Introduction

This book is about the activities of foreign banks in China between the late nineteenth century and the end of the First World War. During this period, foreign banks were major players in Chinese finance. They financed the rapidly growing international trade of China, cooperated closely with Chinese banks and provided the Chinese state with capital that allowed China to pay for wars, fund industrialization projects and maintain political stability. In Foreign Banks and Global Finance in Modern China, I try to answer the question of how foreign banks rose to such prominence in China and what role they played in facilitating China’s financial integration into the global economy. Most importantly, I show that the interaction between foreign banks and Chinese officials and entrepreneurs led to the rapid internationalization of Chinese finance, both in terms of the banking sector of the China coast and in Chinese public finance, during the last two decades of the Qing dynasty and the first years of the Chinese republic. Although I contend that foreign banks as intermediary institutions played an important part in this process of internationalization, the evidence presented in the following chapters will also make clear the important role of Chinese actors and agency for the operations of foreign banks in China.

In studying the history of foreign banking in modern China, this book particularly follows the history of the Deutsch-Asiatische Bank (Dehua Yinhang 德華銀行, DAB), a leading German bank operating in China during the last two decades of the Qing dynasty and the early years of the republican period. The DAB’s history in many ways exemplifies the activities and development of foreign banks operating in modern China throughout this period. After its establishment as a private joint-stock bank in 1889 in Shanghai, the DAB became both the most important German bank in China and one of the most important international financial institutions operating in East Asia. When the DAB started to operate in China during the 1890s, Chinese foreign trade was growing rapidly and the bank became involved in the financing of foreign trade. It also maintained important business relations with Chinese banks and attracted deposits from foreign and Chinese customers. After China’s crushing defeat in the First Sino-Japanese War, Chinese officials became more open to the use of foreign capital and the DAB started to play...
an important role in floating loans for the Chinese government on the German capital market. By 1914, the DAB connected most of China’s major economic hubs with Germany and had also extended its branch network to East and Southeast Asia to facilitate its business in China. Eventually, however, the bank fell victim to the turmoil of the First World War, when it was liquidated by the Chinese government.

The history of the DAB, from its opening in Shanghai in 1890 to its eventual demise during the First World War, takes us through the period in modern China’s history when foreign banks rose to a position of unprecedented significance both for the Chinese state and the local Chinese banking sector on the China coast. Between the 1890s, when China’s foreign trade started to grow at a previously unmatched rate, and the First World War that saw the end of this rapid growth in trade and the rise of modern Chinese banks, foreign banks played a unique role in the banking sector of the China coast by financing foreign trade and supplying both Chinese banks and the Chinese state with capital. The DAB’s history therefore constitutes a useful case-study for understanding the rise of international banking in China at the turn of the twentieth century.

In many ways, Foreign Banks and Global Finance in Modern China builds on recent scholarship by scholars outside the field of Chinese history. Scholars of global history have highlighted the important role the integration of international financial markets and global flows of capital played during the first era of modern globalization in the nineteenth and early twentieth centuries. At the same time, business historians like Geoffrey Jones have emphasized the decisive impact modern multinational banks had on the creation of the first global economy between the early nineteenth century and the First World War by supplying the financial infrastructure that facilitated the unprecedented global economic integration during this period. Financial historians have also stressed that international banks provided the infrastructure for international payments, capital flows and trade for the first era of globalization during the nineteenth and early twentieth centuries, and have emphasized the importance


2 See Jones, Multinationals and Global Capitalism, pp. 19–20, 109, 113–14, 144 and 285; and Jones, ed., Banks as Multinationals. The first global economy mainly differed from earlier global economic interaction because of the unprecedented global economic integration it saw and the new technologies of transportation and communication that made large-scale global trade and capital flows possible. These processes accelerated during the second half of the nineteenth century and declined after 1914. See Jones, Multinationals and Global Capitalism, pp. 18–19; Jones, Entrepreneurship and Multinationals, pp. 2–5; Jones, ‘Globalization’, pp. 143–7; Obstfeld and Taylor, Global Capital Markets, pp. 23–5; Findlay and O’Rourke, ‘Commodity Market Integration’, pp. 13–64.
of this infrastructure and the services of these banks for the rapid growth and integration of the global economy, including in Asia.  

However, if we look at China and the activities of foreign banks in the modern Chinese economy, we find that the specific role these foreign banks in China and their interaction with Chinese actors played in the internationalization of Chinese finance and China’s financial connections to the global economy until today remain understudied. This lack of historical research into the activities of foreign banks in modern China can be explained by three factors. First, and most importantly, views that see foreign banks as part of foreign imperialism in China still loom large in the historiography of late Qing and republican China, generating an often simplistic picture of the activities of foreign banks. Second, many of the records relevant to the activities of foreign bankers in China are written in different languages and scattered across different archives, and have often only recently become available to historians. This has made it difficult for historians to engage with the history of foreign banks in modern China beyond a superficial level. Third, the China-centred approach that long dominated Western scholarship of China has tended to lead Western historians of China to shift their focus away from foreign influences on China’s modern history.

Only in recent years have historians of China started to use a more global perspective to engage with China’s modern history. William Kirby has argued that during the republican period ‘nothing mattered more’ than China’s foreign relations, which became ‘all penetrating, all permeating, all prevailing . . . forcing their way into every part of Chinese society’. Kirby sees the first Chinese republic as the start of a process of internationalization that is still ongoing in China today. Hans van de Ven has argued that China witnessed its own ‘onrush of modern globalization’ during the late nineteenth and early twentieth centuries. He has challenged historians to recognize the perspective of ‘globalization . . . as an opportunity to bring back the foreign as a significant factor in modern Chinese history’ that allows us to focus on ‘networks, interactions, mutual exploitations, and rupture’ instead of simplistic ‘binary dichotomies between China and the West’. R. Bin Wong, Kenneth Pomeranz and others have also urged historians to break away from Eurocentric interpretations of China’s economic development and to take the ‘Chinese experience’ into serious account when analysing the evolution of economic globalization. Yet, despite these

4 See Cohen, Discovering History in China.
8 Quote from Wong, China Transformed, p. 10; Pomeranz, The Great Divergence; Blue and Brook, ‘Introduction’, pp. 1–9.
efforts of historians to understand the economic aspects of the first era of modern globalization and place the history of modern China in a global context, we still know very little about how China was financially integrated into the first global economy during this era.

This book aims to shed light on this question through an exploration of the role foreign, and particularly German, bankers played in the process of modern economic globalization in China during the late nineteenth and early twentieth centuries. While this book primarily follows the activities of foreign bankers in late Qing and early republican China, it situates the role the DAB and other foreign banks played during this period within the context of the longer development of China’s public finance and Chinese credit markets. It specifically focusses on the interaction between foreign bankers and Chinese actors within the Chinese political and economic sphere. This book thereby aims to paint a more nuanced picture of the history of foreign banks in modern China than before that both highlights the role played by Chinese agency and stresses the importance of cooperation, conflict and shifting relations of power between foreign and Chinese actors. Ultimately, I argue that the DAB and other foreign banks acted as intermediary institutions that financially connected the Chinese economy to Western economies and facilitated its financial integration into the first global economy.

Foreign Banks and the Paradigm of Imperialism

As I have pointed out already, arguably the most important reason why our understanding of the history of foreign banking in China is relatively limited is that much of the previous scholarship on foreign banks in modern China has looked at them mainly as part of foreign imperialism. The origin of historical discourses that interpret foreign banks in modern China mainly in these terms can be traced back to the republican period and the rise of Chinese nationalism.9 Chinese bankers like Chen Guangfu 陈光甫 criticized foreign banks as being part of the ‘foreign economic invasion’ of China and for absorbing Chinese capital and not caring about the development of Chinese industries.10 Ma Yinchu 马寅初, one of the most important Chinese economists of the republican period, accused foreign banks of having seized China’s economic rights by ‘absorbing the private savings of the people… safeguarding the government’s tax revenue …[and] managing foreign remittances’ in China.11 Popular opinion also turned against foreign banks, with newspapers...

9 On the rise of Chinese nationalism during the Republican period, see Zarrow, China in War, pp. 145–247.
criticizing Chinese customers’ belief in the trustworthiness and stability of foreign banks and accusing foreign banks of being harmful to Chinese sovereignty and China’s economy.  

After 1949, criticism of foreign banks in terms of the imperialist domination of China reached new heights. Starting from the 1960s, financial historians in China like Hong Jiaguan 洪葭管 categorized foreign banks as ‘an important means for carrying out imperialism’s brutal domination over China’.  

During the 1990s and 2000s Wang Jingyu 汪敬虞 published several articles that investigated the role of foreign banks in modern China, largely based on research into articles from newspapers, a limited number of Chinese published primary sources and Western secondary literature. While these were more detailed, nuanced studies that pointed out that foreign banks did introduce some financial innovations into China and spurred on the development of Chinese capitalism, Wang maintained that foreign banks were mainly ‘important tools for the economic invasion of China’ by the West.  

Even the most recent Chinese studies on foreign banking in China follow these views. While they are at times more balanced, start to see foreign banks as part of Chinese finance and admit that foreign banks at times cooperated with Chinese actors and provided an institutional model for modern Chinese banks, they generally continue to see foreign banks as ‘the tools and main medium used by imperialism for seeking profits in China’. Moreover, these recent studies largely continue to rely on a limited array of sources and thus also fail to break much new ground in terms of the activities of foreign banks.  

Besides the insistence on seeing foreign banks as manifestations of foreign imperialism, a further common problem of Chinese-language scholarship on foreign banking in modern China is that it does not use foreign archival sources, which makes it difficult to develop a nuanced picture of the activities of foreign officials, diplomats, bankers or any other foreign actors.

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13 Hong, ‘Cong Huifeng yinhang’, p. 35. Also see his other articles collected in Hong, Zai jinrong shiyuan dili manbu.
14 For the quote see Wang, ‘19 shiji moye waiguo zai Hua’, p. 63. For a collection of these articles see Wang, Waiguo ziben zai jindai Zhongguo. Also see Wang, Jindai Zhongguo ziben zhiyi. For another study on foreign banking in modern China from this period that is based on a very limited number of primary sources and follows the paradigm of imperialism, see Heilongjiang jinrong lishi bianxie zu, Hua E daosheng yinhang.
15 Quote from Jiang and Jiang, Jindai Zhongguo waishang yinhang, p. 344. Also see Guo, Jindai Riben yinhang zai hua; Wu, Huifeng yinhang; Song, Jindai Shanghai waishang yinhang. In Taiwan, scholars like Wang Yejian 王業鍵 have largely followed historians in mainland China in their view of foreign banks as ‘tools of the imperialist countries for extending their political and economic power’. See Wang, ‘Zhongguo jindai huobi’, pp. 234–5.
Generally, Chinese-language literature on foreign banks frequently implicitly or explicitly blurs the line between such banks as independent financial institutions and Western governments, thereby suggesting that foreign banks essentially acted in accordance with and as a component of these governments’ imperialist policies. If one tries to sum up the criticism that the work of historians like Hong Jiaguan, Wang Jingyu and much of the other Chinese-language scholarship commonly puts forward against foreign banks, one can identify three main areas of criticism: first, foreign banks are criticized for their involvement in raising loans for the Chinese government. These loans are said to have been detrimental to China because of their supposedly unfair and harmful loan conditions, such as high interest rates and a low issue price for the issued bonds. At the same time, the involvement of foreign banks in these loans is seen as part of their home governments’ policy of furthering their control over China. Moreover, railway loans provided to the Chinese government by the banks are criticized as paving the way for foreign governments to establish spheres of influence in China. Second, foreign banks are viewed as dominating China’s international remittances and the management of foreign exchange rates and controlling China’s trade finance and the banking sector of the treaty ports. In their interaction with Chinese financial institutions, they are largely seen as having occupied the dominant and superior position. Third, foreign banks and their activities are seen as part of the incursion of foreign capital into China that inhibited the normal development of the Chinese economy. While foreign capital spurred on the development of Chinese capitalism, it also suppressed the normal development of capitalism in China and is seen as inevitably being in competition and confrontation with Chinese capital.

There is relatively little Western-language scholarship that specifically deals with foreign financial institutions in modern China. Frank King’s history of the Hongkong and Shanghai Banking Corporation (HSBC) arguably still remains the most influential study on the history of a foreign financial institution in China. As a commissioned institutional history, it mainly focusses on and meticulously and comprehensively depicts the activities of the HSBC in China, but – partly because of its almost exclusive reliance on Western sources – neglects both the Chinese side of the history of the bank and the impact that interaction between the foreign bankers and Chinese elites had on China’s financial internationalization. More specialist studies deal with the

16 For this argument also see Mi, Diguozhuyi.
17 Xu et al., Qindaiwaizhaishilun; Xu et al., Congbainianquru, 4vols; Ma, Waizhayuwanqingzhengju; Ma, Wanqingwaizhaiishi.
18 On this aspect also see Xu and Wu, Zhongguozibenzhuyi, pp. 16–21.
19 King, History of the Hongkong and Shanghai Banking Corporation, 4vols.
relationship between foreign bankers in China and their home governments.\textsuperscript{20} Several smaller studies that touch upon the activities of foreign banks in China exist, but they remain too narrow either by just focussing on a very specific aspect of foreign banking or by only employing a very limited number of primary sources. Generally, these studies also still see foreign banks in modern China as ‘colonial and imperial banks’.\textsuperscript{21} German banking in modern China remains understudied and mainly limited to a commissioned institutional history,\textsuperscript{22} the study of financial imperialism\textsuperscript{23} and narrow technical scholarship that fails to advance any broader arguments about foreign banking in modern China.\textsuperscript{24} Moreover, non-Chinese-language studies of foreign banks in modern China also mostly do not make use of Chinese primary sources, so that such studies are not able to adequately reconstruct the motivations, decisions and actions of Chinese actors.

Thus, most of the existing literature on foreign banks in modern China either follows the imperialism paradigm that sees banks as part of the imperialist domination of China or tacitly accepts or does not properly challenge this view when writing about the institutional history or specific aspects of foreign banks and the paradigm of imperialism.\textsuperscript{7}

\begin{thebibliography}{9}
\bibitem{20} McLean, ‘British Banking’; Dayer, \textit{Bankers and Diplomats}. Neither of these studies draws on Chinese sources and both are limited to a Western perspective, providing very little insight into the interaction between Western bankers and Chinese elites.
\bibitem{21} Quote from Bonin, ‘Introduction – Issues Regarding Asian Imperial Banking’, p. 2. Also see, for example, Crisp, ‘The Russo-Chinese Bank’, pp. 197–212; and Quested, \textit{The Russo-Chinese Bank}.
\bibitem{22} See Müller-Jabusch, \textit{Deutsch-Asiatische Bank}. This commissioned history of the DAB published in 1940 is the only major monograph that exclusively deals with the history of the DAB. The author’s analysis is limited to an overview of the bank’s history and mainly praises the activities of the German bankers without critically engaging with them.
\bibitem{23} See Barth, \textit{Imperialismen}. Writing mainly from a political history perspective, Barth also covers the DAB to some extent in his monograph on the connection between German overseas banks and German imperialism during the period from 1870 to 1914. Barth shows that there existed differences in the motivation and goals for overseas expansion between the German government and German bankers and demonstrates that the latter were willing to cooperate with non-German banks irrespective of European political developments. Yet, because of his insistence on seeing the activities of the bankers as financial imperialism and as his study is only based on Western sources, he fails to adequately account for Chinese agency and generally sees the activities of German bankers in a negative light.
\bibitem{24} Akagawa, ‘German Banks in East Asia’, pp. 1–20. This article is based on a very limited number of sources from the Historical Archive of Deutsche Bank. It mainly focusses on the capital flows between different branches of the DAB in 1906. Largely based on the same limited group of primary sources and existing secondary literature but also lacking the use of Chinese primary sources, Akagawa also published a longer book chapter in Japanese that provides a mostly descriptive overview of some of the history, business areas and development and financial technicalities of German banking in Asia. See Akagawa, ‘Doitsu ginkō’, pp. 999–1209. Similar to the journal article, this book chapter does not advance a broader argument about the activities of foreign bankers in modern China.
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introduction

banks. In the absence of broader works on the history of foreign banks in modern China that go beyond this paradigm and employ a wide range of both Chinese and Western primary sources, most of the existing scholarship neglects Sino–foreign interaction and Chinese agency when explaining the activities of foreign bankers. As a consequence, our understanding of foreign banking in modern China largely remains stuck in a victimization narrative that mainly emphasizes exploitation and confrontation and fails to properly account for other kinds of interaction between foreign bankers and Chinese actors, such as cooperation based on common benefits, competition and changing power relations. This narrative also fails to explain the wider implications of China’s financial internationalization.

In recent years, some historians have started to correct this one-sided view of the imperialism paradigm on foreign banks in China. Leading a group of historians studying international banking in Asia, Nishimura Shizuya 西村閑也, Suzuki Toshio 鈴木俊夫 and Akagawa Motoaki 赤川元章 have argued against the use of ideologically and negatively charged terms like ‘colonial banks’ for describing the operations of international banks. Instead, terminology like ‘international banks’ that more accurately reflects the operations of these banks should be used. While the main focus of the research of this group of historians is on international banking in Asia in general – in particular the specific technicalities of trade finance, international remittances and the internal operations of international banks – and not the role these banks played in their host economies, they acknowledge that historians of international banking have to ‘recognise the existence of long-established banking traditions and payments networks outside Europe and areas of European settlement’ and investigate the interaction of foreign bankers with these local structures if they wish to properly study the activities of international banks, including in Asia.

Studies more specifically focussed on foreign banking in China have also begun to challenge the imperialism paradigm. In his study of the loan business between foreign and Chinese banks in Shanghai and Hankou before 1914, Nishimura, Michie and Suzuki, ‘Introduction’, pp. 1–2. The group of historians discussed in this paragraph originated in a Japanese research seminar on international banking founded by Nishimura Shizuya and Suzuki Toshio, which led to the two edited volumes whose introductions are referenced in this paragraph. See Nishimura, Ranald and Suzuki, The Origins of International Banking in Asia; and Nishimura, Suzuki and Akagawa, Kokusai ginkō to Ajia. For a very recent excellent English-language work that builds on the work of this group of historians and focuses on the technicalities of trade finance between Asia and Europe and the related hedging of exchange risks, see Schiltz, Accounting for the Fall of Silver.
Nishimura Shizuya suggested that power relationships between these banks were much less one-sided than previously thought and proposed that foreign and Chinese banks depended on each other to effectively finance China’s foreign trade. 27 Niv Horesh’s recent revisionist work on the currency issuance of British banks in China shows that the bank notes issued by these banks were not detrimental to China’s economic development but rather limited in their impact on the Chinese economy and only responded to Chinese demands for stable paper currency in the absence of a central government that could meet this need. 28

Foreign Banks on the Chinese Frontier

This book builds on these revisionist studies and hopes to contribute to the more balanced understanding of foreign banks in modern China they have started to put forward by following the history of the DAB during the late Qing and early republican period, and by combining both Western and Chinese sources. However, Foreign Banks and Global Finance in Modern China goes a step further and proposes a new conceptual framework for transcending simplistic or stereotypical interpretations of the history of foreign banking in modern China. It introduces the concept of the ‘frontier bank’ to depict the varied activities and interactions of foreign banks on the China coast, explain the position they occupied in late Qing and early republican China and highlight the important role the DAB and other foreign banks played in financially integrating China into the first global economy through processes of conflict, cooperation and competition with both Chinese and foreign actors. 29

Scholars have for some time drawn attention to the frontier as a space of global interaction and exchange. Some have described the frontier as a ‘contact zone’, which they see as ‘a space in which peoples geographically and historically separated come into contact with each other and establish ongoing relations’. 30 Others have conceptualized the frontier as a ‘middle ground’,

27 Nishimura, ‘Chop Loans’, pp. 109–32.
28 Horesh, Shanghai’s Bund. Horesh also points out the impact of Chinese agency on British bank note issuance, but does so only with a focus on Chinese nationalism and anti-foreign bank sentiments and policies in the 1920s and 1930s. See pp. 13, 130, 151–2.
29 My understanding and conceptualization of the ‘frontier bank’ is informed by studies of investment and businesses operating in frontier regions of nineteenth-century North America. See, for example, Erickson, Banking in Frontier Iowa, Kerr, Scottish Capital and Gallaher, ‘First Bank in Iowa’ (in the latter article the term ‘frontier bank’ appears in the American context). For an example of a frontier institution in nineteenth- and twentieth-century China that ‘operated with considerable independence in the frontier zone between weak Chinese regimes and overstretched European empires’, see van de Ven, Breaking with the Past, especially pp. 4–5 (quotation on p. 4).
30 Pratt, Imperial Eyes, quote on p. 6.
a space that lies at the intersection of different empires, cultures and populations, where foreigners and indigenous people meet, power relations are complex and interdependence leads to cooperation, exchanges and accommodation. In the Chinese context, Christian Henriot and Robert Bickers have argued that following the creation of the treaty system in the 1840s, East Asia became a ‘wild frontier zone’. In China, ‘[f]ar from sharply demarcating a new frontier between Qing and foreign, the treaty system in fact led to the creation of new grey areas of contested sovereignty and control’. Within this system, ‘entrepreneurial Chinese . . . saw how advantageous the new system could be to those who were well placed to make use of it’. It was a ‘system [that] was founded on collaboration, and on agency’. Indeed, rather than only serving foreign interests, in this frontier region ‘a clear distinction between aggressor and exploited can hardly be effectively identified, because of the wholesale interpenetration of interests, because of the multiplicity of actors operating under the shadow of any one state, and because of the way in which the treaty system actually worked in practice’. On the Chinese frontier, foreign power overlapped and interacted with and could be limited by local Chinese power. Importantly, Henriot and Bickers call for an ‘internationalisation and denationalisation’ of the history of the treaty ports and point out that ‘the treaty system, broadly defined, effectively replaced the state as the defining organisational framework for East Asia’s international relations, and the treaty system and its citizens were international’. The DAB, other foreign banks and their Chinese interlocutors operated on this frontier in the economic hubs of China’s treaty port economy along the China coast. I use the term frontier bank to describe foreign banks to highlight both the complex nature of the environment they operated in and the fact that these banks exemplified much of the ambiguity of the frontier on China’s coast. They were foreign institutions connected to their home economies, but also formed an important part of the Chinese economy. They were chiefly managed by foreigners, but very much depended on their Chinese staff, partners and

31 White, The Middle Ground.
32 Henriot and Bickers, ‘Introduction’, pp. 1–11. On the necessity for economic cooperation in the treaty port of Shanghai and the significant economic advantages Chinese actors could derive from Sino-foreign interaction, also see Bergère, Shanghai: China’s Gateway, pp. 4–5.
33 On the treaty port economy, see So, ‘Modern China’s Treaty Port Economy’, pp. 1–27. I follow So’s understanding that modern China’s treaty port economy extended not only to China’s treaty ports and their hinterland, but also included other economic centres along the China coast such as Beijing, Hong Kong and Jinan that were not treaty ports but provided a similar ‘politically and legally stable environment’. Unless otherwise stated, in this book the ‘banking sector’ refers to the banking sector of the Chinese treaty port economy. In China, the activities of foreign banks were limited to this treaty port economy centered on the China coast. For an overview of the locations of foreign banks in China that illustrates this, see, for example, Bell and Woodhead, The China Year Book, 1912, p. 302. On foreign residence in China more generally, see Allen and Donnithorne, Western Enterprise, pp. 14, 265. On the special case of Beijing, see Nield, Places, pp. 186–7.