FOREIGN BANKS AND GLOBAL FINANCE IN MODERN CHINA

In this wide-ranging study, Ghassan Moazzin sheds critical new light on the history of foreign banks in late nineteenth- and early twentieth-century China, a time that saw a substantial influx of foreign financial institutions into China and a rapid increase of both China’s foreign trade and its interactions with international capital markets. Drawing on a broad range of German, English, Japanese and Chinese primary sources, including business records, government documents and personal papers, Moazzin reconstructs how during this period foreign banks facilitated China’s financial integration into the first global economy and provided the financial infrastructure required for modern economic globalization in China. *Foreign Banks and Global Finance in Modern China* shows the key role international finance and foreign banks and capital markets played at important turning points in modern Chinese history.

GHASSAN MOAZZIN is Assistant Professor at the University of Hong Kong. His research focuses on the economic and business history of modern China. He received his BA and PhD from the University of Cambridge.
The world economy has experienced a series of globalizations in the past two centuries, and each has been accompanied and shaped by business enterprises, their national political contexts, and new sets of international institutions. Cambridge Studies in the Emergence of Global Enterprise focuses on those business firms that have given the global economy many of its most salient characteristics, particularly regarding how they have fostered new technology, new corporate cultures, new networks of communication, and new strategies and structures designed to meet global competition. All the while, they have accommodated changes in national and international regulations, environmental standards, and cultural norms. This is a history that needs to be understood because we all have a stake in the performance and problems of global enterprise.

A complete list of titles in the series can be found at: www.cambridge.org/globalenterprise
FOREIGN BANKS AND
GLOBAL FINANCE IN
MODERN CHINA

Banking on the Chinese Frontier, 1870–1919

GHASSAN MOAZZIN

The University of Hong Kong
Für meine Eltern
Ahmed Taufik Moazzin und Sophia Moazzin
und für meine Geschwister
Rim und Hischam
CONTENTS

List of Figures page viii
List of Tables x
Acknowledgements xi
Notes and Conventions xv
List of Abbreviations xvi

Introduction 1

1 A German Bank in China: Early Contact of German Bankers with China from the 1870s to the 1880s 24

2 Entering the Chinese Banking Sector: Foreign Banks on the Chinese Frontier 56

3 Chinese Bonds for European Investors: The Indemnity Loans and the Internationalization of Chinese Public Finance, 1895–1898 109

4 Railway Dreams: German Bankers and Chinese Railway Development, 1895–1910 150

5 Global Markets, International Finance and the 1911 Revolution in China 188

6 Disentanglement and Liquidation: German Bankers and the First World War in China 229

Conclusion 265

Appendices
Appendix 1 Deutsch-Asiatische Bank Loans to the Chinese Central and Provincial Governments, 1890–1916 277
Appendix 2 Foreign Bank Branches/Agencies and Agents in Major Chinese Ports with Number of Employees, 1908 285

Bibliography 288
Index 322

vii
FIGURES

0.1 Opened Chinese Ports in 1914  page xix
1.1 Hermann Wallich (1833–1928), 1875  27
1.2 Adolph von Hansemann (1826–1903), ca.1900  31
1.3 Li Hongzhang 李鴻章 (1823–1901), 1870s  35
1.4 Max von Brandt (1835–1920)  39
2.1 Bankers of the DAB at a social gathering in Shanghai, ca.1900  62
2.2 Organization of Foreign Bank Branch (Yokohama Specie Bank) in early twentieth-century Shanghai  64
2.3 a. The financing of China’s export trade; b. The financing of China’s import trade  66
2.4 Hermann Wolff (manager of the DAB in Hankou) with Chinese employees (1899)  68
2.5 Chinese employees of the DAB in Shanghai, ca.1900  79
2.6 Shanghai yinchai interest rate yearly average, 1873–1911  86
2.7 Dividend payments of the DAB, 1889–1900  94
2.8 Shanghai branch of the Deutsch-Asiatische Bank, early twentieth century  97
2.9 The Bund in Shanghai, from right to left: the Deutsch-Asiatische Bank, the Customs House, the Hong Kong and Shanghai Banking Corporation, early twentieth century  98
3.1 Edward Guy Hillier (1857–1924), ca.1912  120
3.2 Weng Tonghe 翁同龢 (1830–1904)  125
3.3 Franz Urbig (1864–1944) during his time in China  129
3.4 4.5% Chinese Imperial Government Gold Loan of 1898 bond notations in Berlin, 1898–9, in per cent  141
3.5 Bond of the 4.5% Chinese Imperial Government Gold Loan of 1898  142
3.6 Chinese foreign borrowing by country, 1853–94/1895–8  145
3.7 Average interest rate of issued Chinese public loans, 1874–1911, in per cent  146
4.1 Zhang Zhidong 張之洞 (1837–1909)  155
4.2 Hu Yufen 胡燏棻 (1840–1906)  156
4.3 Yuan Shikai 袁世凱 (1859–1916)  162
<table>
<thead>
<tr>
<th>List of Figures</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.4 Heinrich Cordes (1866–1927)</td>
</tr>
<tr>
<td>4.5 Deutsch-Asiatische Bank in Beijing, early twentieth century</td>
</tr>
<tr>
<td>4.6 Liang Dunyan 唐紹儀 (1857–1924)</td>
</tr>
<tr>
<td>4.7 Tang Shaoyi 唐紹儀 (1857–1924)</td>
</tr>
<tr>
<td>4.8 China’s yearly foreign borrowing, 1867–1911, in million Kuping taels</td>
</tr>
<tr>
<td>5.1 Chinese foreign borrowing by country, 1899–1911</td>
</tr>
<tr>
<td>5.2 Price of British and German China bonds, 7 October 1911 to 30 November 1911, in per cent</td>
</tr>
<tr>
<td>5.3 The Beijing representatives of the German, British, French and American groups of the Four Groups consortium. From left to right: Heinrich Cordes (Deutsch-Asiatische Bank), Edward Guy Hillier (HSBC), Maurice Casenave (Banque de l'Indochine), Willard D. Straight (J. P. Morgan &amp; Co.)</td>
</tr>
<tr>
<td>5.4 Francis Arthur Aglen (1869–1932). Sketch by Juel Madsen, early 1920s</td>
</tr>
<tr>
<td>5.5 Chinese bonds purchased by German consortium, 14 October 1911 to 3 September 1912, in pound sterling</td>
</tr>
<tr>
<td>5.6 Spreads of British China bonds (current yield), January 1910 to July 1914</td>
</tr>
<tr>
<td>5.7 Spreads of German China bonds (current yield), January 1910 to July 1914</td>
</tr>
<tr>
<td>5.8 Yuan Shikai as president in 1912</td>
</tr>
<tr>
<td>5.9 Zhou Xuexi 周學熙 (1866–1947)</td>
</tr>
<tr>
<td>5.10 Silver dollars being carried through Beijing following the signing of the Reorganisation Loan agreement</td>
</tr>
<tr>
<td>5.11 Silver dollars being loaded at the Russo-Asiatic Bank for delivery to the treasury of the republican government</td>
</tr>
<tr>
<td>5.12 Purpose of proceeds from 1913 Reorganisation Loan according to the Reorganisation Loan agreement</td>
</tr>
<tr>
<td>5.13 Reorganisation Loan bond prices (Berlin/London), July 1913 to July 1914, in per cent</td>
</tr>
<tr>
<td>5.14 Chinese foreign and domestic borrowing, 1912–34, in million silver dollars</td>
</tr>
<tr>
<td>5.15 Heinz Figge (1865–1921)</td>
</tr>
<tr>
<td>5.16 Share price of the DAB and other German banks, 1904–13, in Berlin, in per cent</td>
</tr>
<tr>
<td>5.17 Share of the DAB, 1906</td>
</tr>
<tr>
<td>5.18 The Shanghai Bund with the DAB on the left, early twentieth century</td>
</tr>
<tr>
<td>5.19 Dividends of the DAB and other German banks, 1889–1913, in per cent</td>
</tr>
<tr>
<td>5.20 Duan Qirui 段祺瑞 (1865–1936)</td>
</tr>
<tr>
<td>5.21 Closure of the Beijing branch of the DAB in 1917</td>
</tr>
<tr>
<td>5.22 Total assets, DAB, 1900–32, in million Shanghai taels</td>
</tr>
</tbody>
</table>
TABLES

2.1 China’s foreign trade and trade with Germany  page 75
2.2 Foreign banks in China, 1845–1903  99
3.1 Second indemnity loan comparison: original Anglo-German loan offer and final loan terms  131
3.2 Selected sovereign loans of developing countries, 1891–9  149
4.1 Comparison of the preliminary and final agreements of the Tianjin–Pukou railway loan  180
6.1 DAB bank notes in circulation in June 1914  234
6.2 Branches and agencies of the DAB, 1890–1914  237
6.3 Foreign banks established in China, 1904–13  239
6.4 Foreign banks in Shanghai, 1913  241
ACKNOWLEDGEMENTS

I started work on this book as a doctoral student at the University of Cambridge under the supervision of Hans van de Ven. My deep debts of gratitude to Hans go back further to my undergraduate days though, when, as my director of studies, he helped me develop my interest in Chinese history and encouraged me to pursue doctoral research. Later, as my doctoral supervisor, he listened to and answered my many questions, guided me through the challenges of doctoral research, read and commented on multiple drafts and was always generous with his time and advice. My second expression of gratitude is due to Mao Haijian, now at the University of Macau. During my doctoral research, he kindly accepted me as his student, introduced me to a wonderful group of scholars and students at East China Normal University, enabled me to spend an extended period of time in China and continuously offered comments and advice on my research.

In Cambridge, I am also indebted to Joseph McDermott, who read early versions of the manuscript and often took time out of his busy schedule for long discussions. I have learned so much from these discussions. Adam Chau posed important questions and always reminded me to step away from the sources and think about the larger implications of my research. I also benefited from the help of Imre Galambos, Paul Hartle, the late Philip Oliver, Leon Rocha, Natasha Sabbah, Roel Sterckx, Emma Wu and Boping Yuan. I am similarly grateful to Julia Lovell, who provided encouragement but also important comments on my work during its early stages. Many fellow graduate students and friends at Cambridge also offered encouragement and help, most importantly Chen Kuan-Jen, Vivian Chih, Hajni Elias, John Feng, Fu Yang, He Jian, Naomi Kojen, Li Chen, Lin Zhenru, Bill Moriarty, Rudolph Ng, Avital Rom, Shu Sheng-chih, Wang Shuxi and Wu Rong. In Shanghai, my thanks go to my tongmen Li Wenjie, Zhou Jian, Chen Xiaohan, Fu Liang, Ji Chen, Liu Bensen, Liang Chunge, Luo Zhenyu, Wang Yan and Zhao Songjie, who many times went out of their way to facilitate my research. In Taibei, I am thankful to Chen Yung-fa, who hosted me during my visit to the Academia Sinica, and to Lin Man-houng and Chang Ning for many helpful discussions. After my doctoral studies, I moved to the University of Tokyo as a Japan Society for the Promotion of Science (JSPS) postdoctoral fellow. There, Tetsuji Okazaki

© in this web service Cambridge University Press & Assessment www.cambridge.org
kindly hosted me at the Graduate School of Economics and provided much guidance. I am also thankful to Michael Schiltz, who read different parts of the manuscript and provided critical comments. In Japan, I am also indebted to Simon Bytheway, Andrew Kissane, Makiko Sawaguchi, Tomoko Shiroymama, Alessandro Trani and Koji Yamamoto for help and encouragement.

At the University of Hong Kong, Angela Leung and Helen Siu welcomed me to the Hong Kong Institute for the Humanities and Social Sciences and were always generous with their time and advice. At the Institute, I also benefited much from my discussions with Ching May Bo, Daniel Chua, James Kung, Li Ji, Izumi Nakayama, David Palmer, John D. Wong and Zhang Chaoxiong. I am also grateful to Yvonne Chan, Joan Cheng, May Chiu, Terrie Ip, Louis Kwong, Louise Mak, Hilson Ng, Roy Yiu and Zhang Xueqian for all the help they have rendered since I joined the University of Hong Kong. At the Department of History, I thank Bert Becker, Julia Bowes, John Carroll, Peter Cunic, Frank Dikötter, Elizabeth LaCouture, Alastair McClure, Robert Peckham, David Pomfret, Oscar Sanchez-Sibony, Charles Schencking, Devika Shankar, Priscilla Song and Xu Guoqi for welcoming me to the department and for their support and collegiality. At HKU Business School, I profited much from discussions with Chen Zhiwu and Ma Chicheng. When the pandemic hit Hong Kong and the world, John Wong had the brilliant idea of organizing a regular reading group together with our colleague Michael Ng at the Faculty of Law. Soon, we were also joined remotely by Koji Hirata. John, Koji and Michael all read large parts of the book manuscript and provided detailed feedback, for which I am very grateful.

Like many other junior historians, I have benefited greatly from the encouragement and counsel of Elisabeth Köll, who has supported this project for a long time and read and commented on the entire manuscript. Brett Sheehan also commented on parts of the manuscript and has provided much advice over the years. I am also thankful to many others who at different stages read and commented on earlier drafts of all or parts of this book: Youssef Cassis, Christopher Clark, Parks Colebe, Sherman Cochran, Sheldon Garon, Geoffrey Jones, Elisabeth Kaske, the late Christopher Kobrak, Debion Ma, Andrea McElderry, Micah Muscolino, Duncan Needham and Shirley Ye. For help and support in various forms, I am also grateful to Felix Boecking, Hubert Bonin, Cheng Linsun, Peter A. Crush, Du Xuncheng, Renate Jährling, Kwan Man Bun, Bernd Martin, Meng Zhongjie, Klaus Mühlhahn, Roger Nougaret, Neil Rollings, Glenda Sluga, Wen-hsin Yeh and Xie Junmei. While writing this book, I also had the good fortune of enjoying the camaraderie of Benedikt Bäther, Chen Tao, Austin Dean, Hisa Ke-chin, Mujeeb Khan, Toby Lincoln, Matthew Lowenstein, George Mak, Kwong Chi Man, Philip Thai, Fei-Hsien Wang, Wang Lianming and Dong Yan.

A full studentship from the Arts and Humanities Research Council in the United Kingdom (award reference: 1229431) enabled me to carry out my
doctoral research. Grants from the German Academic Exchange Service (DAAD), the British Council, the China Scholarship Council, the Chiang Ching-kuo Foundation (grant no. DD017-U-15), the Faculty of Asian and Middle Eastern Studies, University of Cambridge and St Catharine’s College, University of Cambridge provided further financial support during my doctoral studies. Thereafter, a JSPS postdoctoral fellowship, JSPS KAKENHI grant number JP17F17310, and a Hang Seng Bank Golden Jubilee Education Fund for Research grant provided additional assistance. A second grant from the Hang Seng Bank Golden Jubilee Education Fund for Research supported the publication of this book. I am most grateful to all these organizations and bodies for their assistance.

I would also like to thank the staff at the First Historical Archives of China, Beijing; Shanghai Municipal Archives; Tianjin Municipal Archives; Archiv des Studienwerk Deutsches Leben in Ostasien, Munich; Bundesarchiv, Lichterfelde, Berlin; Bundesarchiv/Militärarchiv, Freiburg; Geheimes Staatsarchiv Preußischer Kulturbesitz, Berlin; Hausarchiv Sal. Oppenheim Bank, Cologne; Faculty of Asian and Middle Eastern Studies Library, University of Cambridge; St Catharine’s College Library, University of Cambridge; Cambridge University Library; Shanghai Municipal Library; East China Normal University Library, Shanghai; Library of the Si-Mian Institute for Advanced Studies in Humanities, East China Normal University, Shanghai; The University of Hong Kong Libraries; Library of Economics, University of Tokyo; National Diet Library, Tokyo; National Library of China, Beijing; Kuo Ting-ye Library, Academia Sinica, Taipei; Archives, Institute of Modern History, Academia Sinica, Taipei; Politisches Archiv des Auswärtigen Amts, Berlin; Staatsbibliothek zu Berlin; HSBC Group Archives, London; and The National Archives, Kew. I would like to reserve a special word of thanks for Martin Müller and Reinhard Frost at the Historical Archive of Deutsche Bank, Frankfurt am Main, who opened the archives for me during my numerous visits and were always ready to answer my questions and fetch even the most obscure source I wished to consult.

At Cambridge University Press, I would like to express my thanks to Michael Watson, Emily Plater, Stephanie Taylor and Malini Soupramanian for their guidance and assistance during the publication process. The reviewers’ reports for the Press helped me improve the manuscript in many ways. I am grateful to Lou Galambos, Geoffrey Jones and especially Susie Pak for their support and for including my book in the Cambridge Studies in the Emergence of Global Enterprise series. I would also like to thank Colleen Berry and Sally Evans-Darby for their expert editorial support and Cynthia Col for creating the book’s index.

It would have been impossible to complete this book without the unconditional love and support of my parents, Ahmed Tauﬁk Moazzin and Sophia Moazzin, and my siblings, Rim and Hischam. While I am glad that my mother and siblings can finally view what I have been working on for so long, my father unfortunately did not live to see me begin or ﬁnish work on this book. However, his seemingly unshakeable trust and conﬁdence in his children stayed with me throughout. I dedicate this book to my parents and siblings with love and gratitude. Finally, ever since I met Luk Sing Yi shortly after arriving in Hong Kong, her humour, love, companionship and support have not only helped me complete this book, but have also made my life immeasurably more joyful.
NOTES AND CONVENTIONS

This book uses Chinese standard pinyin for the romanization of Chinese names of places and people (i.e. Guangzhou instead of Canton and Li Hongzhang instead of Li Hungchang). The only exception I have made is Sun Yat-sen, as many readers will be more familiar with this version of the Chinese revolutionary leader’s name. I have used traditional Chinese characters throughout the book. For Chinese and Japanese names of people, the Chinese characters or Kanji are provided when the names are first used.

In late nineteenth- and early twentieth-century China, many currency units were used. The transactions in Chinese currency readers will encounter in this book were made in silver, which at the time was measured in various tael units depending on purpose and locality. These tael units differed somewhat in terms of their fineness and weight. The most important tael units were the Kuping tael (used by the Chinese imperial treasury), the Haiguan tael (used by the Chinese Maritime Customs Service) and the Shanghai tael (which dominated international commerce). Taels of silver could be paid in uncoined silver, minor silver coins or silver dollars. For more on Chinese currency during this period, see Morse, *Trade and Administration of China*, ch. 5; Vissering, *On Chinese Currency*, 5–6, appendix A; and Wei, *The Currency Problem in China*, ch. 3. Unless stated otherwise, all translations from the German and Chinese are my own.
ABBREVIATIONS

AIMC Chen Xiafei 陈霞飞 and Han Rongfang 韩荣芳, eds. Archives of China’s Imperial Maritime Customs Confidential Correspondence between Robert Hart and James Duncan Campbell 1874–1907, 3 vols. Beijing: Foreign Language Press, 1990–3

AIMH Archives of the Institute of Modern History, Taipei


BA/MA Bundesarchiv/Militärarchiv (Federal Military Archives of Germany), Freiburg

BArch Bundesarchiv Lichterfelde (Federal Archives of Germany, Lichterfelde), Berlin

BBC Berliner Börsen-Courier

BBZ Berliner Börsen-Zeitung

BCC British and Chinese Corporation

CCR Chinese Central Railways

DAB Deutsch-Asiatische Bank

GStA Geheimes Staatsarchiv, Preussischer Kulturbesitz (Secret State Archives, Prussian Cultural Heritage), Berlin

HADB Historical Archive of Deutsche Bank, Frankfurt am Main

HSBC Hongkong and Shanghai Banking Corporation

HSO Hausarchiv Sal. Oppenheim Bank (Archives of the Bank Sal. Oppenheim), Cologne


KfAG Konsortium für Asiatische Geschäfte (Consortium for Asiatic Business)


xvi
# LIST OF ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>PAAA</td>
<td>Politisches Archiv des Auswärtigen Amtes (Political Archives of the German Foreign Office), Berlin</td>
</tr>
<tr>
<td>PHSL</td>
<td>Huang Jianhui, ed. <em>Shanxi piaohao shiliao</em> 山西票號史料 (Historical Materials on Shanxi Piaohao), Taiyuan: Shanxi jingji chubanshe, 2002</td>
</tr>
<tr>
<td>StuDeO-Archiv</td>
<td>Archiv – Studienwerk Deutsches Leben in Ostasien, Munich</td>
</tr>
<tr>
<td>StuDeO-Bibl.</td>
<td>Bibliothek – Studienwerk Deutsches Leben in Ostasien, Munich</td>
</tr>
<tr>
<td>TDS</td>
<td>Tianjin shi danganguan 天津市檔案館, comp. <em>Yuan Shikai Tianjin dangan shiliao xuanbian</em> 袁世凱天津檔案史料選編 (Selected Sources from the Tianjin Municipal Archives about Yuan Shikai). Tianjin: Tianjin dangan chubanshe, 1990</td>
</tr>
<tr>
<td>TMA</td>
<td>Tianjin Municipal Archives, Tianjin</td>
</tr>
<tr>
<td>TNA</td>
<td>The National Archives, Kew</td>
</tr>
</tbody>
</table>
xviii LIST OF ABBREVIATIONS

ZZDQJ

