariffs" clause never attained legal force.

Moreover, during its brief and tentative implementation, the policy encountered significant resistance and discontent from a wide range of parties both at home and abroad. The likin system was therefore not dismantled in the late Qing period, and it was only formally abolished by the Nanjing National Government in 1931.

1.3. An Exploration of Feasibility

The proposed "abolition of lijin and tariff increase" in the late Qing period possessed a more practical and concrete nature compared with the propositions of earlier reformist thinkers. The advocates of this policy, including Xue Fucheng, James Mackay, and Robert Hart, did not merely engage in empty rhetoric but proposed specific measures and actively fought to implement them during negotiations.

For instance, they put forward in their discussions an adjustment plan for import duties on foreign goods, suggesting that, in accordance with the method of concurrently collecting duty and lijin on foreign opium, the value of goods should be assessed, and based on the regular tariff plus transit duty of 7.5%, a sum equivalent to the existing lijin be added, bringing the total to a 15% ad valorem rate to be collected by the Customs in a consolidated manner, thereby simplifying the collection procedures. This plan aimed to reduce the arbitrary nature of local lijin collection and unify internal and external tax systems, thereby better serving national finances and market integration. Moreover, Hart also proposed supplementary measures, such as levying factory and sales taxes on native goods in places without foreign customs establishments, to partially compensate local governments for the financial losses resulting from the abolition of lijin.

It is thus evident that the proposal for "abolishing lijin and increasing tariffs" did not remain merely at a theoretical level but attempted to solve practical problems through specific policies, demonstrating clear feasibility. Yet, this proposal encountered resistance from multiple quarters during implementation and ultimately failed. Why could the lijin system, which clearly obstructed China's economic development, not be abolished during the late Qing dynasty? The following sections of this paper will proceed to a detailed analysis of the problems that invited criticism during the deliberation period of this proposal and the multifaceted reasons for its difficult implementation.

2. Problems Inviting Criticism during the Deliberation Process

Tax reform is a process involving multiple interests and complex factors. During its deliberation period, the measure of "abolishing lijin and increasing tariffs" exhibited numerous aspects that invited criticism, primarily involving the distribution of interests between the central and local governments, divergent opinions among key officials, and the negotiation game between the Qing government and the Western powers, represented by Britain.

2.1. The Nexus of Interests between the Lijin System and Local Officials

The lijin system was originally established to raise military funds and, since its inception, had always been a vital component of local finance—a self-raised fiscal resource for provincial governors-general and governors. Following the devolution of its collection authority to the localities, local governments gained considerable fiscal autonomy, and local officials and interest groups coalesced into a vast vested-interest bloc.

The existence of the lijin system enabled local governments to expand their own fiscal revenues through its collection, thereby augmenting their own power and influence. The implementation of the "abolition of lijin and tariff increase" system impinged upon the interests of local governments, affecting both the economic and political interests of local officials, and therefore provoked their strong resistance.

2.2. Central-Local Fiscal Contestations

Related to the analysis above, the "abolition of lijin and tariff increase" reform involved a fiscal contest between the central and local governments, whose core lay in the local governments' dependence on lijin and the central government's attempt to reclaim fiscal authority.

The Qing government hoped that by abolishing lijin and increasing tariffs, it could reduce the arbitrary and complex nature of local lijin collection, so as to facilitate commerce and benefit the people, thereby upholding central rule. When the central government attempted to introduce a new tax scheme to bolster central fiscal

revenues, local interest groups mounted fierce opposition. Consequently, under the interference of local governments, the implementation of the abolition of lijin and tariff increase was fraught with difficulties, and the central government found it hard to reclaim fiscal authority.

2.3. Mutual Attacks among Officials with Different Proposals

On the issue of "abolishing lijin and increasing tariffs," there were fierce mutual attacks among key central officials holding different views.

On one hand, the majority of officials in the ascendant at court, represented by Li Hongzhang, defended the system, arguing that it had substantially increased fiscal revenue and was also conducive to China's pursuit of self-strengthening and prosperity. They contended that forcibly implementing "abolition of lijin and tariff increase" might weaken the fiscal foundation of local governments and, in turn, increase the central government's fiscal pressures.

On the other hand, officials represented by Wu Tingfang and Sheng Xuanhuai advocated for abolishing lijin and increasing tariffs to weaken local forces and enhance central authority. They believed that exempting lijin would facilitate the circulation of native goods for export, while increased tariffs might gradually reduce the import of foreign goods, thereby promoting the development of domestic national capitalism.

This viewpoint was, in effect, grounded in the theoretical advancement of a unified domestic market. Unlike earlier, narrower fiscal propositions, it placed greater emphasis on establishing national protective tariffs and similar measures. They maintained that "abolishing lijin and increasing tariffs" would neither harm the people's interests nor effectively prevent losses, achieving the goal of national prosperity without harming the populace.

Such repeated attacks among key officials of the central court made it difficult for the central government to balance the interests of all parties, hindering the smooth progress of the reform and accelerating the failure of the "abolition of lijin and tariff increase" initiative.

2.4. The Sino-British Negotiation Game

On the issue of "abolishing lijin and increasing tariffs," there were fierce mutual attacks among key central officials holding different views.

As one of the principal powers, Britain was the Qing government's primary counterpart in the negotiations concerning "abolishing lijin and increasing tariffs."

Britain hoped that China could reduce its dependence on lijin, thereby allowing it better control over the Chinese market. Therefore, during the negotiations, Britain adopted a strategy of secretly exempting lijin without conceding to tariff increases, attempting by this means to compel the Qing government to agree to the abolition of lijin and an increase in tariffs.

However, this tactic failed to persuade the Qing government and instead intensified the contradictions between the two sides. The Qing representative, Sheng Xuanhuai, had proposed raising import tariffs as a compensatory measure for abolishing lijin, but this was not accepted by the British side.

The Qing government, for its part, adhered to the principle in the negotiations of first increasing tariffs and then abolishing lijin. While this strategy appeared reasonable, its practical implementation proved difficult. Since the lijin tax was a vital fiscal resource for local governments and warlords, they vehemently opposed its unconditional abolition. Furthermore, in the negotiations, the Qing government failed to give sufficient consideration to the interests of local officials, leading to a situation where, after the abolition of lijin, local governments might continue to levy taxes under other names, thereby greatly diminishing the practical effect of the reform.

The Sino-British negotiations revealed that Britain wished to abolish lijin to facilitate its trade activities, while the Qing government sought to increase tax revenue to bolster its finances. This divergence in views rendered the consultations on "abolishing lijin and increasing tariffs" even more complex.

3. Analysis of the Reasons for the Difficulty of Implementation

Following the conclusion of the Sino-British Mackay Treaty, although the Qing government was still endeavoring to secure the consent of other powers, the "abolition of lijin and tariff increase" regime underwent a period of domestic implementation. However, during this process, it encountered considerable obstacles and opposition, and the version of the "abolition of lijin and tariff increase" pursued in the late Qing period ultimately proved unenforceable.

3.1. The Weakness of the Qing Government

In implementing the abolition of lijin and tariff increase, the Qing government faced a severe fiscal deficit. Lacking new, reliable sources of tax revenue to compensate for the revenue likely to be lost upon the abolition of lijin, the Qing government had to consider how to sustain local government expenditure. This fiscal pressure rendered the Qing government weak in advancing the policy; it often appeared incapable of fulfilling its ambitions in policy execution and found it difficult to make decisive choices.

3.2. Intervention by Local Governments

As analyzed above, local governments harbored an oppositional stance toward the implementation of the abolition of lijin and tariff increase. Therefore, when executing this policy, local governments often greatly discounted its effect, or even completely ignored the central government's directives. They frequently imposed lijin forcibly on import and export goods and lowered the collection rates to

compete for tax sources. Such practices not only contravened the policy intent of the central government but could also lead to the loss of tax revenue and disorder in the taxation system, accelerating the failure of the "abolition of lijin and tariff increase" system.

3.3. The Intransigence of the Powers

As previously mentioned, "abolishing lijin and increasing tariffs" required the unanimous consent of all nations before it could be implemented. Yet, the powers' attitudes toward the reform were complex. The Qing government's failure to reach a consensus with the majority of the powers meant that the "abolition of lijin and tariff increase" clause never achieved legal validity.

On the one hand, the powers wished to abolish lijin to expand their trade privileges, but on the other hand, they feared that increasing tariffs would harm their own interests. For example, although American merchants supported abolishing lijin, they were unwilling to pay the price of increased tariffs in return. Newly ascendant powers such as Germany and Italy obstructed China's demands for tariff increases in every possible way, arguing that the tariff question should be settled jointly through an international conference.

3.4. Apprehensions of the Business Community and the Populace Regarding Tax Increases

The industrial and commercial circles and a large segment of the populace harbored strong resistance toward the abolition of lijin and tariff increase. These social-psychological factors played a relative role in hindering its implementation.

The business community feared that the new tax policy would increase their economic burden. Merchants adopted a very cautious attitude toward the reform; they hoped the government would thoroughly abolish lijin, but simultaneously did not wish to see the emergence of new, burdensome taxes.

The public's aversion to tax increases stemmed from the opacity of the collection process, which caused taxpayers to be unwilling to accept the levies and to lodge protests. During the previous operation of the lijin system, numerous unfair and unjust practices in the tax collection process, such as arbitrary levies and double taxation, had already damaged the populace's trust in the tax regime. Consequently, when the new tax policy was introduced, the populace developed resistance, triggering widespread protests from merchants and citizens.

4. Conclusion

Building upon a concise exposition of the background and the process by which the "abolition of lijin and tariff increase" was proposed, this paper has concretely analyzed the feasibility of this measure. It then proceeded, centering on the core question of "why the lijin system, which clearly obstructed China's development,

could not be abolished," to specifically explore the multifaceted reasons for the difficulty of implementing the "abolition of lijin and tariff increase" in the late Qing period, starting from the numerous problems that invited criticism of the reform.

The analysis reveals that factors such as the conflict of interests between the central and local governments, differences of opinion among key court officials, and the Sino-British negotiation game all posed obstacles to the reform. The weakness of the Qing government, intervention by local authorities, the intransigence of the powers, and the apprehensions of the business community and the populace collectively led to the failure of the "abolition of lijin and tariff increase."

In summary, although the proposal for "abolishing lijin and increasing tariffs" in the late Qing period held positive significance, it encountered a complex and volatile domestic and international environment in its practical operation, as well as resistance and challenges from diverse quarters, and ultimately failed to achieve its intended objectives.

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