

French trading and banking footholds in Hankow/Wuhan. Challenging British hegemony upstream the Yangze river (from 1903 to 1920)

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In comparison with the huge port-cities of Shanghai and Hong Kong¹, where the French community of business and banking was much active, even in connection with Indochina for the second one, also in comparison with the bridgeheads established in Tianjin and Guangdong, where French businessmen and bankers gathered momentum before and past WWI, the river port-city of Hankow might appear as a remote market-place upstream the Yangze, far from the core interests of French imports, exports, and money flows. Such a case study presents therefore an actual challenge. But it will complement our broad survey of the initiatives, successes, and limits too, of French banking and business expansion in China in the first half of the 20th century. It will thus reveal the ability of French entrepreneurs and managers to resist and alleviate the competition of the trade leaders there, and to join the bunch of stake-holders.

In the meanwhile, it will sketch the outlines of the “open economy” which took shape upstream, within apparently far-fetched areas of development. But, as in other regions, historical events put several and successive brakes on the reinforcement of the Hankow port-city, from an early revolutionary movement and the civil war which followed, to the common-place tensions stirred by the divisions of Republican China and the various social and political crisis endured by the Shanghai city, which of course couldn't but hinder the commercial and river relations between Hankow and its outlets abroad.

The issue was French ability to establish a bridgehead upstream the Yangze against the strong British hegemony on commerce, transport and banking, along demands of economic patriotism.² Our text will precise the basis of French trade and banking in Wuhan, the methods followed to get chunks of the market and to set up arrays of relationships among foreign and native merchants, the role of the compradores and other types of intermediaries to penetrate into the Chinese community of business. The portfolio of skills of French bankers (managers, middlemen), their art of controlling and avoiding risks, their insertion along the axis Wuhan-Shanghai about money and commodities flows, their growing differentiation through FOREX operations will be scrutinised. The diversification of customership will be assessed, to determine how French bankers succeeded in becoming stake-holders of the business flows of the river port-city, beyond the mere services to the French community of interests. The balance between French business, non-French business (German, Belgian, etc.) and Chinese business in the growth of the assets of French bankers will be detailed, to weigh the “transnational” dimension acquired. The various profiles of “imperial”, “global” and “local” banking will thus be designed. We'll focus on the first seventeen years of the branch of *Banque de l'Indochine*

¹ Hubert Bonin, “French banking in Hong Kong: From the 1860s to the 1950s”, in Shizuya Nishimura, Toshio Suzuki & Ranald Michie (eds.), *The Origins of International Banking in Asia. The Nineteenth and Twentieth Centuries*, Oxford, Oxford University Press, 2012, pp. 124-144. Hubert Bonin, “Les banquiers français en Chine (1860-1950) : Shanghai et Hong Kong, relais d'un impérialisme bancaire ou plates-formes d'outre-mers multifformes ?”, in Laurent Cesari & Denis Varaschin (eds.), *Les relations franco-chinoises au vingtième siècle et leurs antécédents*, Arras, Artois Presses Université, 2003, pp. 157-172.

² Robert Lee, *France and the Exploitation of China, 1885-1901*, Hong Kong & London, Oxford University Press, 1989. Jacques Weber (ed.), *La France en Chine, 1843-1940*, Nantes, Presses académiques de l'Ouest-Ouest Éditions, Nantes University, 1997. Laurent Césari & Denis Varaschin (eds.), *Les relations franco-chinoises au vingtième siècle et leurs antécédents*, Arras, Artois Presses Université, 2003.

because a sharp turn-around occurred in 1920: rules of banking and risks management were to be reshaped drastically!

1. To get embedded in Hankow: A valuable issue?

Sure, in the 21st century, being active in Wuhan represents a key issue, because the city is rich with more than 9 million inhabitants, supervises a fast-developing area in energy, industry and services – with for example key French interests like Peugeot-PSA (car manufacturing), Valeo (car equipment), Alstom (electro-technics) or Carrefour (retail distribution). But, in the first decades of the previous century, the penetration of foreign prospectors of business there might seem somewhat ambitious: the surroundings of the little metropolis still lacked substance at the turn of the century, the perspectives in picking up there rich varieties of commodities and materials were narrow, the flows between the countryside or the various provinces and the Yangze river were mainly earmarked to native exchanges and specialties, far from “big” business or trade on the scale of what had already prospered downstream in the region of Shanghai. And the region had just come out of the Boxers uprising, which had been supported there by the reformist and nationalist viceroy himself, till he had fixed limits to the spreading of the revolt.³

A. Hankow towards an “open economy”

The core issue laid in fact in the hopes that Hankow⁴ could take shape as a regional hub able to reach an “open economy” and soon to foster the Yangze axis with enough substance for exports and imports, and last to insert into the “modern” hubs of connections of Asia.⁵ One thing was the densification of exchanges between Hankow and Shanghai on a domestic field, another was to fuel exchanges abroad, to transform the area into a serious outlet for foreign goods – as was becoming Tianjin – and into a basis for commodities to be used somewhere in Europe, Japan or the United States, either on a high range level (like silk in the Guangzhu) or on more commonplace levels. Beyond the port-city itself, exchanges could be extended to the Hunan province, where prospects in mining, railways or commodities could be exploited against Russian or German ambitions.

Before WWI, a 500 km-railtrack already joined Hankow southward to the Hunan and Changsha/Tchang Cha (its capital, with 500,000 inhabitants) a hub for collecting commodities and goods to the northern river shipping connections, making Hankow an important trans-shipment point between rail and river traffic. Another track was designed which connected Hankow to Beijing since 1905 due to Belgian investments in finance (with French interests), rail equipment and public works⁶ – before being bought by the State thanks to the “Peking-Hankow Railway Redemption Loan Agreement” settled on 8 October 1908. These connections contributed to open up the area, with immediate effects on the degree of competition, offer in services, and the draw-back of interest charges (from

³ John S. Kelly, *A Forgotten Conference: The Negotiations at Peking, 1900-1901*, Geneva, Droz, series “Travaux de droit, d'économie, de sociologie, n°5”, 1963.

⁴ See William Rowe, *Hankow: Commerce and Society in a Chinese City, 1796-1889*, Stanford, Stanford University Press, 1984.

⁵ François Gipouloux, *The Asian Mediterranean: Port Cities and Trading Networks in China, Japan, and Southeast Asia, 13th-21st Century*, Cheltenham, Elgar, 2011. François Gipouloux, *Gateways to Globalisation: Asia's International Trading and Finance Centres*, Cheltenham, Elgar, 2011.

⁶ See Ginette Kurgan-Van Hentenryk, *Léopold II et les groupes financiers belges en Chine*, Brussels, Palais des Académies, 1972. Ginette Kurgan-Van Hentenryk, “Un aspect de l'exportation des capitaux en Chine : les entreprises franco-belges, 1896-1914”, in Maurice Lévy-Leboyer (ed.), *La position internationale de la France, Aspects économiques et financiers, XIX^e-XX^e siècles*, Paris, Éditions de l'École des hautes études en sciences sociales, 1977.

12 to 10 percent in 1907, as noticed by *Banque de l'Indochine*), which stimulated the development of exchanges and of the Hankow market-place. Last, the building of the section linking Hankow and Guangzhu commenced just before WWI.

One issue for bankers and traders was to enhance the capability of the Hankow market-place to function somewhat more independently from its Shanghai altogether complement and rival. Traditionally contracts (exports, boarding, financing) were set up in Shanghai, where the various stakeholders had been active for decades, thus leaving no grain to grind to bankers upstream, only managers of flows of means of payment. Little by little, the diversification of the services equipment of Hankow allowed layers of added-value to be cemented there. But still in the first semester 1911 only 20m taels were “engineered” in Hankow on a total of exports of 26m, because a quarter of them were still conceived in Shanghai and only transited through Hankow warehouses and harbour for transshipment.⁷

B. Which resources?

Among the resources drawing attention by foreign interests was mainly tea, but Russia and Tibet were its main clients, and France was really not so much involved. Anyway, the cash produced by its trade fostered imports and thus French traders could find out outlets. And a whole range of goods and minerals was to be patiently prospected.

Rural resources

The basic goods to be traded expressed the rural roots of the port-city, as an outlet for commercial agriculture, where it had taken shape, among some easy and open-minded peasants and craftsmen. The range was led by hides: cow hides (78,805 piculs⁸ in the first semester 1906; 109,856 in the first semester 1907), buffalo hides (22,539; 18,694), goat hides (3,024,183 units; 2,370,171); and Chinese trade intermediaries grew in size and scope, as opportunities for banks' loans. It comprised vegetal and animal tallow (for candles or mechanics), wood oil (to manufacture linoleum in Germany and the US, or varnish in the US), pork bristles, sesame seeds (110,000 tons in 1908), gall nuts (to Germany and the US), musc, jute.⁹

Total value	26	
Sesame seeds	8	40% towards The Netherlands, 17% to France, 13% to Germany, 11% to Italy
Cow hides	4,5	French firm Olivier, Italian Chinese Export
Wood oil	4,5	Hegemony of US firm Gillepsie
Cotton	2,1	For Japan and other Chinese provinces

Archives of BIC, historical archives of CASA, BE 1047, 439 AH 179, *rapports-bilans semestriels*, 27 July 1911

	Cow hides (piculs)	Sesame seeds (tons)
Carlowitz	45,000	15,000
Melchers	20,000	20,000
Arnhold Karberg	9,000	26,000
Racine Ackermann (French)	3,500	4,000

⁷ Archives of *Banque de l'Indochine*, historical archives of CASA, BE 1047, 439 AH 179, *rapports-bilans semestriels*, 27 July 1911 [BIC, then onwards].

⁸ A *picul* (or *tam*) was a traditional Asian unit of weight, defined as “a shoulder-load”, “as much as a man can carry on a shoulder-pole”. As for any traditional measurement unit, the exact definition of the picul varied historically and regionally: In imperial China and later, the unit was used for a measure equivalent to 100 catties, or around 60 kg (*Wikipedia*).

⁹ Archives of BIC, historical archives of CASA, BE 1047, 439 AH 179, *rapports-bilans semestriels*, 9 August 1907.

Olivier (French)		3,000
And: Schweitzer, Fuhmeister, Kolkmeijer, Evans Pugh, <i>Societa Coloniale Italiana</i> , Meyer, Theodore Rawlins		

The progress of these activities fostered a thirst for credit among native business, for sales traders and also for purchases ones: equipment was to be imported for modernising villages (motorised winnowers for seeds, hydraulic presses and dryers for hides, steam heaters and tanks for oils and fatty substances). Beans, horse beans (*fèveoles*) and beans commenced to be exported too at the end of the 1900s, whilst cotton declined as the area lost momentum, perhaps because profits were greater for peasants for the first type, and competition of other provinces too hard for the second one. And France emerged as an outlet for a few commodities (see table 1), like sesame seeds or cow hides, which constituted a peculiar aspect of this stage of worldwide economy of the start of the 20th century; and it even showed some interest toward imports of sesame seeds from Hebei.

Sesame seeds	1,770,025
Beans and broad beans (<i>fèves</i>)	1,407,137
Wood oil	602,128
Cotton	461,112
Vegetal tallow	210,884
Cow hides	227,026
Ramie and jute	203,162
Gall nuts	57,449
Buffalo hides	14,961
Pork bristles	22,801

Source: Archives of BIC, historical archives of CASA, BE 1047, 439 AH 179, *rappports-bilans semestriels*, second semester 1915

Tea

Of course, tea was the core commodity in Hankow, with, for instance, 278,426 piculs (556,852 “half-chests” or strong boxes) for the 1906 season, and 350,709 piculs (701,418 “half-chests”) for the 1907 season. But *Banque de l’Indochine* had to scramble to entail the leadership of Russo-Chinese Bank¹⁰ on that field.

To Nikolaievsk	8,797,700
To Vladivostock	7,430,500
To Odessa	4,423,200
To London	1,489,000
To Ohotsk	850,000
To Saint-Petersbourg	600,400

Source: Archives of BIC, historical archives of CASA, BE 1047, 439 AH 179, *rappports-bilans semestriels*, 1st February 1909.

It succeeded to encroach on the leading bank and seduce a few tea traders: Trading Co, Theodor & Rawling, Popoff Frères, for instance (1915).

Imports

Imports were still low at the start of the century all the more than Chinese petty traders were used to get in direct contact with Shanghai suppliers. Cotton cloth and spun cotton became as elsewhere a basic commodity to be imported for regional craftsmanship, joined by velvet cloth. The progress of copper, iron metal, cement, machinery, gallons of petrol oil, railway equipments, expressed the diversification of industry and public works in the area, and the complementary between Hankow and Shanghai, as the door to upstream Yangze.

¹⁰ See Olga Crisp, “The Russo-Chinese Bank: An episode in Franco-Russian relations”, *The Slavonic and East European Review*, volume 52, 1974, pp. 197-212. Nobutaka Shinonaga, *La Banque russo-chinoise et les relations franco-russes, 1896-1910*, Tokyo, “The Economics Society”, Daito Bunka University, 2012.

And, rapidly, as soon as the “open economy” penetrated in the countryside and the merchant cities of Hebei and the neighbouring provinces, imports grew strongly, and transformed the function of Hankow, from a collecting hub for commodities to a dispatching hub for imported goods, equipment and materials. Some houses were even specialised in this import trade, thus as a lever for operations of issuing commercial paper, managing bills of exchange, and grappling with remittances to the European clearing places.

C. Competition as elsewhere

Despite these dreams of powerful influence there, French interests had to take into account the real balance of power. For instance, the French shipping company linking Hong Kong and Shanghai had to stop its river services upstream in June 1911 and to admit the hegemony of the China Navigation Company on the Yangze... British houses¹¹ and German houses had been far more and earlier active all along the river and its corresponding relays, the Yellow Sea¹² and the Eastern Sea of China; and their concessions in Hankow had reached a solid configuration in face of the junior French one, all the more because the “hongs”¹³ were much influential from their sub-basis in Shanghai: Jardine & Matheson and Swire & Butterfield were much active in Hankow already before WWI.

British bank HSBC and Russian-French *Banque russo-chinoise* had preceded *Banque de l'Indochine* upstream, the first as the arm of British interests everywhere in China, the second because of the intense purchase of tea by Russian traders in this province. “*Sans doute, à taux égal, les commerçants donnent toujours la préférence à certaines banques, et depuis des générations la Hong Kong Bank et la Russo-Chinoise emportent les plus gros morceaux. Mais ce n'est qu'autant que ces établissements les ont favorisés et leur ont fourni les avances nécessaires à leurs achats. Nous pouvons de même réussir à nous constituer une clientèle sérieuse. Nous jouissons d'un capital local, seuls en cela avec la Hong Kong Bank et ce n'est pas un mince avantage aux yeux des commerçants. Il suffit de détruire définitivement le préjugé, dont il reste encore beaucoup de traces, que nous ne travaillons qu'avec les Chinois, et de bien convaincre les Européens que nos portes leur sont ouvertes avec les mêmes facilités que celles des autres banques.*”¹⁴

The Japanese community of business had established itself with ardour, with a federative trade house, a navigation company, and the support of its Yokohama Specie Bank¹⁵ as elsewhere. About 1,600 Japanese people were active in Hankow in 1907 and were

¹¹ Britten Dean, *Sino-British Diplomacy in the 1860s: The Establishment of the British Concession at Hankow*, Cambridge, Mass., Harvard-Yenching Institute, 1972. E.W. Edwards, “British policy in China, 1913-1914. Rivalry with France in the Yangtze valley”, *Journal of Oriental Studies*, 1977, n°40, pp. 20-36.

¹² See Torsten Warner, “Der Aufbau der Kolonial Stadt Tsingtau: Landordnung, Stadtplanung und Entwicklung (Building the colonial city of Tsingtao: Land regulation, city planning, and city development)”, in Hans-Martin Hinz & Christoph Lind (eds.), *Tsingtau. Ein Kapital deutscher Kolonial Geschichte in China, 1897-1914*, Paderborn, Schöningh, 1985, 2nd edition, pp. 188-191.

¹³ Maggie Keswick (ed.), *The Thistle and the Jade: A Celebration of 150 Years of Jardine Matheson & Co*, Londres, Octopus Books, 1982. Robert Blake, *Jardine Matheson: Traders of the Far East*, London, Weidenfeld & Nicholson, 1999. Stephanie Jones, *Two Centuries of Overseas Trading: The Origins and Growth of the Inchcape Group*, Londres, 1986.

¹⁴ Archives of BIC, historical archives of CASA, BE 1047, 439 AH 179, *rapports-bilans semestriels*, 9 August 1907.

¹⁵ Norio Tamaki, “The Yokohama Specie Bank. A multinational in the Japanese interests, 1879-1935”, in Geoffrey Jones (ed.), *Banking as Multinationals*, London, Routledge, 1990. Kanji Ishii, “Japanese foreign trade and the Yokohama Specie Bank, 1880-1913”, in Olive Checkland, Shizuya Nishimura, and Norio Tamaki (eds.), *Pacific Banking, 1859-1959. East Meets West*, London, MacMillan; New York, St. Martin's Press, 1994, pp. 1-23.

influential at the court of the viceroy of Hubei/Hou Peh, to convince him to commence investing in modern city equipment, still rare. And the Japanese fighting spirit gained in force during WWI as Japanese houses replaces German ones somewhat: “*Nous devons signaler la part de plus en plus prépondérante que les Japonais prennent dans la vallée du Yangtse et à Hankow en particulier. Leur influence grandit sans cesse. Le Japon en profite admirablement des conséquences de la guerre en Europe. Il ne manquait aux Japonais que les capitaux pour donner à leur commerce, à leur industrie, à leur marine marchande tout le développement qu’ils ambitionnaient. Ils l’ont maintenant et ils savent s’en servir. Déjà trois grandes banques japonaises sont établies à Hankow. Elles font de grandes facilités aux Chinois ; elles possèdent de grosses disponibilités et négocient un fort mouvement d’affaires import du Japon (machines, matériels, malgré le manque d’acier). Elles n’hésitent pas, pour s’attirer la clientèle chinoise, à faire des conditions très avantageuses telles que 7 % par an pour les dépôts fixes et 4 % sur les comptes à vue.*”¹⁶

Chinese banks were of two types: petty local ones, and medium-sized ones (about 25) coming in majority from Chansi or nine “mandarinal banks” linked with the Administration. They acquired more and more size and stability, as was proven during a sharp monetary crisis in Hankow in October 1907: “Thanks to the resources of the place since two to three years, one can say that Hankow disposed with a large reserve of liquid capital. Creditworthiness has therefore strongly progressed among the Chinese houses.”¹⁷ Such a competition explains that *Banque de l’Indochine* lagged far behind the stakeholders of the Hankow market-place in 1907 (table 5): it should be a long track before climbing the ladders!

	Cash (deposits)	Advances to Chinese bankers
Yokohama Specie Bank	150	500
Russo-Chinese Bank	80	700
Deutschasiatisch Bank	500	200
Chartered Bank	200	?
HSBC	400	1,200
BIC	75	1,080
		290 (for the account of the Saigon branch)

Source : Archives of BIC, historical archives of CASA, BE 1047, 439 AH 179, *rapports-bilans semestriels*, 9 August 1907

3. *Banque de l’Indochine* at the core of a French business in Hankow

One can pretend that Hankow became a “pioneering front” for French business. We must then gauge the emergence of French pioneers there, and second how a French community took shape and got embedded on that developing market-place. The opening of the branch of *Banque de l’Indochine* [BIC, then onwards] in 1902 – it got its autonomy from sh sub-headquarters in January 1904 – epitomized the strategic scheme drawn by French experts in Paris. Let us remind that the institution managing the currency and business banking in Indochina was attributed the mission to open branches in China in compensation for the renewal of its monetary function in the colony, and that it scrambled to complete this task at the turn of the century,¹⁸ as a spear-headed offensive to help French business to compete

¹⁶ Archives of BIC, historical archives of CASA, BE 1047, 439 AH 179, *rapports-bilans semestriels*, 31 July 1918.

¹⁷ *Ibidem*, 15 February 1918.

¹⁸ Yasuo Gonjo, *The History of the Banque de l’Indochine (1875-1939): French Imperialism in the Far East*, Tokyo University Press, 1985, thesis in Japanese, translated into French and published in 1993 by *Comité pour l’histoire économique et financière de la France*, Paris. Marc Meuleau, *Des pionniers en Extrême-Orient. Histoire de la Banque de l’Indochine (1875-1975)*, Paris, Fayard, 1990. Hubert Bonin, “The French banks in the Pacific area (1860-1945)”, in Olive Checkland, Shizuya Nishimura & Norio Tamaki (eds.), *Pacific Banking (1859-1959). East Meets West*, London, MacMillan; New York, St. Martin’s Press, 1994, pp. 61-74.

with British, German, Japanese, Russian, and also later on American trading, shipping and banking firms. The BIC branch¹⁹ – which settled on Dubail street, today Dongting Jie (street)²⁰ – was the lever for an efficient penetration of French interests in the Hubei. Like its counterparts, the French concession²¹ (set up in 1896 along the logics of the Treaty Ports²²) was located in the area of the settlements in Hankow (in French *Hankéou*) along the Han river, close to the two other areas of Wuchang (*Outchangou*), on the right side of the Yang Ze, and to Hanyang on the other side of the Han river.

A. A new community of business

The branch was a cornerstone of the French concession was rich with 30,000 inhabitants in 1910 (on its 361,000 km²), managed by a French consul. It was a relatively isolated post as the postal connections with Paris needed 21 days through Siberia or 40 days to the Suez canal around 1910. “Imperialism” was at stake, as the French flag was brandished, with a new *Hôtel municipal* and visits of military ships, like the *Dupleix* cruiser in June 1911 for the inauguration of that building. The BIC manager, as did the consul on his side – like Joseph Réau,²³ consul and head of the French Municipality from to December 1910 till December 1916, then Lecomte –, entertained a platform for informal meetings and discussions, or concrete business negotiations, as a key to embeddedness and solidarity all at once, as a community of business had taken shape, with a “bourgeoisie d’affaires”. The *Cercle gaulois*, a club, and the *Hankow Club* (managing the horse-riding field) were also nests for sociability. Like in all French concessions, “big wigs”, the heads of trading or real estate houses, emerged as the main stake-holders of the settlement (here: Brandt, O’Neil, Lehman, etc.). They were partners for the sake of economic patriotism, but their durable fate depended on their ability to respect basic rules of management and good practices. The fragility of several of them, especially in front of recesses, hindered the concession to reach a permanent economic stability.

B. Human and financial resources

The level of quality and competence of the BIC branch manager was therefore a requisite for an efficient survey of this little French community, far on the upstream Yangze : he had already acquired a capital of experience before moving to another job: that was the case about Trouillet, who came from the Bangkok branch to replace the founder of the Hankow branch, Joseph Pernotte, in 1909, with Lehman (then promoted as a deputy-manager in Saigon in August 1912) or Delaunay as his deputy.

Hubert Bonin, “L’activité des banques françaises dans l’Asie du Pacifique des années 1860 aux années 1940”, *Revue française d’histoire d’outre-mer*, 1994, tome 81, n°305, pp. 401-425.

¹⁹ The building itself is today the *Victor’s Café*.

²⁰ Along the name of a battle in 1854 where Chinese troops won over foreign ones during the Taiping war, as if anti-imperialism had to be proclaimed against a past when the Powers had predominated.

²¹ Dorothee Rihal, *La concession française de Hankou (1896-1943) : de la condamnation à l’appropriation d’un héritage*, PhD thesis, directed by Nora Wang, 2007.

²² Rhoads Murphey, *The Treaty Ports and China’s Modernization: What Went Wrong?*, Ann Arbor, University of Michigan, Center for Chinese Studies, 1970. John King Fairbank “The creation of the Treaty System”, in Denis Twitchett & John King Fairbank (eds.), *The Cambridge History of China*, volume 10, part I, Cambridge, Cambridge University Press, 1970, pp. 213-263.

²³ “Hier soir, j’ai dîné à la Banque [de l’Indochine], avec les O’Neil, les Brandt, et Bondeuf. Ce soir, je dîne chez les Brandt, et demain chez les Hervy”, 10 June 1912, in Philippe Marchat, *Raphaël Réau, consul à Hankéou pendant la Révolution chinoise et la Grande Guerre, 1910-1916*, Paris, L’Harmattan, series “Mémoires asiatiques”, 2013, p. 112. On 12 June, Réau had dinner with the Brandt, the O’Neil and Lehman [the deputy-head of BIC branch]. “Lehman m’a invité à la Banque avec les O’Neil, très gentils”, *ibidem*, 15 June 2012. Réau was promoted to Hong Kong.

The branch was earmarked with a capital account from Paris of one million dollars, complemented by advances from the Saigon branch (100,000 FRF on 30 June 1904) and further contributions from Paris along with the current profits. In 1908, 1,4 m FRF as a capital and 7,8m as cash advances helped the manager in his breakthrough on the market-place. Sometimes he was also helped by his colleague in Shanghai, where the availabilities were often abundant: in December 1916, for example, an amount of 14,6m taels was thus lent (at a 4 percent interest charge).²⁴

4. A dynamic strategy: The French offensive in the Hankow area

The issue was well explicitated by the first branch manager in 1907: “*Sommes-nous ici pour prendre aux affaires une part de plus en plus active en prévision d’un avenir dont les promesses, en dépit des difficultés de l’heure actuelle, sont extraordinairement brillantes ? Je rappellerais ici combien m’était pénible il y a quelques années le spectacle de notre agence complètement isolée du commerce européen, et semblable, au milieu de cette jeune colonie débordante de vie et d’activité, à quelque vieux et paisible rentier ?*”²⁵ The head of the branch, Pernotte – who would later on leave BIC to head a junior institution, *Banque industrielle de Chine*,²⁶ to stir up what he perceived as too conservative mindsets –, became the advocate of French entrepreneurship in the Yangze area: “*Hankow est entrée dans le stade industriel de son développement économique. Un large champ d’action va donc s’ouvrir peu à peu à l’industrie européenne pour la fourniture du matériel nécessaire à toutes ces créations. Il est certain que, sur ce terrain, comme sur tant d’autres, l’industrie française va se laisser oublier, immobile e figée sur sa tour d’ivoire, pendant que toutes les grandes maisons anglaises, allemandes et américaines jalonnent déjà le pays de leurs agents et de leurs voyageurs. Et, en présence des facilités qu’elles offrent et qui, parfois même, vont jusqu’au sacrifice, comme c’est le cas de la maison Borsig [d’Allemagne] pour les pompes de Tan-San-Wan, on sent qu’elles réalisent toute l’importance du domaine qu’elles ont à exploiter et qu’elles sont prêtes à soutenir la lutte avec toute l’énergie et toute l’ardeur dont elles sont capables, et qu’il n’y aura jamais place à leurs côtés pour nos pauvres maisons françaises si timorées, si routinières et si incapables d’un long effort en vue d’un résultat encore éloigné.*”²⁷ An offensive strategy was asserted: “We must never hesitate to accept an operation without profit if it should result in luring other advantageous ones.”²⁸

A. Trade finance and commercial banking

A two-fold move was to be developed: “To prospect houses demanding credits for their export business at the expense of other banks, and managing bills to be discounted or paid for the account of houses with imports business.”²⁹ Advances on bills amounted to £5,268m in June 1909 (probably Shanghai £).

B. Advances without formal collaterals

²⁴ Archives of BIC, historical archives of CASA, correspondance and statistics from the branch to the headquarters, 439AH535, 30 December 1916..

²⁵ Archives of BIC, historical archives of CASA, BE 1047, 439 AH 179, *rapports-bilans semestriels*, 9 August 1907.

²⁶ Frank King, “Sino-French *Banque industrielle de Chine* between 1900-1922”, in Peter Hertner (ed.), *Finance and Modernization: A Transnational and Transcontinental Perspective for the Nineteenth and Twentieth Centuries*, Farnham, Ashgate, 2008. André Joseph Pernotte, *Pourquoi et comment fut fondée la Banque industrielle de Chine, ses difficultés, ses ennemis, politique et finance*, Paris, Jouve, 1922.

²⁷ Archives of BIC, historical archives of CASA, BE 1047, 439 AH 179, *rapports-bilans semestriels*, 15 February 1908.

²⁸ Archives of BIC, historical archives of CASA, correspondance and statistics, 439AH535, 5 April 1907.

²⁹ *Ibidem*, 4 April 1903.

A fast-developing market was to be found among export houses, through advances on bills: to be paid by these latter to their regional suppliers, pending the boarding of these goods on ships. The amounts of goods kept within warehouses were to be scrutinized and checked by the bankers as they served as collaterals, either for commonplace warrants (thus registered in the books with documents) or for mere overdrafts or “advances on bills”, less formalised, as they linked stocked goods and classical overdrafts, without formalised pledges: “*Avances sur traites à livrer. Nous pensons que les avances assez importantes que vous avez consenties sont toutes bien garanties par privilège de nantissement sur les marchandises énumérées sur vos états, et que des visites et contrôles réguliers vous assurent bien l’existence en magasin desdites marchandises.*”³⁰ The branch was associated in 1909 to an agreement³¹ between banks to sharpen the conditions of those advances, with guarantees to each check by a formal “letter of linkage” and, at the end of each month, by a letter of recapitulation of the goods put as pledges; but competition ended to the non-respect of the entente, with therefore large risks at stake...

Such devices could not be used for tea, because its trade supposed the testing and sampling of the products and an intense negotiation of their prices. “*Il en va tout autrement des autres denrées, peaux, grains, huiles, corps gras, fibres, etc., en un mot de tout ce que nous désignons ici, par opposition au thé, sous le nom de ‘general cargo’. Pour ces articles, tout se fait sur contrats ‘forward’, où le commerçant de Hankow forme le trait d’union entre toute le série des vendeurs chinois et celle des acheteurs européens.*”³² Risks came from the fluctuations of prices because the compradores speculated upwards or downwards, because of the dual relations between the European houses and the selling houses, and between the selling houses and the compradores, because, last, of risks of quality: “*La marchandise qu’on leur expédie ne représente plus rien qui vaille ; le poids n’y est pas, la qualité en est inférieure, les peaux sont trouées, les graines sentent mauvais, etc.* »³³. Tense negotiations occurred among the expeditors, experts and arbitrators, and final losses were at stake.

“*Les opérations de change supposent les avances sur traites à livrer, car ce n’est qu’autant qu’une maison peut compter sur un découvert chez une banque qu’elle négociera ses traites auprès de celle-ci. Ce type d’avance est à peu près le seul qui soit en usage ici dans les relations de banques à commerçants européens. Il tient aux conditions de travail imposées par les circonstances de la place. Ha est le grand marché d’export de l’ouest et du centre de la Chine. C’est là qu’aboutissent toutes les denrées drainées par le Yang-Tse et son système d’affluents, et aussi, depuis l’ouverture du chemin de fer, les produits du Honan. Toutes ces marchandises n’ont subi, avant leur arrivée ici, que le strict minimum de manutention indispensable pour leur transport sur un court trajet. C’est donc à HA, avant leur expédition pour les ports étrangers, qu’elles vont subir la préparation définitive qui leur donnera droit de cité sur les marchés européens. Or cette préparation exige toujours un certain laps de temps dont la durée varie selon la nature des produits. C’est ainsi que le séchage des peaux nécessite parfois de longues semaines, surtout si la saison est pluvieuse, tandis que, au contraire, le nettoyage des sésames, qui a lieu sous couvert, s’effectue très rapidement. Le vendeur chinois reçoit de l’acheteur européen, dès livraison de la marchandise, 80 % de la valeur. C’est pour payer ce montant que ce dernier fait appel à une banque, en lui promettant de le rembourser par*

³⁰ Archives of BIC, historical archives of CASA, correspondance and statistics from the branch to the headquarters , 439AH535, 24 March 1914, 11 March 1911.

³¹ *Ibidem*, 2 April 1909.

³² *Ibidem*, 24 March 1914, 11 March 1911.

³³ Archives of BIC, historical archives of CASA, BE 1047, 439 AH 179, *rappports-bilans semestriels*, 15 February 1908.

la traite même afférente à la marchandise, qu'il est déjà censé avoir vendue en Europe. La durée de cette avance est donc théoriquement le temps qui s'écoule de la réception de la marchandise des mains du Chinois et son expédition à l'étranger soit directement, soit par l'intermédiaire de Shanghai. Si on a affaire à un commerçant sans scrupules, le risque est grand, car beaucoup de moyens s'offrent à lui de frauder la banque : avances auprès de plusieurs banques sur la même marchandise, avances au-dessus de la valeur réelle, soit en quantité, soit en qualité, avances sur marchandises dont il n'est que le dépositaire, etc. Cette forme de crédit participe donc beaucoup plus du crédit personnel que du crédit réel. Tout dépend en effet de l'honnêteté du client, et c'est ce que les Anglais ont bien exprimé en désignant par 'in trust' ces sortes d'opérations. C'est une question de confiance en la personne. Il est donc de toute nécessité pour le directeur de la banque de bien connaître personnellement ceux avec qui il travaille et de ne négliger aucune occasion susceptible d'éclairer son opinion sur la moralité."³⁴

The advantage of such a type of credit was the rapid recovery of the loan, as soon as the trade house had sold then transferred on board its warehoused goods: the turnover of the capital involved was supposed to be rapid – except when recessions in Shanghai or tides on the Yangze blocked exports downstream. “L'argent investi en avances sur traites à livrer a été remboursé et remplacé plus de trois fois dans le même semestre. Les marchandises qui représentaient ces placements ne sont pas restées en moyenne plus d'un mois et demi dans les godowns.”³⁵ Whatever the balance between security and commercial spirit, the take off of this line of products was rapid from the first years of the branch (table 6):

	Our payments	Clients' repayments
1905	215,617	155,237
1906	859,510	785,062
1907	2,643,836	2,423,638
1908	7,214,616	6,750,797
First semester 1912	1,635,606	821,522

Source : Archives of BIC, historical archives of CASA, BE 1047, 439 AH 179, rapports-bilans semestriels, varia

Despite recurrent risks, the specificity of the Hankow market-place had to be admitted by BIC; and it became a key stakeholder on that field, with a broad collection of customers among trade houses (table 7).

<i>German houses</i>	
Schwarz Gaumer	151,314
Arnhold Karberg	88,768
Carlowitz	73,972
Melchers	3,881
<i>French houses</i>	
Miffret	17,466
E. Bouchard	8,186
Olivier	5,023
<i>Varia</i>	
Mitsui Bussan Kaisha	59,498
New Chinese Antimony	17,556
Louis Göring	4,251 + 192,760
J.K. Panoff	192,760
Alff	7,815
Total	664,437

Source: Archives of BIC, historical archives of CASA, BE 1047, 439 AH 179, rapports-bilans semestriels, July 1912

³⁴ *Ibidem*, 15 February 1908.

³⁵ *Ibidem*, January 1916.

C. FOREX operations

Each BIC branch grappled in direct with FOREX operations, that is along its own day to day initiatives, as it was (relatively) free to add value to its cash treasury but moreover as it had to anticipate against the fluctuations of the several currencies used there (half a dozen) and of the gold and silver basic metal goods, through coverage operations. The branch manager sent orders by telegraph to his partners in Shanghai, hg, Paris and London. Bills of exchange to be discounted and mainly remitted (in Europe or Asia) opened doors to clearing flows also involving FOREX operations. The branch had to get rid of its currencies as soon as their amounts could present some risk: purchasing or selling them on the Hankow market-place became thus a commonplace activity of BIC, should it be competitive with its rivals.

Trade on bills of exchange was one leading activity of the BIC branch. In the second semester of 1907, for example, it bought bills for 11,116m FRF (against only 1,802m in the second semester of 1906), and sold bills for 5,176m (0,303 in 1906). It included the support of ten millions of paper for direct exports – that is agreed there for exchanges between Hankow and other market-places, supplemented by two millions FRF negotiated with the houses using Shanghai for managing their exports.³⁶ “This paper had been supplied to us mainly by the principal houses of Hankow, those for which customership all the banks are scrambling: Arnhold Karberg, Carlowitz, Jardine Matheson, The Trading Company, etc.”³⁷

Losses or disappointing results alternated with predominating profits on that field. The head struggled to balance the amounts of currencies in the name of varieties of risks. For example, in 1909, contracts to sell pounds on Shanghai or Tonkin are concluded in the Shanghai currency, with uncertainties on the values. In 1910, temptations to jump on opportunities are kindly mastered, because the drift to speculative positions could have threatened the branch: “*C’est ainsi que nous avons dû laisser conclure par nos concurrents les contrats de change de la maison Carlowitz. Cette maison opérant toujours par gros paquets, la crainte de manquer de fonds nous a fait laisser échapper ces affaires qui, par les intérêts des avances sur traites à livrer et les profits de change, si minimes soient-ils, laissent toujours des bénéfiques.*”³⁸

The capital of expertise of this little branch anyway progressed, and the little boom preceding WWI was marked by sound FOREX operations on bills of trade, with an amount of 12,1m FRF in the first semester of 1914, against 8,4m in the first semester 913 and 11,112 in the second semester 1913. The branch acquired export paper, consisting with bills to be drawn on European banks as representative of the exporting trade houses, and the profits for such FOREX operations reached 28,974 taels in the first semester 1914.

Table 8. Hankow trade houses using the BIC branch for FOREX operations on export bills in the first semester 1912 (pounds)

New Chinese Antimony	63,000
Olivier	62,000
Schnabel Gaumer	50,500
Italian Chinese	31,800
Panoff	26,000
Source: Archives of BIC, historical archives of CASA, BE 1047, 439 AH 179, <i>rapports-bilans semestriels</i> , July 1914	

³⁶ *Ibidem*.

³⁷ *Ibidem*.

³⁸ Archives of BIC, historical archives of CASA, BE 1047, 439 AH 179, *rapports-bilans semestriels*, January 1911.

From 1914/15, the branch endured the loss of German clients which fuelled so many FOREX operations; but French houses replaced them somewhat: “*Les exportateurs français et alliés de notre clientèle ont fortement augmenté leur chiffre d'affaires, mais cela ne pouvait compenser du premier coup la disparition de la clientèle allemande.*”³⁹ But this latter kept an important amount of FOREX operations to be repaid. The reorientation of Hankow trade towards the Allied side explains that FOREX operations regained momentum from 1915 (with an amount of 11,750m FRF or 3,564 m taels (on trade paper mainly), reaping a net profit of 120,810 taels (3.39 percent) : “*Une fois parties de Hankow, les marchandises accompagnant nos remises disparaissent définitivement de nos risques, car tout le papier escompté ici l'est en vertu de lettres de crédit des grandes banques de Londres. C'était autrefois l'exception et le risque suivait la remise jusqu'à son règlement.*”⁴⁰

5. Broadening the collection of customers

Step by step, the very small team (three French people, the comprador, and their employees) succeeded in luring customers and thus to establish the institution on the Hankow market-place.

A. Belgian customers

A first market to be exploited consisted with Belgian companies, which had already pioneered in the area: getting in touch with them could rapidly build a capital of reputation for the profit of BIC's penetration into local connections. Railways had been useful tools to prospect fresh markets: French interests were involved in railways projects in the wake of Belgian initiatives;⁴¹ for instance, in the 1910s the Franco-Belgian track Lung-Tsing-U-Hai was co-managed, and a Frenchman, Seynot, was its chief-engineer, because bonds and capital had been issued in Belgium and France. Thus BIC was in relation with Belgian Trading, a trade house yearning for credits on bills (for hides exports)⁴².

It supplied large credits to J.K. Panoff, a Belgian firm of Brussels, which exported minerals (antimony) for its plant or importers in Anvers or (since 1915) transformed part of them in the Seven Mile Creek foundry in the Russian concession.⁴³ The total amount of BIC's risks with the group reached 734,394 taels in 1914 (mainly advances on bills to be delivered, on goods, bills) and almost 1 million in 1915, and still 921,000 taels in 1918 (5,5 million FRF).⁴⁴ And it granted 70 percent of the credits to Chinese Antimony in 1910. Panoff had found outlets in France itself, with the intermediary of the merchant bank MM. De Neuflyze: “*De gros contrats conclus avec la Compagnie Stibium, Usines de Brioude, Compagnie La Lucette, Cookson, etc. par l'intermédiaire de MM. De Neuflyze ont été interrompus par la guerre Des quantités importantes de minerais sont détenus dans les ports de Lisbonne et d'Alexandrie. Une partie revient à De Neuflyze et aux maisons pour compte de qui les opérations ont été faites. Une autre partie appartient en propre à Panoff ; son associé belge a chargé son agent de poursuivre la restitution de ces marchandises, sur lesquelles*

³⁹ *Ibidem.*

⁴⁰ *Ibidem*, January 1916.

⁴¹ See Ginette Kurgan-Van Hentenryk, “Un aspect de l'exportation des capitaux en Chine : les entreprises franco-belges, 1896-1914”, in Maurice Lévy-Leboyer (ed.), *La position internationale de la France, Aspects économiques et financiers, XIX^e-XX^e siècles*, Paris, Éditions de l'École des hautes études en sciences sociales, 1977.

⁴² Archives of BIC, historical archives of CASA, correspondance and statistics, 439AH535, 5 April 1908.

⁴³ *Ibidem*, 18 March 1914 ; 31 March 1915.

⁴⁴ *Ibidem*, 7 April 1918.

*il y a une plus-value considérable.*⁴⁵ L. van der Stagen broke through during WWI as a representative in Hankow of the Belgian Trading Cy and relied on BIC for its imports.

B. Native prospects

In 1889, Zhang Zhidong/Chang Chi Tung had been transferred from viceroy of Liangguang (Guangdong and Guangxi provinces) to viceroy of Huguang (Hunan and Hubei provinces), and he had governed the province for eighteen years, until 1907 ; he had called for big plants to open up the path of modernity. If himself ended more conservative, his replacement in 1907 (by Tchao Tse Chouan) rekindled the reformist spirit. Despite the crisis lived by the State cotton mills for lack of cash flow, this paved the way to BIC which joined the informal consortium of bankers delivering them loans. That was the case for a cigarette plant (MAT), for the Hanyan Plants (steel manufacturing, with 6,000 employees – from 1909 for BIC, with collaterals on property documents), the Hupeh Cement Works (from 1912) and (on the French settlement) the Ching Long Flour Mill (from 1908/1914) set up by a group of Chinese investors managed by the French A. Brandt house – and the same for the Hankow Waterworks, a Chinese company (Sun). In 1910, Hanyang Steel benefited with advances on rails to be delivered to the railway Tianjin-Pukow, repaid through remittances on London. Despite the offer for sale of Ching Long Flour Mill in 1914, their production went on without any crisis with their banker⁴⁶, which was not the case by Hupeh Cement, constrained to close down in 1914 because of its Japanese creditors – but BIC got back its advance (16,800 taels) thanks to a pledge on a stock of cement.

Moreover, as it was practiced on the other places, BIC commenced to offer advances in piasters to native bankers, with a risk on exchange (from 1907). It used its own go-down in the building of its branch to pile up goods s pledges to these advances, but also rented other godowns (*Pao-Tong* godowns, since 1905). Naturally, it relied on a comprador, Liu Sing Seng, before WWI. Trustable connections had to be woven, because Hankow had only commenced to introduce modern practices, that is based on accountings and some transparency, all the more than the native capitalism still lacked of scale, with therefore the “absence of strong indigenous houses presenting solid guarantees for credit and able to serve as intermediaries between the European trader and the Chinese retailer”.⁴⁷ *“La reprise de ces opérations depuis septembre dernier a été pour nous une source considérable de profits. De plus, nous nous sommes efforcés d’acclimater à Hankow les avances à courts jours qui se font à Shanghai, et dont l’élasticité est précieuse pour l’alimentation de notre encaisse.”*⁴⁸

Table 9. Advances by the Hankow branch to the Chinese bankers

	(thousands taels)		(taels)
	Our payments	Repayments	Returns on interests
1903	10,285	9,417	79,265
1904	11,067	11,315	82,787
1905	10,622	10,555	69,626
1906	13,038	12,433	100,944
1907	19,271	19,417	132,680
1908	8,713	7,767	66,980
First semester 1908: fresh advances	0,608		
First semester 1909: fresh advances	6,638		

Source : Archives of BIC, historical archives of CASA, BE 1047, 439 AH 179, *rappports-bilans semestriels*, 1st February 1909, 20 July 1909

⁴⁵ Archives of BIC, historical archives of CASA, BE 1047, 439 AH 179, *rappports-bilans semestriels*, July 1915.

⁴⁶ Archives of BIC, historical archives of CASA, correspondance and statistics from the branch to the headquarters , 439AH535, 24 March 1914.

⁴⁷ Archives of BIC, historical archives of CASA, BE 1047, 439 AH 179, *rappports-bilans semestriels*, 9 August 1907.

⁴⁸ *Ibidem*, 20 July 1909.

Like its fellow banks, BIC got inserted within broad trade networks dispatching imported goods all over the province and its neighbourhood: discounting paper spread deep into the countryside. Profits on each operation was meager, but the intents were to accumulate these nimble returns to amortise the resources (deposits, advances from Paris) mobilised in such business: *“Notre seule agence absorbait en moyenne chaque année six millions de taels, qui disparaissaient avec les millions des autres banques dans l’intérieur de la Chine ou revenaient en partie sur la place de sh pour régler les comptes d’importations, mais en tout cas ne revenaient en notre possession sous la forme de francs à notre crédit à Paris six ou huit mois après leur sortie de notre caisse. C’est là un cycle d’opérations inexorables qui tient aux conditions particulières de notre place (beaucoup d’import) et qui exige pour fonctionner une alimentation constante en numéraire.”*⁴⁹

C. Credits to import/export houses

German trade houses

German customers ran to the BIC branch, happy to extend their supply in credits, for their overall trade. Their needs were high as they assumed 30 per cent of the overall Hankow trade in 1910: modest companies (Schnabel-Gaumer, Lautenbach, S. Wurch, Kolmeyer & Rockstroh, etc.) or big ones like Melchers & Co (since 1912), or moreover Carlowitz and Arnhold Karberg, both present in several port-cities, attended the branch with success before WWI; and they got credits to finance their imports in Europe, in China, and last upstream in Hankow. They were fighting on the imports field, for instance purchasing cotton cloths on Manchester and reselling them on Shanghai and in Hankow.” *C’est pour éviter les gros risques courus par les maisons allemandes en accordant aux Chinois de très longs crédits que les importateurs de Manchester préféraient passer par l’intermédiaire des Allemands.”*⁵⁰

As in other provinces, they achieved a hard-pushed strategy of challenging the British houses, and BIC couldn’t but be involved in such exchanges, except missing opportunities of growth. BIC related *ex post*, in 1915, how far German traders stirred up competition: *“Nous avons contribué à donner aux maisons françaises de la place tout notre appui, et toutes, depuis la disparition du marché des concurrents allemands, ont pu réaliser des bénéfices importants. Les commissions, qui étaient limitées auparavant au-dessous de l’in vraisemblable, ont repris des taux normaux. C’est que les Allemands travaillaient non pour gagner de l’argent, mais pour accaparer les marchés, et détruire à tout prix la concurrence.”*⁵¹

British trade houses

The 1910s were marked by the extension to British customers, like Harvey & Co, which used BIC as its sole banker to finance its imports from Liverpool to upstream Yangze: *“Cette maison ne fait que de l’importation ; tous les crédits qu’elle fait ouvrir en Europe pour son commerce passent par nos mains. Ce genre d’affaires constitue non une immobilisation, mais un roulement continu auquel nous avons fixé un maximum. Chaque chèque constitue pour ainsi dire une nouvelle affaire, car elle nous apporte en garantie de nouvelles marchandises, et chaque versement constitue le remboursement total ou partiel*

⁴⁹ Archives of BIC, historical archives of CASA, BE 1047, 439 AH 179, *rappports-bilans semestriels*, 1st July 1916.

⁵⁰ *Ibidem*, January 1916.

⁵¹ *Ibidem*, July 1915.

d'une avance antérieur. Ce roulement d'affaires nous apporte en même temps des affaires de change, et nous avons actuellement pour 17000 £ de contrats de vente."⁵²

Spunt & Rosenfeld, a house located in Shanghai, asserted itself in Hankow during WWI. BIC bought in May 1916 large layers of bills to be remitted on Shanghai; during the first semester 1916, the firm completed on fourth of the cotton exports to Japan, financed through BIC (for an amount of 1,4m taels). "*J. Spunt est une grosse maison spécialisée dans le commerce du coton. Elle travaille pour le compte de sa maison de Shanghai et nous remet en règlement de ses tirages des remises sur Shanghai : 444,000 taels d'avances, contre remises sur Shanghai, au moment de la récolte du coton en septembre 1916.*"⁵³

The powerful English house Dodwell – which managed the tea business of the Anglo-Asiatic trading house in Hankow, with the opportunity to grant overdrafts for transfers of bills to Europe through BIC services – also joined the fray during WWI.⁵⁴ Burtenshaw⁵⁵ rapidly since 1915 and relied all at once on the BIC branch, perhaps because he took profit of the retirement of German firms: it was the main importer of Belgian plate glass, and his boss was an important investor too, in *Pharmacie centrale*, Central Stores, *Patell Frères*, and a plant of gas waters.⁵⁶ The firm piled up a stock of 421,000 taels⁵⁷ at the start of 1918, favouring advances on goods by BIC for an amount of 47,000 taels (2,000 crates of window glass, lightning equipment, electric goods).⁵⁸

A few houses complemented these core bunches of clients. Swiss Louis Göring and its company for mining (Göring-Laidrich/Wan Chen Chu) were treated as big clients around 1914 for its operations on exports of tin. The China-Java Export was accompanied too in its development.

D. French customers

A thorough analysis of the contribution brought by the BIC branch to French interests is not possible, but the French community of business remained a priority target indeed. The six Catholic missions active in the area were clients for their deposits (137,253 taels in 1911), and the Municipality of the concession for its treasury flows and some borrowings since 1911 (with a debt of 85,106 taels in June 1918). *Crédit foncier d'Extrême-Orient*, a Franco-Belgian financial institution linked with real estate investors in French concessions, borrowed in Hankow too (amount of 60,000 taels in June 1918). Several houses attended it regularly, happy to rely on its connections on the main Chinese port-cities and in Europe, even if BIC disposed of no monopoly as French firms were often also clients of HSBC, for instance.

Local companies were companions to BIC, like Monbaron (1909), Adolphe Grosjean & Cie, Cossantelis Brothers, a Greek house from Marseille, active in Calcutta and Hankow, or

⁵² Archives of BIC, historical archives of CASA, *Lettres-bilans*, from the headquarters to the branch, 439AH535, 19 April 1913.

⁵³ Archives of BIC, historical archives of CASA, BE 1047, 439 AH 179, *rapports-bilans semestriels*, January 1917.

⁵⁴ Archives of BIC, historical archives of CASA, correspondance and statistics from the branch to the headquarters, 439AH535, 2 April 1909, 13 March 1916, 12 September 1916.

⁵⁵ *Ibidem*, 7 September 1917.

⁵⁶ Archives of BIC, historical archives of CASA, correspondance and statistics from the branch to the headquarters, 439AH536, 20 January 1918.

⁵⁷ At this time, the tael was valued seven francs.

⁵⁸ Archives of BIC, historical archives of CASA, correspondance and statistics from the branch to the headquarters, 439AH536, 20 January 1918.

A. Miffret – which financed its whole exports of hides through BIC in 1912: “*Cette maison s’est beaucoup développée en travaillant avec l’Europe et l’Amérique ans sa spécialité de cuirs et peaux, sur crédits ouverts et lettres de crédit documentaire. Travaille sur les Etats-Unis avec l’International Banking Corporation.*”⁵⁹ But Hankow welcomed offshoots of bigger ones, active on several port-cities, as was the case for Racine-Ackermann: “*Cette maison travaille toujours avec beaucoup de méthode et de prudence, et a très bien marché pendant ces dernières années. Son solde chez nous avait atteint dans le semestre 260 000 taels. Elle nous a fait depuis des remises importantes s’élevant à 130 000 en espèces provenant de la HSBC et 130 000 de remises sur l’Europe, nous remettant en tout 260 000 taels.*”⁶⁰ The branch worked with Olivier, the largest French trade house all over China and its maritime neighbourhood: “*Cette maison a également très bien marché pendant ces dernières années. Installée primitivement sur la concession anglaise, elle a dû émigrer sur des terrains libres de Tachimen [Tai Chi Man], où le travail des peaux n’est pas interdit, et elle a créé là une installation de tout premier ordre.*”⁶¹

On a lower scale, the branch also accompanied retailers, chemist Picca, clockmaker Dubois or Italian food-store Cozzi (till its collapse in 1916, when the Italian Chinese Import & Export took it over), expressing the intimacy between the bank and daily life on the settlement. Established in Hankow, *Société franco-chinoise de distillerie* (set up in 1909 by Yao Foo Chen) became a permanent client, with advances on securities (1911) or overdrafts. For a while, the branch got in touch with Bouchard, the manager of a colliery, as in Hankow like in other provinces, a few French entrepreneurs and investors tried (and often succeeded) to exploit local mineral resources, even on a low scale.⁶²

All in all, the demands for a banking expression of economic patriotism were satisfied as BIC supported actively its French customership in the Hankow river-port-city: its mission was therefore completed. WWI was a first apex for this development, thanks to the temporary elimination of German competitors: “*Les maisons françaises – notably Grosjean, Racine-Ackermann or Miffret – traversent actuellement une ère de prospérité qu’elles n’ont jamais connue. Un roulement d’affaires considérable qui leur laissent des bénéfices qu’elles n’auraient jamais connus sans la disparition des maisons allemandes sur les marchés d’Europe.*”⁶³

But the principle of reality prevailed in the meanwhile as BIC also financed, on an equal level of taels, the foreign house active on the Yangze – if we focus on the special “credit product” available on the port, that is advances in blank, pending the issuing of formal bills (see table 10).

Tableau 10. Breakdown of credit amounts of advances on bills to be delivered at the Hankow branch of Banque de l’Indochine (in taels), on May 1916	
French houses	
Racine Ackermann	2,045,226
Grosjean	556,141
Miffret	446,817
Olivier	304,047
Sub-Total	3,352,231
Foreign houses	

⁵⁹ Archives of BIC, historical archives of CASA, BE 1047, 439 AH 179, *rapports-bilans semestriels*, January 1917.

⁶⁰ *Ibidem*, January 1917.

⁶¹ *Ibidem*, January 1917.

⁶² Archives of BIC, historical archives of CASA, *Lettres-bilans*, from the headquarters to the branch, 439AH535, 11 April 1914.

⁶³ Archives of BIC, historical archives of CASA, BE 1047, 439 AH 179, *rapports-bilans semestriels*, January 1916.

Italian Chinese Import & Export	1,317,428
Spunt & Rosenfeld	1,067,931
Mitsui Bussan Kaisha	98,931
Panoff	627,212
Sub-Total	3,111,502

Source : Archives of BIC, historical archives of CASA, correspondance and statistics from the branch to the headquarters, 439AH536, 13 May 1916

The BIC Shanghai branch was a permanent commercial partner too. Both acted with a large autonomy (except a very few years). The Hankow branch used its cash treasury to purchase bills to be drawn on the Shanghai place through the Shanghai branch. This latter mobilised its own cash as deposits by its sister branch. And this one tackled the management of some means of payment, on a daily basis, but more importantly when it organised the transfer downstream of the amount of the salt-tax collected in the Hebei and its neighbours.

E. BIC stirring fresh competition

BIC fought to get access to French and foreign companies active on these fields, but competition its progress were rapid: in fact, the opening of the branch filled some void, and the community of Hankow traders felt happy to get the opportunity to rely on a new supplier of credit (table 11). Itself expressed its satisfaction: “These figures represent about one sixth of the overall exports, which is an encouraging result if we take into account the considerable part of HSBC.”⁶⁴ The branch profited from a few terms of rapid growth, with for instance 15 percent in 1908/1909 (after a recess), or in 1910, with a doubling of exports of hides. For the sole goat hides, the BIC branch got 47 percent of the credits in 1912, thanks to its client China Java Export (with German interests).

	During the first semester 1909 (in piculs)			In the second semester 1909	In 1915
	BIC	Total of banks' financing	Percent	Percent	Percent
Goat hides	330,000	2,138,000	15.43		
Sesame seeds	372,000	1,386,000	26.84	25%	8
Beans	45,000	525,000	8.57	17%	
Wood oil	18,600	269,000	6.91		0.5
Cow hides	17,600	132,000	13.33	14%	14
Vegetal tallow	38,000	125,000	30.40	25%	14
Ramie (China grass, also called Chinese plant or white ramie) (for fabric manufacturing)	7,000	66,000	10.61		
Gall nuts	2,400	21,000	11.43		3 or 4
Buffalo hides	2,900	20,000	14.50		2
Pork bristles	1,380	6,281	21.97	36%	18
Cotton					8.5
Ramie and jute					2

Source: Archives of BIC, historical archives of CASA, BE 1047, 439 AH 179, *rapports-bilans semestriels*, 1909, 1910, 1915

As a sign of its combativeness, BIC succeeded in drawing part of the bills discount between Hankow and Shanghai caused by the cotton exports: “*Nos achats de remises sur Shanghai ont à peu près doublé par suite des opérations de la maison Spunt & Rosenfeld, nouvellement installée à Hankow. Elle procède à des achats de coton, qu'elle expédie à son siège de Shanghai, prenant la place des maisons japonaises qui, jusqu'à présent, avaient le quasi-monopole de ces opérations d'avances sur une quinzaine de jours, le*

⁶⁴ *Ibidem*, 1909.

*temps de faire les emballages, puis remplacées par des remises à dix jours de vue sur Shanghai.*⁶⁵

6. Limits to expansion

Several barriers were to be over passed to try and succeed in implementing the strategy of developing business in Hankow.

A. The effects of the general crisis of 1907

A few terms after its take off, the BIC branch was confronted to the turmoils caused by the severe recession that stroke the US, then Europe, and last Shanghai and a few port-cities, suffering from the fall in exports in 1908. In Hankow itself, several collapses of firms cut into banks' health notably the branch of Russo-Chinese Bank, hit by the fall of its comprador – but the other banks were all repaid in that last case, except HSBC. BIC itself had to curtail its advances, even if could not give up its weakened customers in the midst of the crisis. FOREX operations became uncertain, the bank and its clients having to bet on a revival of values, whence a “*situation difficile pour notre agence. D'un côté, nous ne pouvons refuser du change à nos clients qui eux-mêmes se hâtent de se mettre en garde contre une hausse en perspective ; de l'autre, par contre, il nous est à peu près impossible de nous couvrir*”.⁶⁶

B. Local worried mindsets in the first semester 1910

Far from the world economic conditions, China was confronted to “regional” disturbances. That was the case in the first semester of 1910, when several houses collapsed in Shanghai and by effect in Hankow. The rapid expansion of the previous terms after the 1907/8 crisis should have favoured over-deleveraged operations among Chinese traders, who had benefited with too many credits by German houses mainly and by bankers. A few compradores failed, unable to recover their assets, or even fled (at the China & Java Export). German houses had refused to respect strict rules of loan balances beforehand, and also drastic controls on quality and quantity of their stocked goods. Some of them ended loaded with bad debts, with effects on their bankers. BIC itself revealed immobilised loans on Fuhrmeister (13,000 taels), on Kolkmeijer & Rockstroh (76,000 taels, among which 20,000 for exports of wood oil to the US). Happily the branch head had refused to extend its FOREX credits to his German clients.⁶⁷ But these claims were to load its accounts for a while.

C. The effects of the Wuchang Uprising (1911)

Some of them were merely accidental, and the main of them was the harsh mini-civil war that occurred in the area in 1911: the “Double Dix” insurrection (or Wuchan Uprising⁶⁸) was launched by local revolutionary groups on 10 November 1911 against the Qing imperial regime and along nationalist mindsets against imperialism, in the wake of Guangzhou moves. Severe fighting between the official army and the insurgents followed the flight of the vice-roy Rui Cheng: from 17 October to 1st December, the revolutionary army and local volunteers defended the city in the Battle of Yangxia against better armed and more

⁶⁵ *Ibidem*, January 1916.

⁶⁶ *Ibidem*, “Year 1908”, 1st February 1909.

⁶⁷ *Ibidem*, 27 July 1910.

⁶⁸ Wuhan is known as the birthplace of the *Xinhai Revolution*, named after the Xinhai year on the Chinese calendar; it has several museums and memorials to the revolution and the thousands of martyrs who died defending the revolution.

numerous Qing forces commanded by Yuan Shikai, which seized Hankow (except the concessions) and Hanyang, but not Wuchang, because of negotiations that led to the agreement opening doors to the Republic, because the spreading revolt all over central China to Nankin (30 November) and the fall of the Regent explained the institution of the Republic (19 December). One month of hard infighting in the port-city and all in all two months and a half of local war ended by a huge fire in November and the destruction of a more than a third of the town. Anarchy prevailed afterwards because the Republic could not establish order, which put a halt to regional trade.

The delegates of the foreign settlements – among whom French consul Raphaël Réau⁶⁹ – succeeded to convince both adversaries to avoid bombing them, to provide large healthcare to injured soldiers, whilst they conceived plans to protect the foreigners – French military ships coming upstream (the *Décidée*, then the *D'Aberville*) with troops. Troubles were rekindled later on when the Yan Shi Kay regime reacted against its past revolutionary partners by eliminating them, stirring revolts, with insecure trade roads as a result. Good clients of BIC were stricken by the upsurge because their business dwindled: the tin mines of Louis Göring or the public works activities, with effects on the Hupeh Cement Works.⁷⁰ A package of unpledged advances were all at sudden frozen, which led the BIC Paris headquarters to impose its branch to be overseen in direct by the Shanghai manager in 1912/1913, till the first of July 1913. Numerous Chinese clients could no more repay their debt, and the guarantee born by the comprador had to be committed; but himself was short in availabilities, and his own debt stuck to 1,312,000 taels in 1916 along with the irrecoverable claims on his Chinese connections. But all in all the direct effects on the life of the BIC branch were not severe, and business as usual regained momentum in 1913/1914.

D. The effects of WWI

WWI had effects even on the Hankow trade, despite the fact that China entered in war against Germany only in 1918. The submarine war hampered free navigation here and there, and some liners and cargos had to face it in the Mediterranean before or after crossing the Suez canal – the *Ville de La Ciotat*, of the *Messageries maritimes*, being destroyed in December 1915, with traders of the Yangze area.

The issue of German business

But the important issue resulted from the suspension of payments by German houses active in China, as they became more and more considered as “enemies” by the heads of the Allied managing foreign concessions, which put assets on sequester in the warehouses, hampering their export. Because these houses had halted their relations with China, their European headquarters and their local delegates reneged on their pledges. “*La situation actuelle n’est pas moins délicate, les hostilités étant venues encore compliquer cet état de choses. Dans un pays neutre, il est difficile de préciser quelle doit être notre réussite. Les lois édictées récemment nous font un devoir de nous abstenir de toutes opérations avec les maisons appartenant à une nation belligérante. Vous ne sauriez donc continuer à soutenir les nombreuses maisons allemandes qui formaient partie de votre clientèle.*”

⁶⁹ “Réau Raphaël”, in Nicole Bensacq-Tixier, *Dictionnaire du corps diplomatique et consulaire français en Chine, 1540-1911*, Paris, Les Indes savantes, 2003, pp. 469-471. Philippe Marchat, *Raphaël Réau, consul à Hankéou pendant la Révolution chinoise et la Grande Guerre, 1910-1916*, Paris, L’Harmattan, collection “Mémoires asiatiques”, 2013. Dorothee Rihal, “Raphaël Réau : un consul français au cœur de la révolution de 1911”, *Matériaux pour l’histoire de notre temps*, n°109-110, “Le premier moment révolutionnaire: Chine, 1911-1913”, 1st semestre 2013, pp. 10-18.

⁷⁰ Archives of BIC, historical archives of CASA, correspondance and statistics from the branch to the headquarters, 439AH535, 13 November 1911.

*D'autre part, la réalisation des gages qui couvraient vos découverts avec elles ne peut-être possible, croyons-nous, que dans bien peu de cas car il est probable qu'ils étaient détenus in trust par vos emprunteurs. Profitez naturellement de toutes les éventualités qui vous seraient offertes pour soulager votre position. Ne perdez pas de vue d'autre part que certaines maisons allemandes se réclament à tort de nationalités neutres sous prétexte que leur fondateur ou l'un des associés appartenait à ces pays, telle par exemple la maison Arnhold Karberg & C^o, qui nous été dénoncée par la Banque d'Angleterre comme maison allemande. Faites-vous une règle d'attribuer à chaque maison la nationalité qui lui était conférée par son immatriculation aux consulats avant le début des hostilités." "La situation actuelle va nous créer des difficultés nombreuses pour la réalisation des remises tirées sur la France ou l'Angleterre par des maisons allemandes de notre place puisque nous avons à établir pour le règlement de chacune d'elles qu'il s'agit bien d'argent qui nous est dû et non d'encaissement de leur crédit."*⁷¹

That was the case about the big firm Arnhold Karberg, active all over the opened port-cities (101,000 taels still pending in April 1920), Lohmann (from Bremen, 57,000 FRF pending in June 1919), Carlowitz and Max Mittag, or its medium-sized companions Schnabel Gaumer, Lautenbach and S. Wurch (with a total amount of debt to be amortised of 57,741 taels in 1916), or Siemssen, Diederichsen, China Java Export, Talge & Schröter, and Garrels Börner. Conversely, an important stock of antimony sent to Anvers by Panoff was sequestered by the German authorities there, which thawed the value of the pledge to the credit granted by BIC for this operation.⁷² All in all the basis of German customers which had been cemented beforehand became a source of immobilised assets, and even bad assets.⁷³ Twelve German houses were involved in June 1912, for a total amount of 640,563 taels on unpledged advances, and 280,554 marks on bills of exchange (2,867m FRF).

In China itself, BIC had to wait until the end of neutrality to start legal suing;⁷⁴ the lawyers at the Paris (and London) headquarters were mobilised to be recognised rights over European assets in several ports and banks. Several terms were necessary either to get back a few thousands taels (for instance, from Arnhold Bros, the official British successor of Arnhold Karberg, able to recover as located on the "good" side at the outset of WWI) or to amortise losses along with the pending debts, all along the years 1918/1920.

The issue of cash

Because of the constriction of availabilities in Europe caused by the state of economic war, the BIC Paris headquarters curtailed the circuits of internal refinancing at the expense of their branches abroad. Shanghai had then to follow the path. This resulted, from 1916, into a lack of cash in Hankow, which required to reduce the amounts of discount. "*Par suite de l'arrêt complet de notre approvisionnement en numéraire par l'agence de Shanghai, nous avons dû cesser d'alimenter à notre tour notre clientèle d'exportation et par suite nos achats productifs de papier sur l'Europe.*"⁷⁵ Resources fell from 3,974,366 FRF in the

⁷¹ *Ibidem*, 29 October 1914.

⁷² *Ibidem*, 31 March 1915.

⁷³ "*Les engagements avec les maisons allemandes ont diminué. En ce qui a trait aux expéditions de chargements destinés à couvrir nos soldes débiteurs, nous rencontrons, à chaque instant, de la part de la douane, des difficultés du fait des noms des expéditeurs, les marchandises étant généralement placées sous séquestre. Vous ne pouvez pas considérer la remise de nos connaissements comme une liquidation de compte*", *Ibidem*, 31 March 1915.

⁷⁴ "*Créances aux maisons allemandes en suspens : Le règlement de certaines créances allemandes n'avait pu être poursuivi jusqu'en 1917 en raison de la neutralité affichée par la Chine. Depuis que la situation s'est modifiée sous ce rapport, il y avait lieu d'envisager les mesures à prendre pour arriver à la liquidation de nos engagements avec les maisons ennemies.*" *Ibidem*, 18 March 1919.

⁷⁵ Archives of BIC, historical archives of CASA, BE 1047, 439 AH 179, *rappports-bilans semestriels*, 1st July 1916.

second semester 1915 to 2,628,488 in the first semester 1916 (-33 percent). The drift of operations between 1914 and 1917 was therefore drastic (table 12), with a fall of 75 percent, despite the rebound in the second semester 1915.

	FRF	Taels
1st semester 1914	12,031,099	
2d semester 1914	5,401,619	
1st semester 1915	6,371,579	
2d semester 1915	11,287,420	
1st semester 1916	6,582,640	11,953,874 or 10,784,464
2d semester 1916	3,172,000	7,163 758
1st semester 1917	Around 3m	7,110 088

This explains the flight of traditional good clients to rival banks for their discount and remittance business with Europe... Grosjean (from 2,315,000 to zero), Racine-Ackermann (from 2,334,000 to 47,000), Italian Chinese (from 3,668,000 to 196,000) between the second semester 1915 to the second semester 1916.⁷⁶ *“Il nous a été impossible d’alimenter suffisamment la maison Spunt, qui, auparavant, travaillait seulement avec nous, et maintenant fait la plus grosse partie de ses affaires par la Banque russe (Russo-Asiatique).”*⁷⁷ *“Notre unique gros vendeur a été Miffret, avec 1,484m de papier presque uniquement tiré sur lettres de crédit documentaire établies par des banques de Londres ou de New York.”*⁷⁸

The issue of European war

The more the war was extended, the more business had to dwindle: “Lacking resources, our Export account is almost stopped” (January 1918), with meagre FOREX operations, barriers imposed by the Allied to exports from western Europe (not to speak of German trade, thoroughly blocked). *“Le premier trimestre 1918 a été pour notre place une répétition des conditions qui ont prévalu dans les semestres précédents. Les difficultés et entraves aux commerces n’ont fait qu’augmenter de mois en mois au fur et à mesure que les Alliés ont pris de nouvelles mesures de restriction et ont consacré tous leurs moyens uniquement à la continuation de la guerre. La Chine, qui est le marché du monde le plus éloigné de l’Europe et qui ne fournit qu’en petite partie des produits de première nécessité, a été forcément négligée en ce qui concerne les frets et a vu de plus en plus le tonnage britannique désert ses ports.”*⁷⁹ The debt accounts of customers fell from 1,316m taels in the second semester 1916 to 0,875 in the first semester 1917.

	Liabilities	Resources
1 st semester 1916	3,794	4,144
2 ^d semester 1916		
1 st semester 1917	1,666/3,904	2,285/2,818
2 ^d semester 1917	1,284	1,550
1 st semester 1918	3,158	2,004
2 ^d semester 1918	1,024	1,120
1 st semester 1919	0,618	0,756
2 ^d semester 1919		

⁷⁶ *Ibidem*, January 1917.

⁷⁷ *Ibidem*, January 1917.

⁷⁸ *Ibidem*, January 1917.

⁷⁹ *Ibidem*, 31 July 1918.

The issue of regional civil war

Last, regional civil wars burst out, when troops, perhaps taking profit from the mobilisation of the Powers in Europe, commenced controlling a few territories and set up the process of fragmentation of the China Republic – till the second half of the 1920s. The model or “war-lords” (*dojun*) took shape as bigwigs managed their cliques along feudal practices, that is modern racket on exchanges. *“Les communications commerciales ont été difficiles par suite de la recrudescence de la guerre civile entre Nordistes et Sudistes. Cette guerre civile est plutôt une guerre de pillages et brigandages favorisés par l’incapacité, les intrigues et les mesquines jalousies des principaux chefs des forces combattantes. Les riches contrées qui alimentaient régulièrement Hankow de leurs produits se trouvent livrées au banditisme et à l’anarchie. Le Setchjouen et le Hunan, sont privés de communications avec notre port à cause des bandes qui pillent les jonques et convois, ce qui a paralysé toute navigation et trafic avec le Haut Yangtse.”*⁸⁰

Railtracks are submitted to the control of these cliques, either on the existing Hankow-Beijin line, or on the building site of the Hankow-Guangzhu line. *“Chemin de fer Beijin-Hankow. Le nombre d’agents européens employés par ce chemin de fer diminue chaque année. La direction administrative bientôt entièrement chinoise fait de plus en plus sentir son incompetence et son manque d’ordre. [Mais] le volume et la valeur des marchandises transportées augmente chaque année. Le matériel et la voie sont en piteux état. Les troupes nordistes tiennent ce chemin de fer en propriété conquise, ce qui ne fait qu’augmenter le désordre et la confusion qui y règnent.”* *“Chemin de fer Canton-Hankow, section Hepeh-Hunan : aucun progrès n’a été fait en 1918 sur cette section. Aucune livraison de matériel na été effectuée. Par contre, les hostilités ont causé de nombreux dégâts. Le matériel roulant a été réquisitionné par les belligérants qui s’en servent sans y apporter le moindre soin ni ménagement. Il faudra de longs mois pour remettre tout en état. Sans les hostilités, la ligne pourrait être exploitée entre Wouchang et Changsha, sans transbordement.”*

7. From dynamism to foolhardiness

The rapid upward move of the BIC branch was crowned with success – or apparently... Its new head in 1908/1909, Trouillet, pledged⁸¹ that he had intensified the control of risks, as was the case about Arnold Karberg: he checked the elasticity of the account, followed each day the state of the balances. *“Nous suivons avec la plus grande attention les mouvements quotidiens de tous nos clients et nous avons ainsi la mesure de l’activité commerciale de nos clients”*.⁸² Visits were paid to the go-downs (warehouses) either by the boss (to Racine-Ackermann, Schwaz-Gaumer and Miffret in April 1909, for example), or by employee Delaunay. Concern for liquidity seemed to prevail: *“Nos avances anciennes sur marchandises sont des affaires à roulement continu pour lesquelles les marchandises de garantie changent à chaque instant. Les stocks d’importation sont renouvelés à mesure qu’ils s’épuisent.”*⁸³

A. The head of the branch contested

In fact its head revealed as having ceded to the commonplace “infantile disease” of over-growth as for result an overleveraged balance-sheet, as many credits ended as immobilised. Risk-taking had been too much foolhardy. The control of warehoused goods

⁸⁰ *Ibidem*, 31 July 1918.

⁸¹ Archives of BIC, historical archives of CASA, correspondance and statistics from the branch to the headquarters, 439AH535, 2 April 1909.

⁸² *Ibidem*, 2 April 1909.

⁸³ *Ibidem*, 18 November 1913.

and commodities has been subverted by a few unsound customers; credit had been overextended in comparison with the value and quality of collaterals.⁸⁴

The Paris managers reached an obvious conclusion: “*Situation générale. Nous reconnaissons volontiers que, grâce à vos efforts, votre agence a vu, au cours des dernières années, s’accroître dans une large mesure le chiffre de ses affaires. Nous espérons que l’emploi, devenu ainsi plus facile, de vos disponibilités vous incitera à un choix plus sévère des transactions que vous accepterez. Dans le passé, en dehors même des découverts aux banquiers chinois, vous avez souvent donné votre concours à des clients qui ne le méritaient pas d’une façon aussi grande. La période que nous traversons a permis de liquider une partie des arriérés de la clientèle allemande, mais, en ce qui concerne les autres immobilisations, nous sommes, de votre propre aveu, encre accrochés pour longtemps.*”⁸⁵

A drastic assessment of the branch assets took place in 1917/18: because of the difficulties caused by the prolongation of WWI in Europe (end therefore in Russia, one important outlet for the Hebei province) and by the recess of activities in Hong Kong and elsewhere in port-cities, the balance-sheet was in jeopardized. A few clients also enlivened harsh times, because of the death of their boss (Göring, *Distillerie franco-chinoise*) or of one of the associates (for Kolkmeier & Rockstroh, this latter dying in 1911, causing an immobilisation of a 103,115 taels debt). Losses were met on FOREX arbitrages in the second semester of 1916 (22,324 taels) – but large profits on arbitrages on gold and silver occurred during the first semester of 1919. Even several “ordinary” clients caused disappointment and immobilisations, like Adolphe Grosjean, which had to be liquidated in December 1918 and purchased by *Société maritime et coloniale du Pacifique*. Burtenshaw (with numerous goods on stock) was hurt by the death of its boss Burtenshaw himself in 1919, which left the firm with a debt (through overdrafts) of 49,283 taels, covered by a value in guarantee of 40,579 taels, consisting with electrical equipment (47,000 taels) and securities (7,840 taels).

Losses predominated since the second semester 1917 (table 14). The statement of affairs of the management by Trouillet, the head of the branch for a decade, was a sombre one, and he was dismissed in the Summer 1918.

	FRF		Taels
	Profits	Deficits	
1904 I	125,881		40,541
1904 II	128,789		
1905 I	?		
1905 II	?		
1906 I	146,370		
1906 II	396,000		
1907 I	146,130		
1907 II	139,713		
1908 I	424,189		
1908 II	236,914		111,352
1909 I	83,198		27,733
1909 II	139,107		

⁸⁴ “*Nous avons pu voir à Tientsin combien ce genre de découverts [avances sur traites à livrer] est dangereux. Vous n’êtes pas mieux placés à Hankéou que dans le port de Pei-Ho pour surveiller et contrôler nos gages ; votre personnel n’est pas suffisamment nombreux et, surtout, n’a pas les connaissances techniques indispensables pour estimer les marchandises ; l’honorabilité de vos emprunteurs est en somme votre seule sauvegarde. Le souvenir des pertes Fafa, Kolkmeier & Rockstroh est là pour vous montrer que votre place n’est, pas plus qu’une autre, à l’abri des mécomptes de cet ordre*”, 31 March 1915.

⁸⁵ *Ibidem*, 31 March 1915.

1910 I	?		
1910 II	109,943		
1911 I	161,135		50,804
1911 II	Around 205,000		68,339
1912 I	268,573		77,847
1912 II	111,497		
1913 I	77,167		
1913 II	154,173		
1914 I	Around 140,000		46,521
1914 II	16,674		5,930
1915 I	121,754		41,173
1915 II	432,739		127,276
1915	Around 506,000		168,548
1916 I	287,505		127,276
1916 II	438,146		-97,366
1916		Around -38,000	-12,805
1917 I	84,560		32,814
1917 II		-623,186	-103,864
1917			-71,050
1918 I		-383,897	-60,036
1918 II		-413,517 FRF	-41,357
			Or: -58,242
1919 I		-349,898	-42,932
1919 II			-3,359
1920 I			-57,031
1920 II			-26,979
In 1904: 3,40788 frf for one tael; but variations every semester			

B. The almost paralysis of the Hankow branch (1917-1920)

Bad debts were piled up, there were too many immobilisations of which the interest charged had furthermore to be put on a “account for pending loans”; amortisations were necessary every semester of 1916-1918. A first accounting loss had to be admitted for the first semester of 1917, another one in the second semester, and successive deficits were explicated till 1920 (see table 2), to be assumed by the Paris headquarters. The conclusion of such analysis was a first thorough screening of the assets in 1918: credits were amortised for 1,1m FRF; the claim over the failed Panoff firm ended by the accounting amortisation of 3,5m,⁸⁶ and its bad debts staid at 795,000 taels in December 1919.

February 1918	1,091,133	Of which 711,532 for Panoff Schnabel-Gaumer, S. Wurch, Lautenbach
19 December 1918	2,500,00	Panoff

In 1918-1919, the assessment of the actual balance-sheet of the branch was difficult because of an uncertain background, which led to reconsider the real value of goods and securities as pledges, or for debtors to slow their repayments, because of fluctuations on prices, shipping freight, and commercial orders.” *L’année [1919] a commencé à Hankow par un ralentissement général des affaires. Les prix en Europe et en Amérique étaient trop incertains et sujets à de brusques variations que la lenteur des communications télégraphiques est venue compliquer : il fallait au moins trois semaines avant de recevoir réponse télégraphique à une offre faite de Chine. Les restrictions ont été levées peu à peu, et les taux de fret et assurance ont baissé sans discontinuer.*⁸⁷ “Les affaires avec la France ont été très réduites. Seules quelques grosses affaires de sésames avec Marseille sont à signaler, presque entièrement traitées par des maisons étrangères. Notre clientèle française a eu à souffrir des conditions défavorables du commerce avec la France. A

⁸⁶ *Ibidem*, 7 February 1918, 4 April 1918, 25 October 1918.

⁸⁷ Archives of BIC, historical archives of CASA, BE 1047, 439 AH 179, *rapports-bilans semestriels*, 12 August 1919.

cause de la pénurie d'argent, les banques étrangères ont réservé leurs avances presque exclusivement aux maisons de leur nationalité, chose que nous n'avons pas pu faire nous-mêmes."⁸⁸ Throughout the 1919 year, FOREX rates climbed; Chinese traders piled up silver-metal because of their concern on currencies; resources for credit were missing in Hankow (and Shanghai); imports were stagnating, which confirmed the hesitating moods among native and foreign trade houses; French houses could not find out enough shipping availabilities to join Europe and China: all in all, to solve bad debts had become impossible in short times.

This explains the sombre situation of the BIC branch at the turn of 1920: the immobilised assets had reached 3,553m taels against a total value of assets of 4,339! Bad debts to be liquidated were of 2,940, claims over German houses were still of 96,000 taels. Conversely, "good" assets were only of 49,000 taels as for advances on goods, 61,000 taels as for overdrafts, and 480,000 taels through remittances operations with the Paris (and London) headquarters. Business meant stagnation.

On one side, the branch had to repay its fellow of Shanghai because of its advance (still 850,000 taels to be paid on July 1918), and to transfer its losses to the Paris headquarters, which cleared them against the current capital affected to the branch, thus reducing the amount of that capital: "*Notre capital et les diverses ressources que l'agence d'Hankow possède se trouvent immobilisés et presque entièrement improductifs d'intérêts. Notre agence ne peut plus produire, mais doit se borner à liquider. Dans ces conditions, les chiffres de nos opérations vont et iront sans cesse en diminuant.*"⁸⁹ The year 1918 was earmarked to the liquidation of bad claims left by manager Trouillet: "We cannot produce anymore, but solely liquidate."⁹⁰ Overextended loans are submitted to constraints, as about the advances to Burtenshaw, the amount of which fell back from 85,000 taels in December 1917 to 44,000 in December 1918, with a repayment of 2,000 taels a month.

Such a hard stance might seem contradictory with commercial ambitions as they cut deep into the "flesh" of the branch. What would have been the results of a more opened policy, more reactive to the desires of clients? The ever recurrent issue of drastic discipline and lucidity in risk management versus commercial progress mixed with elasticity (in French: *laxisme*) should be dramatised if we consider the fate of competitor *Banque industrielle de Chine*, headed by ex-BIC manager Pernotte: after rapid gains over its rivals and BIC branches, it collapsed in 1923 because of the Chinese economic crisis of 1921/1923. What could be considered as pusillanimity and shortfalls in returns might end as be gauged as foresight and wisdom.

8. Was it worth investing the Hankow market-place?

It is always difficult to get understood the strategic and financial mindsets which lead companies to achieved schemes of development, either in skills or in areas. Grazing bits of business in far-fetched world regions might seem illusory and even a shallow business model. The history of firm, the core of business history, is rich with such arguments: was it worthy earmarking so much human and financial resources to such petty commitments? As we can see (table 15), the return of the BIC branch in Hankeou did not reach 5 percent of the overall returns of *Banque de l'Indochine's* branches in 1916. In the year 1907, the account in capital (1,393,531 FRF) and the overdraft drawn on Paris account (7,826,531 FRF), that is 9,220,062 FRF, got a return of 285,843 FRF for the two semesters 1917, that is a

⁸⁸ *Ibidem*, 12 August 1919.

⁸⁹ *Ibidem*, 31 July 1918.

⁹⁰ *Ibidem*, 31 January 1919.

ROCE (return on capital employed) of 3,1 per cent, which might seem low in consideration of the risks undertaken, of the distance of the branch from the Chinese (Shanghai, Hong Kong), London and Paris banking centres.

Losses at the turn of the 1920s consumed such revenues. The capital dedicated to the branch was almost swallowed in the losses piled up in 1916-1920 (see table 14). So many bad debts had to be amortised, so many claims had to be immobilised for several semesters, the manager had to be dismissed, operations had to be paralysed for four to five years, the basis of customers dwindled because many of them found by other banks what BIC had to refuse to them. Disappointment might thus predominate.

	First semester 1916	First semester 1919	Second semester 1919	First semester 1920
Indochina and Cambodge	44,6	50,9	47,3	41,6
Singapore	4,7	2,7	16,1	3,6
Paris	14,2	6,2	4,7	4,4
<i>Total of China</i>	23,6	22,8	17,4	18,5
South China (Guangzhou, Mongtze, and Hong Kong)	11	9,2	11,2	5,6
Guangzhou	2,4	2,7	3	-5,8
Mongtze	5,3	5,3	6,2	3,8
Hong Kong	3,3	1,2	2	7,6
Shanghai	7,8	10,5	4,1	11,3
Hankow	3,9	-2,2	-0,2	0
Tien Tsin	1,8	5,5	1,9	2,4
Beijing	-0,9	-0,2	0,4	-0,8

Minutes of the Board of *Banque de l'Indochine*, 25 October 1916, 29 October 1919, 28 April 1920, 24 November 1920

Anyway, business and banking history has to take into account far broader considerations to foster more balanced assessment.

- First, let us remind that economic patriotism was at stake, which meant that BIC had to open and manage branches in each port-city offering positive prospects for French trading, shipping and insurance companies. The implantation in Hankow was a success on that field, as about a dozen French houses could rely on the branch, on its three French-speaking bankers, on its warehouses and services.
- Second, the complementarity between BIC branches took profit from the development of the Hankow branch. Cash was invested there by the Saigon branch, and the Shanghai worked intensively with its sister upstream, for the management of means of payment, remittances, co-operation on trade finance and FOREX operations. The “BIC house” found therefore an opportunity of mutualising the management of its twin offshoots.
- Third, on the scale of the whole firm, the whole range of multi-nationalised companies could find in that branch complementary services in favour of their multi-domestic basis in Chinese port-cities: think of German, French or British firms active in the Yangze valley and elsewhere (Olivier, etc.). Offering them a banking presence on so many markets places contributed to the capital of reputation of the French bank, to the cementing of an internationalised position and brand-image. *Banque de l'Indochine* also meant somewhat “*Banque de Chine*” at the eyes of customers. And the persistence of the brand-name even after the merger of 1974 into Indosuez (till the 21st century, when Crédit agricole-CASA took it over and ended transforming it into Crédit Agricole Commercial & Investment Banking-CACIB, except for some affiliates in Asia (Indosuez Securities, Indosuez Private Banking).
- Fourth, the amortisation of the whole banking firm, on a worldwide scale, was favoured (for a little, sure) by the development of the Hankow branch. Specialised departments, business units in market banking, FOREX, trade finance, documentary credit,

⁹¹ Minutes of the Board of *Banque de l'Indochine*, 25 October 1916, 29 October 1919, 28 April 1920, 24 November 1920.

management of means of payment and money flows, etc. could incorporate the small flows engineered in Hankow and all over the upstream regions of the Yangze into the “big machine” of their “organisation of firm” at the dimension of the whole *Banque de l’Indochine*. The little bits of business brought by the Hankow branch contributed to reduce the overall cost of exploitation of the banking firm, in Shanghai, London, and mainly Paris. No “noble” products were at stake, conversely with silk tackled by the Guangzhu branch, no massive commodities, conversely with Indochinese rice managed by the Hong Kong branch. Like in Tianjin, low-key products were at stake, but each one, like for the pork bristles or the variety of hides, fuelled business, brought its little stone or pebble to the building of *Banque de l’Indochine* in Asia and on the European market places.

- Fifth, the more the Hankow branch gathered momentum, the more its managers and employees became part of the managerial game which tended to the reinforcement of the portfolio of skills, the capital of competence, of the offshoots of *Banque de l’Indochine* as a firm, and, generally speaking, at the scale of this modest competitor to HSBC, it enhanced the overall Asian corporate culture of the institution, as has been studied by Frank King about HSBC.⁹² We noticed as a detail that a senior employee of the branch joined the Saigon one as deputy manager: such details exemplify indeed the spillover of “good practices” in risk management and of the portfolio of skills all around the Chinese network of branches of *Banque de l’Indochine*.

Competition was harsh, mainly from HSBC.⁹³ And the Hankow branch endured dire difficulties in the second half of the 1910s, after a promising take off. But, all in all, it succeeded in gaining field against or better on the side of the banking bigwigs; and moreover it survived both rivals, first Russo-Chinese then (from 1910) Russo-Asiatic Bank which was weakened by bad business in Hankow and by the Russian revolution which put a halt to the life of Russo-Asiatic Bank, and second *Banque industrielle de Chine*, rubbed of by its collapse in 1923 (even if some *Banque franco-chinoise* succeeded it, later on amalgamated into *Banque de l’Indochine*). The “Darwinian syndrome”, so much effective in business history, did not apply to *Banque de l’Indochine* and thus to its branch; and further studies will scrutinize its evolution in the 1920s-1930s.

THIS IS A FIRST DRAFT VERSION, STILL NOT SUBMITTED TO CRITICISM AND RE-READING; QUOTED TEXTS IN FRENCH WILL BE TRANSLATED INTO ENGLISH IN THE SUMMERTIME.

⁹² Frank King, “Does the corporation’s history matter? Hongkong Bank/HSBC Holdings: a case”, in Andrew Godley & Oliver M. Westall (eds.), *Business History and Business Culture*, Manchester, Manchester University Press, 1996, pp. 116-137. Frank King, “The transmission of corporate cultures: International officers in the HSBC Group”, in A.J.H. Latham & Heita Kawakatsu (eds.), *Asia Pacific Dynamism 1550-2000*, London & New York, Routledge, 2000, pp. 245-264.

⁹³ See Frank King, *The History of the Hong Kong and Shanghai Banking Corporation. Volume 2. The Hongkong Bank in the Period of Imperialism and War, 1895-1918: Wayfoong, the Focus on Wealth*, Cambridge, Cambridge University Press, 1988.