

## **French business and banking in Canton port city (1900s-1920s): From an offshoot to embeddedness**

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Beyond its colonial territories in India and mainly in Indochina, France was a lagging challenger in Asia against the hegemony of British business and the strongholds of Dutch and German. French banks and trading houses could not imagine shattering the domination of the British companies and their capital of influence throughout China<sup>1</sup>, all the more because French companies were far less active in Hong Kong<sup>2</sup> and China than their British competitors. Classical and “natural” commercial flows balanced the purchase of staples (silk, tea, etc.) and the delivery of high end goods (beverages, high end *articles de Paris*, etc. But when the “scramble for China” took momentum from the 1870s-1890s, when the settlements paved ways to a deeper presence there, and when perspectives of FDI and project financing grew along with the Chinese programs of investment into infrastructures, the French community of business being involved in “pre-globalised” strategies and the French state commenced showing concern about the gap between French ambitions and the weakness of its “toolbox” being available for traders and exporters in the Far East. As elsewhere thus, a “triptych bank, industry, diplomacy”<sup>3</sup> was set up to mobilise the whole range of influence<sup>4</sup> in order to bolster French deployment in the area – as a way to counterbalance the strongholds of British trading houses (“hongs”) and banks (HSBC, Chartered Bank). Germany followed a while the same path (with *Deutsch-Asiatische Bank*, linked with Deutsche Bank<sup>5</sup>) and Belgium also – with *Banque sino-belge* in 1902, then in 1913 *Banque belge pour l'étranger*, an affiliate of *Société générale de Belgique*, which gave birth in 1934 to *Banque belge pour l'étranger (Extrême-Orient)*<sup>6</sup>.

This led the state to demand from the banking representative in Asia, *Banque de l'Indochine*, to extend its sway from Indochina to the whole Chinese area, where previously *Comptoir national d'escompte de Paris* had established only a very few antennas as it was traditionally the companion of road to French exporters from the Mediterranean area to the territories joined by shipping lines crossing the Suez canal<sup>7</sup> (like French *Messageries*

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<sup>1</sup> See Jürgen Osterhammel, “Imperialism in transition: British Business in China, 1860s-1950s”, in R.T.P. Davenport & Geoffrey Jones (eds.), *British Business in Asia since 1860*, Cambridge, Cambridge University Press, 1989, pp. 189-227.

<sup>2</sup> Norman Miners, *Hong Kong under Imperial Rule, 1912-1941*, Hong Kong, Oxford University Press, 1987. Geoffrey Sayers, *Hong Kong (1862-1919): Years of Discretion*, Hong Kong, Oxford University Press, 1968. Steve Tsang, *A Modern History of Hong Kong*, London, Tauris, 2004.

<sup>3</sup> Jacques Thobie, *La France impériale, 1880-1914*, Paris, Megrelis, 1982. Jean Bouvier, René Girault & Jacques Thobie, *L'impérialisme à la française, 1914-1960*, Paris, La Découverte, 1986.

<sup>4</sup> Nicole Tixier, “La Chine dans la stratégie impériale : le rôle du Quai d'Orsay et de ses agents”, in Hubert Bonin, Catherine Hodeir & Jean-François Klein (eds.), *L'esprit économique impérial (1830-1970). Groupes de pression & réseaux du patronat colonial en France & dans l'empire*, Paris, Publications de la SFHOM, 2008, pp. 65-84.

<sup>5</sup> Motoaki Akagawa, “German banks in East Asia. The Deutsche Bank (1870-1875) and the Deutsch-Asiatische Bank (1889-1913)”, *Keio Business Review*, The Society of Business and Commerce, Keio University, n°45-1, 2009, pp. 1-20.

<sup>6</sup> See René Brion & Jean-Louis Moreau, *La Société générale de Belgique, 1822-1997*, Anvers, Fonds Mercator, 1997. 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<sup>e</sup>-XX<sup>e</sup> siècles*, Paris, Éditions de l'École des hautes études en sciences sociales, 1977.

<sup>7</sup> Hubert Bonin, “Le Comptoir national d'escompte de Paris, une banque impériale (1848-1940)”, *Revue française d'histoire d'outre-mer*, tome 78, n°293, 1991, pp. 477-497. Yasuo Gonjo, “The Comptoir d'escompte

*maritimes*). Let us precise that for decades French banks were represented in China by a single bank, acting as they ambassador, first *Comptoir national d'escompte de Paris*, then *Banque de l'Indochine*, because they were conscious of the comparative edge of British banks and especially of the Hong Kong & Shanghai Bank (HSBC), and they agreed to avoid competition among them – up to the 1960s-1990s –, even if, from Russia, a Franco-Russian bank, Russo-Chinese Bank, then Russo-Asiatic Bank, also favoured French interests, but mainly in the north-east part of China. The renewal of the concession agreement between the state and Banque de l'Indochine for the issuing of money and central banking in Indochina was therefore linked with the obligation to open branches in the main commercial cities in the Far East, starting with China<sup>8</sup>. Sure, priority was first given to the wholesale trade flows fostered along the Yang Ze Kiang axis from Shanghai<sup>9</sup> up to Hankeou/Wuhan<sup>10</sup>; second to the penetration into China through the railway linking French Tonkin to south-western China; third, to establish bridgeheads in the Hong Kong hub.

But Banque de l'Indochine had also to accompany French traders and exporters who prospected second-rank market places, like Tianjin in the north-east and Canton in the south-west. Our long-term purpose is to reconstitute the strategy, skills, performance and competitiveness of French banking and business in the key Chinese port cities. We question the missions attributed to French bankers there: were they helping French trading networks within South-East Asia for clearing activities? Were they involved in financing trading within southern China? Were they taking part to the life of regional banking market itself? By chance we got access to the correspondence between the Canton branch of Banque de l'Indochine and its Paris headquarters<sup>11</sup>, which helped us develop the pioneering analysis of Marc Meuleau's history of Banque de l'Indochine<sup>12</sup>. Our text will first determine how a French banking institution took foot in Canton; it will precise the part played by the Banque de l'Indochine Canton branch within the French commercial in southern China; it will scrutinize the networks woven by the branch all over west-southern China; it will ponder the connections with the Hong Kong local banking market; last, it will reconstitute the growth and the evolution of the branch in the midst of short-term economic trends, or of the political and military environment.

Throughout this survey, we'll follow there the path of business history applied to banking history, encompassing the evolution of the portfolio of strategic activities of the branch, its portfolio of skills, and its performance. The successive stages of growth and of

de Paris in the Far East in the second half of the 19th century”, *Kinyu Keizai The Journal of Financial Economics*, n°175, April 1979, pp. 477-497; n°176, June 1979, pp. 97-129 (both articles in Japanese).

<sup>8</sup> See 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*, Londres, MacMillan and New York, St. Martin's Press, 1994, pp. 61-74. H. 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.

<sup>9</sup> See Hubert Bonin, “Les banquiers français à Shanghai dans les années 1860-1940”, in *Le Paris de l'Orient. Présence française à Shanghai, 1849-1946*, Boulogne/Seine, Albert Kahn Museum, , 2002, pp. 113-119. Marie-Claire Bergère, “The geography of finance in a semi-colonial metropolis: The Shanghai *Bund* (1842-1943)”, in H.A. Diedricks & D. Reeder (eds.), *Cities of Finance*, Amsterdam, Koninklijke Nederlandse Akademie van Wetenschappen, 1996, pp. 303-317.

<sup>10</sup> See E.W. Edwards, “British policy in China, 1913-1914. Rivalry with France in the Yangtze Valley”, *Journal of Oriental Studies*, 40, 1977, pp. 20-36.

<sup>11</sup> We thank Anne Brunterch, the head of the Department of historical archives of *Crédit agricole SA*, and her team, who opened us at large the archives of *Banque de l'Indochine*.

<sup>12</sup> Marc Meuleau, *Des pionniers en Extrême-Orient. La Banque de l'Indochine, 1875-1975*, Paris, Fayard, 1990. To be complemented by: Yasuo Gonjo, *Banque coloniale ou banque d'affaires ? La Banque de l'Indochine sous la III<sup>e</sup> République*, Paris, Comité pour l'histoire économique & financière de la France, 1993 (first published in Japanese, Tokyo, University of Tokyo Press, 1985)

diversification follow the evolution of the “curb of experience” of French bank Banque de l’Indochine in Asia and in this case study in Canton. The firm tended to make its portfolio of expertise and skills to grow in new areas, either of business or of geography, from Indochina and Paris to a few bridgeheads all over China, along with the process of “spillover” of activities and competence. Its Canton frail breakthrough against HSBC and the whole British banking and business community had to become a stronghold, whether it seized opportunities of growth along with what business strategists call “SWOT”: Using its *Strengthes* (built in imperial France, then in a few business market places in China and in the Far East, being aware of its *Weaknesses* against its competitors and against the Chinese business world, either in mainland or through its diaspora connections, but looking for *Opportunities* to overcome the *Threats* of competition borne mainly by HSBC, Chartered, and a few other path-breakers which tried to transform Chinese markets into bonanzas. Whilst Shanghai provided bankers with the key leverage to penetrate into the mainland Chinese market, in particular through the Yangze river, while Hong Kong constituted altogether a plat-form to tackle business across South-East Asia and a hub for regional business in southern China, thus opening gates to French banks, the less influent Canton branches of Banque de l’Indochine and French trading houses were to conquer market shares all along the Pearl Rivers, deep into the area linking Canton to the western border, and moreover on the Canton place itself of course.

The bank was actually late since the French consulate had opened its doors<sup>13</sup> in 1845, the city had been free to commere since 1858 and some sphere of influence had been earmarked in April 1898 to France in the Kwantung, Kwansi and Hainan provinces. But we presume that trade houses needed time to penetrate the area, that they had rather using Hong Kong as a leverage in south-east China, and that Canton itself as a harbour was far less equipped than its big neighbour, which explains the very little size of the foreign community there, only a few hundreds in the 1910s. The role of Banque de l’Indochine can therefore be arisen to the size of a relevant case study as a hallmark for a French-style port city: how did a French community of business take momentum there and was committed to the harbour life? – and we shall insist on the opportunities of credit, foreign exchange, and trade banking. The Canton concession and business facilities involved French bank and houses in what François Gipouloux called “the Asian Mediterraneana”<sup>14</sup>, which highlights the emergence of Canton as a key target for supplementing Hong Kong as a commercial leverage in south China.

### **1. The Canton bridgehead (1902-1918): From a function of support to a community of business**

On 7 February 1902 a branch was opened by Banque de l’Indochine in the Shameen (Shamian) island<sup>15</sup> where both the UK and France had a concession, along the Sha-Ky canal, a derivation of the Canton river. The manager<sup>16</sup> had arrived there from Hong Kong on 31 December, and the first function was to act as an offshoot of the Hong Kong branch there. But it asserted itself steadily as a diversified branch, as it penetrated into local

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<sup>13</sup> The Treaty of Whampoa (24 October 1844) opened the ports of Canton, Shanghai, Ningpo, Amoy and Foochow to French merchants and missionaries. France obtained extraterritorial rights allowing it to maintain a separate legal, judicial, police, and tax system in the treaty ports. The Consulate was founded in 1845 – thus well ahead of the Tientsin treaty of 1858.

<sup>14</sup> François Gipouloux, *La Méditerranée asiatique. Villes portuaires et réseaux marchands en Chine, Japon et en Asie du Sud-Est, XVI<sup>e</sup>-XXI<sup>e</sup> siècles*, Paris, CNRS Éditions, 2009.

<sup>15</sup> The plot was purchased to the Catholic Foreign Missions, one side on the Bund, the other one on Central Avenue. The total investment (plot and buildings) reached \$38,144. The builing was refurbished in 1925 and extended in 1928.

<sup>16</sup> Ardain, replaced in 1906 by G. Pouillet-Osier, followed afterwards in 1910 by R.J. Audap, in 1913 by J. Thesmar.

business – thanks to a working capital of \$1,439,527 provided by the Saigon and Hong Kong Banque de l'Indochine branches. It could rely as usual on its own comprador, Leong Dinh Thang (till August 1920), to set up connections within the Chinese community<sup>17</sup>. A dual strategy was defined: to act as a lever to French houses; and to become a stakeholder of the banking place, thus along an international mindset and a domestic profile altogether, because the development of the “modern” port city was sustained either by foreign companies or by the growing Chinese “bourgeois” who drew the basis of forms of capitalism there<sup>18</sup>.

### A. A leverage force at the service of silk trade

One has beforehand to consider that France and the Lyon area were still leading the silk industry at the turn of the century, even if Switzerland, Italy and the US had been competing stiffly with them from the 1870s. Beyond Lebanon and Japan, China had become a key supplier of raw silk, because of lower costs and of a disease cutting down on French silk production. French houses had settled in Canton, as the port was the outlet for the silk producers (from a few districts: Nanhai, Zhongshan, Shunde, Xinhui) and merchants in the hinterland, and tackled huge amounts of silk trade<sup>19</sup> – their total amount of their international exchanges being estimated at 25 millions francs in 1905. Two leaders, R. Chauvin and E. Pasquet, competed with British Jardine Matheson and German Arnhold Karberg. Warehouses (“godowns”) lodged silk, either by merchant intermediaries, or at Banque de l'Indochine's own godown, well separated from other goods for fear of infection. The bank offered a classical range of credits, and first loans pledged by silk balls or cloth piled up in the godowns; it used an inspector to check the quality of the silks (along “denier”), which determined its value: “Almost all our loans on goods are pledged by silk balls or cloth. They bear a temporary maturation under six months (two to three months generally) and cannot be termed as immobilisations.”<sup>20</sup> It financed traders to help them purchase silk at the Chinese spinning mills<sup>21</sup>. The houses enjoy the introduction of such a local branch, why could prevent them to use the Hong Kong brokers (with a 1/8% commission) and banks, and the flow of telegrams between both places, which led to cost cuttings<sup>22</sup>. And the bank bore already an amount of around \$1,3-1,4 million in the Summer

<sup>17</sup> Yen-P'ing Hao, *The Comprador in Nineteenth Century China: Bridge between East and West*, Cambridge (Mass.), Harvard University Press, 1970.

<sup>18</sup> Marie-Claire Bergère, “The Chinese bourgeoisie”, in Denis Crispin Twitchett & John King Fairbank (dir.), *The Cambridge History of China*, volume 12, *Republican China*, Cambridge, Cambridge University Press, 1983. Marie-Claire Bergère, *L'âge d'or de la bourgeoisie chinoise, 1911-1937*, Paris, Flammarion, 1986. Marie-Claire Bergère, *The Golden Age of the Chinese Bourgeoisie*, Cambridge, Cambridge University Press, 1989. Marie-Claire Bergère, *Capitalismes et capitalistes en Chine, des origines à nos jours*, Paris, Perrin, 2007.

<sup>19</sup> Louis Gueneau, *Lyon et le commerce de la soie*, Lyon, 1932.

<sup>20</sup> The manager of Banque de l'Indochine branch to Paris headquarters, 15 August 1913, Historical archives of Banque de l'Indochine.

<sup>21</sup> Marianne Bastid, “Le développement des filatures de soie modernes dans la province du Guangdong avant 1894”, in *Policy and Economy of China. The Late Professor Yuji Muramatsu Commemoration Volume*, Tokyo, 1975, pp. 175-178.

<sup>22</sup> “Les exportateurs tirent à 4 mois/v D/P et vendent leur papier, soit à l'International Bank Corp., soit par les courtiers de Hong Kong, moyennant le courtage habituel de 1/8 %. Ces ventes s'effectuent *forward* livraison trois mois et se règlent invariablement à Hong Kong. Dans la pratique, la livraison a presque toujours lieu dans les quatre semaines au plus et d'autre part, les tirés payent (sous escompte au TB) dans le courant du mois qui suit l'arrivée de la marchandise. On peut donc compter en moyenne un mois pour la livraison, un mois de voyage et un mois d'usage. Dès lors, nous ferions la contrepartie simultanée de nos achats par des ventes à Hong Kong livraison trois mois. Ces opérations bouclées constitueraient pour nous, pour le moment, un placement de 4 à 5 % l'an en moyenne. Nous nous bornerions pour le présent à y employer les fonds que nous ne pourrions utiliser en avances locales, soit, pour ce semestre, de deux à trois cent mille dollars. Cela suffirait à inaugurer nos rapports avec les maisons européennes de Canton – les maisons françaises de soies font, à elle seules, pour 25 millions de francs de change par an”, The manager of

1905. Such a strategy enticed HSBC to imitate its competitor and to set up a branch in Canton since August 1908.

It got inserted into the chain of trade and credit linking Canton to Europe: transportation, inventories in Marseille then Lyon, pending sales to French merchants and (weaving) industrialists, which fuelled the remittance of bills of exchange, with the risk on credit (documentary credits) and the risk on foreign exchange (FOREX), for which it was granted its autonomy from the Hong Kong branch in April 1910. Part of exports could also reach other European outlets. Along all these chains of credit, Banque de l'Indochine had to face the competition of HSBC, even in Lyon, where that latter had opened a special branch<sup>23</sup>. By itself, it relied on Banque de l'Indochine headquarters in Paris or on its branch in London to support its connections, and on its correspondents in Lyon, in particular local banks dedicated to the community of silk merchants (Veuve Guérin & Fils family bank) or the branches of Paris institutions (CNEP, Société générale and Crédit lyonnais). There, banks got the remitted documents, followed the course of sales, picked up the repayments or beforehand repaid Banque de l'Indochine by themselves thanks to their own credits to importers, transferred the amounts to Banque de l'Indochine in Paris, which on its turn cleared the accounts of its Canton branch on its books.

Business took off slowly: for the first two years, the silk crops were low (1904-1905). But the branch broadened its customership among French trading houses (Générale des soies, Gerin & Drevard, Meurer frères) despite for a while the competition from a little but pushing French bank, *Banque industrielle de Chine* (till its collapse in 1923), but also German firm Arnhold Karberg. It extended its knowledge of the community of silk business (from the villages and little cities down to Canton), and succeeded in groping with risks. Last it could extend its sway by learning how to finance silk exports to the US, which added new types of risk (finding out correspondents in New York, multiplying forex risk, etc.). It had to bear the competition of silk brokers of Hong Kong, who tried and short-circuited Canton merchants, all the more because the bulk liners charged silk for Europe in Hong Kong itself.

When WWI broke out, French houses took profit from the halt put on German trade, which favoured Banque de l'Indochine business too<sup>24</sup>, and Banque de l'Indochine got then in touch with the big house Boyer Mazet & C<sup>o</sup>, for example. It even convinced the important British house Reiss & C<sup>o</sup> to join as a customer (1915). After a few months, tricky German interests designed a transfer of assets and activities to British sister companies, either in direct (Arnhold) or through "neutral" façades, a Swiss, Baumann, being substituted to Carlowitz, and that latter being itself replaced in Shanghai by its associate, British Charles Rayner, whilst American Alfred Richter replaced Reuter Brockelmann. Banque de l'Indochine thus granted loans to Rayner against bills on Harth & C<sup>o</sup> in Paris<sup>25</sup> – but finally the UK authorities imposed to stop trading with such straw companies from January-August 1915. Even during WWI, the branch resisted to uncertainty and maintained its part in the financing of silk trade.

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Banque de l'Indochine branch to Paris headquarters, 22 July 1905, Historical archives of Banque de l'Indochine. "Les maisons de Canton ont, à traiter avec une banque locale, la double économie du courtage et des frais de télégrammes et l'avantage de s'assurer leur change sans délais no aléas", *ibidem*, 1<sup>st</sup> August 1905.

<sup>23</sup> Claude Fivel-Démoré, "The Hong Kong & Shanghai Bank in Lyon, 1881-1954. Busy, but too discreet", in Frank King (ed.), *Eastern Banking*, Londres, Athlone, 1983, pp. 467-516. Frank King, "The Bank's first European 'special agency'", in F. King, *The Hong Kong & Shanghai Bank in the Period of Imperialism and War, 1895-1918*, 1989, pp. 135-142.

<sup>24</sup> The manager of Banque de l'Indochine branch to Paris headquarters, 12 November 1914, 5 February 1915, Historical archives of Banque de l'Indochine.

<sup>25</sup> *Ibidem*, 26 March 1915.

The mission fixed from the start to the Banque de l'Indochine branch had thus been completed: French trading houses and the Lyon place could dispose of an efficient platform to get information, connections, credit, forex, international clearing, and cash transfers. Sure they could have found elsewhere, in Hong Kong and by British banks, such facilities; but the fighting spirit and the growing skills of the Banque de l'Indochine branch have undoubtedly eased their *modus operandi* in the region, and contributed to French competitive edge. This led to a partial transfer of activity from Hong Kong to Canton, which reinforced the take off of that latter as a key silk port city.

## **B. Financing general activities**

The development of the portfolio of skills of the branch on that field paved the way to a spillover to other activities. The narrow purpose which presided over its creation was diversified, and Banque de l'Indochine became involved in financing general trading. This could be explained by the new prospects raised by the transformation of Canton from a little port city into an exchange hub. The port was extended and its dockyards developed; and, moreover, it was inserted into a railway network (Canton-Hankeou, works starting in 1908; Canton-Hong Kong/Kowloon, into function in 1911, with 45 km in the British colony and 136 km in China, a short track joining it to the Tai Sha Tao station of the Canton-Hankeou). That opened doors to the intensification of its role as a commercial platform, more and more earmarked to satisfying the demand of the hinterland, of its middle cities, its little layers of bourgeoisies, and of its local authorities. In parallel, the traditional waterway exchanges still kept momentum, with even a French liner between first Hong Kong and Canton, second Wu Chow and Canton – with a subsidy granted by the Indochina General Government to the company which, after two successive failures of its predecessors at the end of the first decade of the century, reached some stability (under the name *Messageries cantonnaises*)<sup>26</sup> and becoming a client of the Banque de l'Indochine branch.

The branch financed loans pledged by various goods (rice, mats, cotton cloth, pistachios, bean oil, etc.), welcomed more and more promissory notes, with collaterals, and advances on securities. A local customership was built, under the guidance of the comprador, among little and medium-sized merchants and bankers. The portfolio of loans to Chinese clients reached £1,406,500 in July 1913, among which 706,500 as mere advances against signature<sup>27</sup>. “Our Chinese clients are in majority well-established merchants (silk, embroiderers, goldsmiths, silver craftsmen, china manufacturers, tea, rice and coal merchants; managers of pawnshops, steamboats, hotels)”<sup>28</sup>. The branch even participated to a credit asked by the Kwantung government in 1911 (HSBC, Deutsch Asiatische Bank, Banque de l'Indochine), because it encountered dire budgetary difficulties, which was repaid in November 1913 (\$305,000 for Banque de l'Indochine itself).

Last, the branch dared financing in 1911 part of the process of modernising and extending the Canton city. It was convinced to grant four advances, totalling \$1,510 million (against mortgage guaranty), to a group of Chinese property developers; the company (Canton Land Investment) intended to build new quays, buildings and warehouses along the river, as a project of a little “Canton *Bund*” was conceived<sup>29</sup>. It proved its commitment to the project of transforming an under-class harbour and petty town into a modern port city, which could afterwards fuel new opportunities of business: “The development is located on

<sup>26</sup> *Ibidem*, 2 April 1910.

<sup>27</sup> “Tous nos emprunteurs sont bons pour leurs engagements respectif et les découverts accordés à chacun d'entre eux sont en dessous des limites de crédit qui leur sont assignées.”, *Ibidem*, 15 August 1913.

<sup>28</sup> *Ibidem*, 19 March 1914.

<sup>29</sup> *Ibidem*, 22 September 1911.

the new *Bund* close to the Kowloon-Canton station.”<sup>30</sup> Such a bet is a hallmark of the confidence showed towards the future of Canton as a commercial and transportation hub, on a second-range level, behind Hong Kong and Shanghai. The buildings were delivered rapidly, but did not succeed in getting tenants, and its profitability drifted to nil – all the more when military troops of the local government squatted in the buildings during the civil war or tensions which prevailed in Canton in 1911-1913.

Last but not least, the “Cantonisation” of Banque de l’Indochine was crowned when it was recognised in 1914 as a “senior bank” in Canton: that allowed it to act as a local bank; thanks to such a statute, it could take part to the recovery of the salt tax and moreover in the circulation and clearing of “notes” – even if HSBC kept the leadership – which it collected and stocked in its building for the account of the City.

### **C. Banque de l’Indochine within a community of business interests**

Slowly but steadily the Banque de l’Indochine branch asserted itself as a hallmark of French business’ presence in south-west China: “Our bank, which is the oldest present in Shameen, occupies there, by the importance of its activities, a much eminent position.”<sup>31</sup> Far from the “imperialist-looking” type of penetration conceived by French interests in the Yunnan from the Tonkin stronghold and along the railway<sup>32</sup>, the breakthrough completed in Guangdong respected the rules of free-standing competition between banks and trade houses from several countries. Whereas it remained a lower duplication of the international markets of Hong Kong and Shanghai, the Canton port city grew as a beacon for an “open-door” policy in the area. And its role was broadened when the port became more and more intertwined to hinterland connections, adding railroads to rivers and roads. Conversely with Tianjin, it lacked the neighbourhood of the large Beijing capital and had to respect the economic and financial predominance of Hong Kong, often acting as a relay for many operations involving Canton business. Anyway, even far behind the stature of its Hong Kong counterpart, the Canton community of business took shape, and French representatives were more and more consistent there.

Around the French consul, a few merchants and the Banque de l’Indochine manager spun informal connections in their day to day relationships; trust had to predominate somewhat, either locally, or through the correspondence networks joining Canton to Paris, Lyon and London. Because everyone had to rely on compradors and Chinese merchants or clients, some sharing of information was necessary – for instance about the quality of silk products, the price lists, the actual costs by Chinese suppliers and intermediaries, etc. forms of economic intelligence were thus at stake, which characterized naturally the business life in such a port city, where so many types of Chinese merchants (languages, countryside communities, family networks, etc.) were committed as stakeholders of the emergence of Canton as some autonomous rival to Hong Kong.

The French community, for instance, got news about the projects about railways in south-west China, linking Kwansi and Kwantoung, which were being studied<sup>33</sup> in 1904-1905, and followed the prospects of the Canton-Hankeou line, in 1905-1906, when foreign interests

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<sup>30</sup> *Ibidem*, 26 September 1911. The project comprised of on theatre, 55 houses, and a square.

<sup>31</sup> *Ibidem*, 28 January 1920

<sup>32</sup> Michel Bruguière, « Le chemin de fer du Yunnan. Paul Doumer et la politique d'intervention française en Chine (1889-1902) », published in 1963 in: *Revue d'histoire diplomatique*; reedited in: Michel Bruguière, *Pour une renaissance de l'histoire financière, XVIII<sup>e</sup>-XX<sup>e</sup> siècles*, Paris, Comité pour l'histoire économique et financière de la France, 1992.

<sup>33</sup> The manager of Banque de l’Indochine branch to Paris headquarters, 8 April 1904, Historical archives of Banque de l’Indochine.

(American ones) considered being involved, before it was re-attributed to a Chinese concern, and orders of rails passed to American, Japanese and Chinese firms, locomotives and wagons coming from the US. French merchants struggled to create and sustain a French “line” between Canton and Hong Kong in 1910, despite financial tensions, with three steamboats (*Charles Harduin, Paul Beau, Robert Lebaudy*), not to enhance a “French pavilion flag”, but to get reliability against local shipping bad practices, if not coastal piracy. And (in parallel with the FRF 226,000 subsidy by the Indochinese government), Banque de l’Indochine led a FRF 220,000 loan to *Messageries cantonaises* in April 1910 as a way to prove its commitment. The more traffic would be developed after all, the more its activities would be extended.

Beyond its French business customers, the Banque de l’Indochine branch became the banker of the whole French community; it managed the treasury of French schools (*École Pichon, École de médecine franco-chinoise*), of the catholic church and the missionaries (well active there like in the other concessions), of the Dour hospital, of the French Post, of a few doctors, of the Doumer hotel, of officers of the French army and marine, and of the *Cercle des marins français*. And of course it managed the account of the French authorities of the settlement and of the consul. This explains that, when a French Chamber of commerce was set up in Canton in 1915-1916, with representatives from silk merchant houses *Gérin Drevard, Boyer Mazet, Meurer frères, Albert & Wullschleger* or *Th. Varenne*. When all the French Chambers of commerce merged with the Chamber of Shanghai in 1919, a Canton committee preserved the autonomy of the local community. As a hallmark of his influence, the Banque de l’Indochine manager, *Gaudiot*, was elected as the chairman<sup>34</sup> in 1916, and he chaired the committee till his departure back to France in January 1919, when he was replaced by *Eymar*, the head of *Boyer Mazet*.

Such emerging solidarity was necessary, first to tighten links among French businessmen in a port city still lacking power and stature; second to resist German and British combative practices; and last to entertain some common reinsurance in front of growing tensions in the city and the province. French business shared information when social unrest occurred in 1906, as “guilds” became more and more influent and demonstrated to demand wage increases, and challenged the authority of the vice-king in Kwantung; or when the financial difficulties of the province caused a financial panic in 1910, which questioned the value of state notes. When the empire collapsed in 1912, some vacuum of power threatened local peace, as *Yuan Shi Kai*’s authority was contested by local warlord *Chan Kwing Ming*. Demonstrations and autonomous armed bands raised concerns on the Shameen concessions, British troops were sent, fights occurred here and there in the province, troubling exchanges, contracting credit, fuelling distrust and transfers of Chinese capital to Hong Kong<sup>35</sup>. And the civil war culminated in August 1913 when an offensive against the warlord provoked four days internecine fighting, before motley forces rampaged the city for about five weeks – but happily the concessions, well protected, were

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<sup>34</sup> *Ibidem*, 29 October 1910.

<sup>35</sup> “Au point de vue économique, il est certain que la révolution actuelle compromettra davantage encore le commerce local, déjà si fortement éprouvé ; mais, à moins que les événements ne tournent tout à fait au tragique et que la Cité de Canton ne soit mise à feu et à sang comme celle de Hankow en 1911, il est probable que les Européens n’auront pas trop à souffrir. Le gros commerce est ici l’exportation de la soie, et, dans la forme brute et première où la leur livrent les filatures, la soie est un produit sans valeur entre les mains des pillards. Ceux-ci préfèrent de beaucoup s’attaquer aux magasins de riz ou d’alcool, et c’est un fait constaté souvent que, dans cette région où la piraterie infeste les campagnes, la soie, qui en est la première production, a toujours été respectée”, *Ibidem*, 28 July 1913. “L’essentiel, c’est que les pouvoirs publics conservent suffisamment d’autorité pour maintenir l’ordre dans la Province, afin que les transactions indigènes, longtemps gênées, puissent reprendre peu à peu leur marche normale”, *Ibidem*, 15 August 1913.



preserved<sup>36</sup>. Commerce was paralysed anyway for a few months, and overall order in the countryside and, more importantly, along the waterways and the coast, because of piracy, demanded time to be reestablished<sup>37</sup>; but some guerrilla went on for several months. Those events, and then the effects of WWI, put brakes on business and banking, even if “business as usual” regained momentum somewhat. Human and business solidarity prevailed on the Shameen island: being insulated from the countryside was altogether a disadvantage (losing business connections) and an advantage (being able to be evacuated by the British fleet if necessary). But the Canton port city felt itself as some “Far West” trading post, conversely with Hong Kong.

## 2. Crisis hovering over port city (in the outset of the 1920s)

Just after WWI, competition increased because HSBC lowered its rates and *Banque industrielle de Chine* (which opened a branch in Canton in September 1919) intensified its speculative risk-taking low cost loans<sup>38</sup>, whilst Bank of Taiwan and the International

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<sup>36</sup> “Le 27 juillet, le gouvernement central demandait aux Tutuhs des trois Provinces du Yunnan, du Koetcheou et du Kwansi d’envoyer des troupes au Kwantung pour y soumettre la révolte. Chan Kwing Ling, qui, de son côté, ne restait pas inactif, réunissait à Canton 30 à 40 000 hommes, dont il expédiait une partie à Sanshui, point stratégique important au confluent de la Rivière de l’Ouest et de la Rivière du Nord, afin de barrer la route au général Lung, commandant en chef des forces du Kwangsi. L’armée de ce dernier, stationnée à Wuchow, pouvait en effet descendre le fleuve en trois ou quatre jours et menacer Canton d’un moment à l’autre. Comprenant, en même temps, que l’opinion publique, qui l’avait désapprouvé dès le début, lui devenait de plus en plus hostile, Chan Kwing Ling inaugurerait à Canton un véritable régime de terreur, qui sema la panique parmi la population. Les habitants s’enfuirent en masse ; la suspension des affaires devint complète et chacun ne sembla plus se préoccuper que de mettre ses biens à l’abri [...]. Or ce fut précisément au moment où les événements prenaient cette tournure critique qu’un incident imprévu vint modifier du tout au tout la situation. Dans la matinée du 4 août, Chan Kwing Ling ayant fait fusiller un colonel d’artillerie dont il suspectait la loyauté, la division à laquelle appartenait cet officier se mutina en signe de protestation, entraînant dans sa révolte la majorité de l’armée. Un combat s’ensuivit entre les soldats mutinés et ceux restés fidèles au Tutuh, au cours duquel ces derniers furent battus. Les vainqueurs marchèrent alors sur le Yamen, dont ils avaient au préalable bombardé les bâtiments ; et Chan Kwing Ling, averti du danger, comprit la partie perdue. Il n’eut que le temps de se réfugier à la Mission catholique (Missions étrangères de Paris) où les Pères lui donnèrent l’hospitalité jusqu’à la nuit. Puis, sous le couvert d’un déguisement quelconque, ils l’aidèrent à traverser la ville chinoise sans être reconnu et à arriver sain et sauf jusqu’à la concession française. Le consul de France, naturellement très ennuyé de la situation embarrassante dans laquelle il se trouvait ainsi placé, n’eut d’autre ressource que de faire monter Chan Kwing Ling comme réfugié politique sur une de nos canonnières, *La Vigilante*, et de la faire conduire à Hong Kong. Mais, comme le gouvernement anglais avait interdit aux rebelles l’entrée de la colonie, le futur fugitif ne put y débarquer et dut prendre directement passage à bord de la malle allemande à destination de Singapour. Ainsi disparut subitement de la scène des événements celui qui avait été l’organisateur de la révolte au Kwantung [...]. Ils plongèrent la ville dans l’anarchie. Canton fut ainsi livrée pendant quelques jours à tous les caprices d’une soldatesque indisciplinée, ne reconnaissant plus aucun commandement”, *Ibidem*, 20 August 1913. Lung Chai-Kwong entered in Canton and was promoted by Yuan governor of Kwantung.

<sup>37</sup> “Les autorités cantonaises vont maintenant diriger leurs efforts contre les pirates du delta. Les mobilisations et licenciements de troupes qui se sont succédé ces deux dernières années, les perturbations apportées dans les services ruraux, les misères et les ruines accumulées dans certaines régions ont en effet amené un peu partout une recrudescence du brigandage. Au Kwantung et au Kwangsi notamment, la piraterie a atteint des proportions inouïes, les pillards n’ayant pas craint d’attaquer à un certain moment les faubourgs mêmes de Canton”, *Ibidem*, 7 November 1913.

<sup>38</sup> “C’est naturellement notre agence qui a été particulièrement atteinte par la concurrence sur le terrain des francs et je me suis trouvé dans une position des plus délicates. D’abord, certains de nos clients, comme la Compagnie générale d’Extrême-Orient, la Générale des soies, Boyer Mazet, Meurer frères, ne voulaient pas, par principe, s’adresser à la BIDC : les cours de celles-ci étant connus de toute la place, leur en coter de différents eût été les faire souffrir de leur fidélité, ce qui aurait produit un effet désastreux. D’autre part, il est important de nous maintenir en contact étroit avec le marché dans une période aussi active et de surveiller les mouvements de notre concurrent ; j’ai été ainsi amené à traiter plusieurs affaires à des cours analogues aux siens. Mes achats de la première quinzaine se sont élevés dans ces conditions à environ 7 millions de francs ; j’estime que la BIDC a traité environ le double de ce chiffre. En ce qui nous concerne, la couverture en a été forcément onéreuse. Le concours de la succursale de Saïgon a été très limité, et j’ai dû vendre du sterling

Banking Corporation (ICB, a US bank<sup>39</sup>) entailed market shares, followed by the Yokohama Specie Bank<sup>40</sup>, and, in a nutshell, the profit margins were generally low<sup>41</sup>.

### A. Dire after-war recession

The most determinant impact was caused by the after-war recession which, like elsewhere in the world, blocked the Canton business for several terms<sup>42</sup>. The overall economic situation exerted its influence on the port city, because of the fall of orders from Europe and of the financial tensions endured by companies. Those latter had to depreciate their inventories (either in Asia, on board to Europe, or in the European ports), to impaired bad credits and losses, and some of them collapsed: all that led to reduce the commercial exchanges managed by the Canton plat-form<sup>43</sup>. Several big merchant houses crossed difficult quarters, with the branch bearing thick layers of pending bills of exchanges (Gérin Drevard: \$50,000; General Silk Importing Inc., with a mortgage on a Shameen building against a \$45,000 loan, etc.). Hogg Karanja finally collapsed in 1921, their owners each owing to Banque de l'Indochine large amounts (\$88,000 for Hogg)<sup>44</sup>. Albert & Wullschleger was rubbed off in 1924. The pending debit accounts reached the equivalent of 44 millions francs, in the mid-1920, before dwindling to 20 millions in the fall. Throughout 1920-1921 the motto was there "cutting into risks", picking up immobilised credits, drastic

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à Hong Kong ou à Shanghai. Les nécessités de ma trésorerie, la crainte de voir s'élever encore les cours du Paris-Londres, m'ont conduit à opérer le plus souvent *ready* ou septembre. Je reviendrai sur les pertes qui en résulteront quand notre situation mensuelle sera rétablie ; j'ai la conviction qu'elles trouveront par ailleurs de larges compensations. Peut-être en donnant à mon concurrent l'impression que je le suivais de près et que je m'étais pas loin de coter aussi bien que lui, puis-je me flatter de l'avoir obligé à épuiser rapidement les ressources qu'on a pu lui constituer à des taux favorables et d'avoir ainsi contribué à hâter le rétablissement d'une situation normale. Depuis lors, la politique de nos concurrents est restée la même en ce qui concerne le papier sterling. Pour les francs, ils se d'abord bornés à suivre la hausse du TT sur Londres ; mais, depuis quelques jours, bien que la hausse du *cross rate* semble enrayée, pour le moment au moins, j'ai l'impression qu'ils se rapprochent de la parité et je puis traiter des affaires à des cours à peu près normaux, mais sans bénéfice. Nous sommes désormais en face de nouveaux procédés, et la lutte pour les affaires de change devient plus difficile que jamais sur notre marché. Mais j'ai le ferme espoir que, grâce à la confiance qu'inspire notre établissement, aux facilités que nous sommes mieux à même d'accorder, notamment sous le rapport des avances, notre clientèle ne nous fera pas trop d'infidélités et que nous pourrions maintenir, avec notre rang sur la place, notre chiffre d'affaires et nos bénéfices normaux", *Ibidem*, 29 September 1919.

<sup>39</sup> Ayumu Sugawara, "American International Banking in China before World War II: Beijing, Tianjin and Guangdong branches of International Banking Corporation", *Tohoku Management & Accounting Research Group*, 78, 2007, pp. 1-19. Citicorp, *Citicorp in China: A Colorful, Very Personal History since 1902*, New York, Citicorp, Citibank, 1989. Peter Starr, *Citibank. A Century in Asia*, Singapore, Didier Millet & Citicorp, 2002. ICB was set up in 1902 and opened its Canton branch in 1904, second after Shanghai.

<sup>40</sup> See 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. Norio Tamaki, "The Yokohama Specie Bank. A multinational in the Japanese interests, 1879-1935", in Geoffrey Jones (ed.), *Banking as Multinationals*, London, Routledge, 1990.

<sup>41</sup> "Les marges de profits restent assez limitées par suite de la concurrence des banques de la place, notamment de la Yokohama Specie Bank, et, à moins de se mettre constamment en position de spéculation, il est difficile de retirer d'une opération normale une marge de plus de 0,5 %, marge qui se trouve diminuée par la suite des intérêts sur nos soldes débiteurs et des intérêts sur notre compte capital", Report on the first term of 1928 by the general manager of the Banque de l'Indochine branch.

<sup>42</sup> See Marie-Claire Bergère, "The consequences of post First World War depression for the China treaty-port economy, 1921-1923", in Ian Brown (ed.), *The Economics of Africa and Asia in the Inter-War Depression*, London, Routledge, 1989, pp. 221-252.

<sup>43</sup> "Les exportations de soies sont presque complètement arrêtées, les expéditions retardées, et nous nous demandons comment seront accueillies les marchandises en route ou encore en dépôt ici achetés aux plus hauts cours", The manager of Banque de l'Indochine branch to Paris headquarters, 30 July 1920, Historical archives of Banque de l'Indochine. "Aucun ordre n'arrive à Canton, pas plus de Lyon que d'Amérique", *Ibidem*, 18 November 1920.

<sup>44</sup> *Ibidem*, 30 July 1920, 26 September 1922.

scrutinizing of clients' business and inventories, looking for more pledged and collaterals, etc.

## B. The effects of civil war and disorder

Local specificities occurred too because sporadic internecine fightings resumed as the warlords' authorities was endlessly contested: rebels came from Yunnan<sup>45</sup> and in 1920 dismantled legal powers, flying to Hong Kong; different troops came in and out the city in 1921-1922. Even after some authority was reestablished in 1921-1922, rampant piracy struck the coasts and even the railway to Kowloon. And revolutionary demonstrations and workers' strikes added a "leftist" touch to uncertainty<sup>46</sup> – with even Sun Yat sen coming back for a short while in 1923 and (with his son Sun Fo as the mayor) trying to restaure order. But his forces (recruited in Yuannan and Kwangsi) were resisted by those of Cheng Kio Ming, and soldiers rampaged the city once more. Armed gangs crossed the countryside, racketeering merchants and transporters, those also having to pay to finance Sun's mercenaries. Last armed French and British ships had to rush in December 1923 to prevent Sun seizing the Canton Customs headquarters and its revenues, earmarked since the 1900 treaty to the concessions. The tensions culminated when on 19 June 1924 a bomb attack (by an Annamite conspirator Pham Hong Thai) struck the reception building where French Governor of Indochina Martial Merlin (transitting between Japan, China and Indochina) welcomed his guests at the *Victoria Hotel*: the French community lost five of its representatives, among whom the sub-accountant of Banque de l'Indochine (Rougeau) and leading personalities of commerce (H.G. Gérin, of Gérin Drevar; André Demaretz, from General Silk Importing Company)<sup>47</sup>. A near civil war resumed in the fall 1924 between Sun's troops and militias armed by the merchan guildes and the Labour Party; barricades, rampaging, victims, followed; flows of refugees joined Shameen, before Sun's clan won over.

## C. Disappointment over Chinese business

The embeddedness of Banque de l'Indochine on the port city domestic business met disappointing events. First the real estate assets in Chinese Land Investment were at a standstill, being occupied by unofficial troops and prevented from finding a way toward some civilian activity, all the more because the development of the harbour facilities were not oriented towards that area – and the bad debt still clung to its \$560,000 amount in principal (and 296,000 as interests). Even if troops evacuated the zone in July 1920 (but came back in August, with lots of prostitutes!), the property had lost value severely. Negotiations with the governor followed ups and downs, and were somewhat gridlocked. Part of the buildings could be sold to Chinese investors, but the bank had to keep on its own 22 houses, which were rented.

Second, the comprador Leong Din Shan, who had accompanied the surge of branch from the outset, ended as a rogue intermediary<sup>48</sup>. He flew from Canton in 1920, leaving some deficit, moreover around \$650,000 promissory notes to be declared as impaired losses,

<sup>45</sup> "Il ne reste plus rien du gouvernement de la Chine du Sud et les *tuchuns* sont les maîtres incontestés de nos provinces", *Ibidem*, 31 March 1920.

<sup>46</sup> "L'état de la ville et de la Province reste troublé. Les bandes de pirates, anciens soldats, battent la campagne. La ligne de chemin de fer Hong Kong-Canton n'est pas sûre. Les grèves sont fréquentes. Les ouvriers sont réunis maintenant en syndicats qui dépendent d'une association municipale, rattachée elle-même à une véritable CGT chinoise [...]. On peut craindre un retour de Sun Yat Sen et, avec des périodes de clame, à une ville sans cesse en révolution", *Ibidem*, 9 October 1922.

<sup>47</sup> "Assassination at Canton. Dastardly outrage at the Victoria Hotel", *The Hong Kong Daily Press*, June 1924.

<sup>48</sup> The manager of Banque de l'Indochine branch to Paris headquarters, 18 June 1920.

and last bad credits on inventories as the quality silks in the godown had been replaced by low-cost products (with a \$215,000 loss)... The guarantors standing for the ex-comprador assumed their collateral (\$60,000), and part of the credits on Chinese businessmen ended repaid. This laid to new rules requiring frequent checking of the goods as inventories and of the books themselves. And the new comprador Wai Tsuk Ling<sup>49</sup> pledged to respect drastic standards of credit, especially for the advances on goods (cloth, mainly); and his Chinese corner could rely on a dozen employees in 1922, promising to broaden its domestic basis. The recession imposed to harden these patterns, because the value of goods was often cut harshly.

### 3. Prosperity back: A first apex of Canton port city

As soon as the recession was over (with silk exports gaining 23 per cent between 1922 and 1923) and despite some uncertainties about the political and military stability all around the Canton area, the port city resumed its commercial growth. It also benefitted from a program of investment into roads, street cars, running water and sewage systems as the local authorities intended to imitate the “process to modernity” of neighbouring Hong Kong and to take part to the “New China” spirit, fixed on modernisation and somewhat competitiveness against Japanese challenges or else. Two loans were concluded in 1922, with the Anglo-French China Corporation, a “syndicate” of bankers and financiers (HSBC, Bank of Liverpool & Martins, Yokohama Specie Bank, International Banking Corporation, The Asia Banking Corporation, Chinese Bank for Industry & Communications – but without Banque de l’Indochine), each of £2 millions, for the city investments<sup>50</sup>.

Sure, the political and social troubles which occurred in 1925-1927, within the overall Chinese unrest, undermined confidence and business. Harsh anti-European mindsets sparked a general strike in Hong Kong and Canton in June 1925-October 1926; a boycott move choked both harbours, which constrained merchant houses to transport silk to Shanghai to be exported. The houses development owned by Banque de l’Indochine was occupied by strikers and even burnt out. Internecine challenges for power led to the toppling of the warlord<sup>51</sup> and of his successor in 1927. Leftist militias and soldiers even occupied the city in 1927 (and an estimate a few thousands victims is evoked by the Banque de l’Indochine manager)<sup>52</sup>. Many spinning mills were financially weakened and closed

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<sup>49</sup> Wai had been shipping clerk by a Chinese company (Joo Tek Seng) in Hong Kong for ten years, the the comprador of Deutsche Asiatische Bank in Canton in 1912-1917, before two jobs at merchant houses. His first guarantor was Lee Hy San, who won the tender for the leasehold on opium trade in Macao. His second one was Fong Chung Tong, one among the richest silk merchants in Canton, and altogether the comprador of French firm Ch. Poizat & C°. He remained the guarantor of the next Banque de l’Indochine comprador, Mak Fook Cho, *Ibidem*, 15 November 1926.

<sup>50</sup> *Ibidem*, 20 October 1922.

<sup>51</sup> “Notre région a été assez agitée pendant une partie de ce semestre à la suite de conflits entre généraux rivaux qui, partageant tout d’abord le pouvoir, ont voulu chacun être maître de la situation et surtout des profits directs qu’ils pouvaient faire. Le général Li Chai Shum, qui avait dirigé les destinées de Canton d’une façon assez sage pendant une année avec l’appui des *Ironsides*, s’étant absenté pour se rendre à une conférence à Shanghai, s’est vu supplanter par son ex-collaborateur Wong Ki Cheung, général des *Ironsides*”, Report on the second term of 1927 by the manager of Banque de l’Indochine branch.

<sup>52</sup> “Wong Ki Cheung, général des *Ironsides*, ayant eu la maladresse de dégarnir Canton de la majorité de ses troupes pour les employer contre les pirates, s’est en fin décembre vu obligé de quitter précipitamment la ville, qui, pendant la nuit, était tombée aux mains de communistes dirigés par des Russes. Bien que ces communistes n’aient pu garder Canton que, pendant trois journées, ils ont réussi à s’emparer de sommes considérables, ont massacré près de 3 000 personnes et brûlé 3 000 maisons. Les *Ironsides*, appuyés par les troupes du général Li Fook Lam, gouverneur de l’île de Honam, ont réussi le troisième jour à restaurer l’ordre et à reprendre la ville [...]. Les *Ironsides* et Li Fook Lam ont complété l’oeuvre des communistes en s’emparant de 3 millions de dollars avant de se retirer. Les billets du gouvernement, émis par la Central Bank of China, qui, il y a trois mois, faisaient prime sur la monnaie divisionnaire, valent à peine maintenant 50 % de leur valeur nominale. C’est pourquoi les commerçants préférèrent attendre plutôt que de recevoir en

down, either durably or temporarily (a total of 170 were active at the onset of 1928). Happily order was reinstated in the first quarter<sup>53</sup> of 1928, and “business as usual” restarted for a few years<sup>54</sup>. Such an environment required anyway from the branch manager and his little team (four till 1925, then three expatriates only: a cashier, a controller, a head of accounting, with local employees of course) some balance of temper and moreover a relevant command of risks<sup>55</sup>.

### A. The Banque de l’Indochine branch triumphing in silk trade banking

Taking profit from the rebirth of commerce and of its portfolio of skills and connections, the Banque de l’Indochine branch proved itself a big player of the silk trade tackled by the port city. For the first term of 1923, it succeeded in financing the three-quarters of silk balls sent to Lyon (6,000 on a total of 7,55/8,000)<sup>56</sup>. In France, since the mid-1920s, artificial silk (rayon) commenced replacing natural silk for commonplace cloth, which constrained merchant houses to redefine their business model; and they had to demand higher quality of raw silks to be delivered to higher range weavers and luxury houses in Lyon. The Kwantung constituency of traditional spinning mills had to redeploy themselves to take into account such moves, thus causing a few troubles: Chinese bankers became wary of their credits to such customers, and sifted them attentively<sup>57</sup>. Another point was the focus of the Banque de l’Indochine branch on French houses, because, during the 1921-1924 crisis, the British houses (Jardine, Griffith, Arnhold, Reuss, etc.) had depended heavily on the advances from British banks, which afterwards demanded them to keep faithful to their traditional banks, without setting competition with a French bank<sup>58</sup>. The key advantage edge of the Banque de l’Indochine branch was its permanent funds (allocated by its mother company) which allowed it granting growing amounts of advances on silk balls, permitting thus its merchant clients to repay on their side their suppliers without long deadlines (see table 1).

	Amount		Number of pledged balls	
	Through the comprador	In direct	Through the comprador	In direct
June-October 1926	Boycott and general strike			
October-December 1926	1,665,750	225,000	2,535	385
1927	1,624,400	778,000	2,795	1,284
1928	1,356,200	1,345,580	2,158	1,794
1929	1,909,250	1,827,568	3,034	2,776
1930	626,000	162,500	1,525	305

Source: Special report-letter from the Canton Banque de l’Indochine branch, 3 September 1935.

paiement de bonnes marchandises une monnaie qui se déprécie de jour en jour”, Report on the second term of 1927 by the manager of Banque de l’Indochine branch.

<sup>53</sup> “Le Kwantung a recouvré le calme et la tranquillité. Le gouverneur de la province, le maréchal Li Chai Sum, rentré à Canton au début de janvier, a su faire régner l’ordre partout et s’est efforcé de réprimer la piraterie tant aux environs de Biass Bay que dans l’intérieur. Il a fait également des efforts méritoires pour la réorganisation financière [...]. Le gouvernement provincial, aux abois, en est réduit à des taxes de toutes sortes et de toutes natures sur les marchandises importées, qui ont eu ou qui vont avoir une répercussion sérieuse sur le commerce d’import”, Report on the first term of 1928 by the manager of Banque de l’Indochine branch.

<sup>54</sup> “Le commerce de la soie continue cependant d’une façon à peu près normale, l’Europe et l’Amérique faisant quelques offres. Le stock de soie filée au 31 décembre [1927] représente de 7 à 8 000 balles et les cocons restant à filer fourniront environ 7 000 balles, ce qui donnera un total de 15 000 balles, montant amplement suffisant pour attendre la nouvelle saison qui commencera vers la fin du mois d’avril prochain”, Report on the second term 1927 by the manager of Banque de l’Indochine branch, pp. 24-25.

<sup>55</sup> The managers of the Banque de l’Indochine branch were successively J. Thesmar, Grenard, Émile Le Carduner (1920), Barrau (1930).

<sup>56</sup> The manager of Banque de l’Indochine branch to Paris headquarters, 3 December 1923.

<sup>57</sup> *Ibidem*, 22 December 1927.

<sup>58</sup> Report on the second term of 1927 by the manager of Banque de l’Indochine branch.

Customerhip was altogether classical and renewed, as a few houses got backward, even disappeared (Leynaud, Arnhold & C°). Ahead of a bunch of little and medium-sized merchants, leaders provided the bank with large amounts of business: Canton Silk & C°, South China Trading C°, Madier Ribet (with FRF 2,3 million credits in July 1931, for exports to Japan and Lyon), *Comptoir franco-chinois* (Servanin, an ancient manager of Madier Ribet), Central Produce & C°, Hogg & C°, J. Cassa, Gérin Drevard, Boyer Mazet (of which the building was neighbouring that of Banque de l'Indochine), mainly<sup>59</sup>. The Banque de l'Indochine branch's advances on raw or spun silk reached an amount of HK\$1,748,600 on 15 December 1926 – before falling to 575,750 on 15 Décembre 1927 (because of the political situation and the prudence of Chinese bankers). Loans to silk trading were estimated at a total of FRF 2,205,000 on January 1930. At the apex of the cycle boom, Gérin Drevard (an association between Michel Drevard and Guillaume Gérin) was granted HK\$275,000 for its local silk trade (against 325,000 as pledges), which allowed the firm to pay its Chinese suppliers, pending sending its staples abroad. Some of these house practiced general trading on sundries and beyond silk also purchased to Chinese partners local goods (hides, hen feathers, etc.), because of outlets overseas here and there.

	Amount of the advance \$	Number of pledged balls of silks	Value of the pledge \$
<i>French merchants</i>			
Gérin Drevard	174,000	365	209,160
Hogg & C°	20,125	30	20,835
Comptoir franco-chinois	27,000	40	23,640
<i>Chinese merchants</i>			
Hing Cheong Wo	260,500	500	293,280
Wing Wo	135,000	270	152,230
Tin Po Lun	22,500	45	25,380
Hip Hing Loong	19,000	40	22,560
Yue Hing Cheong	15,500	50	28,520
Wo Shing Hing	11,500	25	14,100
Wong Man Sang	7,000	15	8,460
Wing Tai Loong (17 July 1923)	40,000	100	52,000

Source: Special report-letter from the Canton Banque de l'Indochine branch, 14 January 1924.

Through contacts with French merchants or thanks to the comprador, the Banque de l'Indochine branch was revealed as “domestic” bank because it constituted a large constituency among Chinese merchants. The 1920s marked a strong renewal of the insertion of the Chinese community as stakeholder in the worldwide business life of the port city, and a few local merchants reached a creditworthiness which allowed them to be granted big credits<sup>60</sup> (see table 2) – even if the level of guarantee required by the manager was higher than that of the French houses.

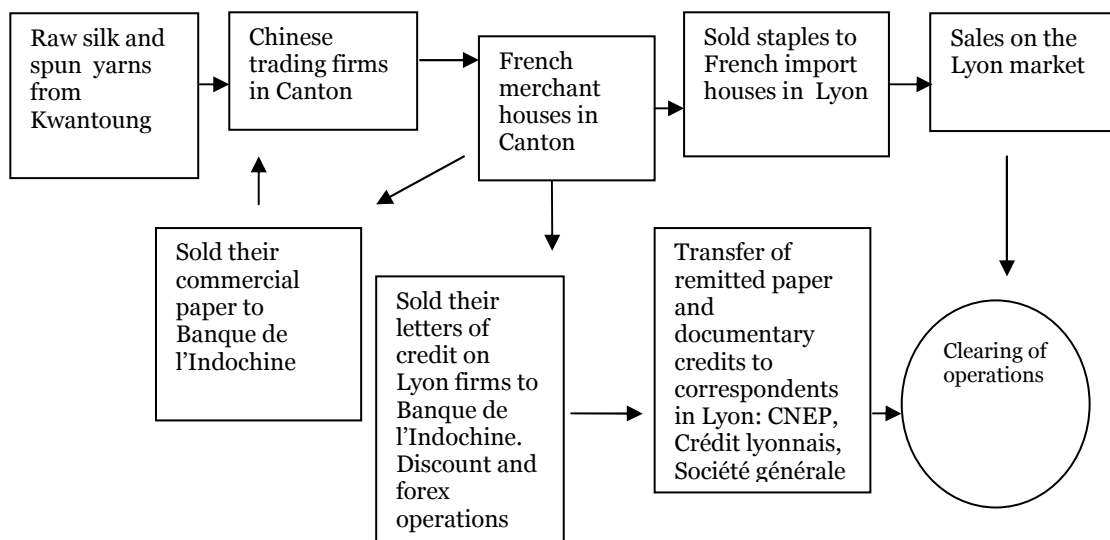
<sup>59</sup> The manager of Banque de l'Indochine branch to Paris headquarters, 6 April 1929.

<sup>60</sup> “Un fait à signaler est la concurrence que se mettent à faire les maisons chinoises aux maisons européennes de la place. Il en existe actuellement cinq à Canton: Wong Man Sang, Canton Silk Trading C°, Canton Silk Exporting C°, Central Produce C° et Wing Tai Loong, dont le chiffre d'affaires a été impressionnant [...]. Parmi ces maisons, d'inégale importance d'ailleurs, trois sont cependant de premier ordre : Wong Man Sang, Canton Silk Trading C° et Wing Tai Loong. Par leur honnêteté, leurs prix avantageux et leurs livraisons excellentes, elles ont à l'heure actuelle une très bonne réputation sur les places de Lyon et de New York, et elles ont fait à toutes trois un très gros chiffre d'affaires. Il va sans dire que cette concurrence n'est pas vue d'un bon œil par les maisons européennes, qui se voient obligées de restreindre leurs marges de profit et de réduire les commissions de leurs agents. Il nous semble difficile cependant qu'elles arrivent à l'éliminer, ou même à la réduire, ces firmes chinoises étant actuellement traitées dans les banques européennes avec les mêmes égards que d'excellents clients”, Report by the manager of Banque de l'Indochine branch to Paris headquarters for the first term of 1929.

Table 3. Amounts of commercial silk paper purchased by the Canton Banque de l'Indochine branch to each merchant house connected to the Lyon market (thousands FRF)		
	During the first term of 1928	During the second term of 1929
Total	49,920	37,138
Madier Ribet	14,250	8,712
Comptoir franco-chinois	6,440	234
T.E. Griffith	6,433	2,139
P. Leynaud	5,912	/
Boyer Mazet	4,027	1,181
Jardine Matheson	3,841	684
Wong Man Sang	2,830	4,821
J. Cassa	2,200	/
Gérin Drevard	1,939	3,179
Reiss Massey	958	4,489
Hogg	111	4,210
Wing Tai Loong	/	3,001
Canton Silk Trading C <sup>o</sup>	/	1,277
Canton Mercantile C <sup>o</sup>	/	1,013
Central Produce C <sup>o</sup>	/	716
Canton Raw Silk C <sup>o</sup>	/	564
Mitsui Bussan Kaisha	/	372
Etc.		

Source: Report for the first term of 1928 by the manager of the Canton Banque de l'Indochine branch

The connections between Canton and Lyon regained momentum, and Banque de l'Indochine resumed to use its French counterparts there (Société générale, Crédit lyonnais, CNEP) as bearers of the pending documentary credits till the sale of imported goods<sup>61</sup>. For the sole first term of 1928, the branch's operations in FRF reached around 50 millions (stabilised 1928 gold francs) (table 3); and the amount jumped to 102 million during the first term of 1929, one apex of the cycle boom.



Such a boom explains that some of them overstretched their position as they too much use gearing on credit to bolster their market share at the expense of their financial stability, thus causing either icing of debts (stirring concerns at Banque de l'Indochine), or losses on

<sup>61</sup> "Les établissements de crédit à Lyon ont une organisation bien comprise qui donne aux tirés des traites documentaires toutes facilités pour la finance de leurs échéances jusqu'au moment de l'écoulement définitif des marchandises. De la sorte, ces établissements peuvent aisément suivre les engagements des commerçants, la marche de leurs affaires, et, par suite, sont exactement renseignés sur leur situation et celle de la place", lettre from Banque de l'Indochine Paris headquarters to the manager of Banque de l'Indochine branch in Canton, 24 September 1930.

the values of inventories and cargoes in Europe. On April 1929, the Banque de l'Indochine branch carried \$286,000 "in trust blank advances" – with goods piled up in the own warehouse of the merchants instead of that of the bank –, which was considered as a growing risk at the apex of the cyclical boom. *Compagnie générale française pour le commerce et l'industrie*, for instance, was granted \$120,000 advances in 1922 for its business between Canton, Shanghai and Europe, acting as a trader on its own risk, as a silk merchant for the account of Lyon houses, and as a consignee for various goods – and such general trading took off massively after the recession, and was a hallmark of the renewed prosperity (see table 4) and new scope of the port city, even if it demanded larger allocations of financial resources.

1926-1927 season	66,679
1927-1928 season	54,848
1928-1929 season	58,163

But *Compagnie générale française pour le commerce et l'industrie* had to cede its mortgaged building to Banque de l'Indochine in November 1923 to pay out part of its debt (\$121,000), whereas another one, Marthoud frères, also active in Shanghai and Canton, closed its doors in October 1923 (leaving a \$25,000 debt to Banque de l'Indochine). Another merchant house, *Veuve Brun Pons*, also met tensions in 1923, because of big lines of exchange bills on two French houses (J. Sauvayre and P. Servanin), with belated payments<sup>62</sup>. Albert & Wullschleger was rubbed off in 1924. Hogg Karanja, which had collapsed in 1921, was replaced by Karanja, but the new company, active with US and Lyon importers, remained overcharged by debts towards HSBC (\$524,000) and Banque de l'Indochine (155,000, pledged by \$235,000 goods till Banque de l'Indochine discovered that the stock had been sold to reduce the HSBC debt...), which ended restructuring the credits to an amount of \$537,000 on seven years, with a \$533,000 mortgage on the buildings of the client<sup>63</sup>. And the well-known and ancient Charles Meurer house went bankrupt in 1927.

## B. New scope for silk trading: a port city on two legs

The renewal of silk trading was based on new connections. If European outlets kept momentum, the US market reached a new dimension for Chinese exports, following the stature conquered by the US economy from the start of the 20th century and the structuration of a high-end consuming bourgeoisie and of luxury industry around New York. During the 1923 season, Canton silk exports were oriented towards the US for 47,342 units against 18,298 to Europe and Lyon<sup>64</sup>; a good client of the Banque de l'Indochine branch, the General Silk Importing C<sup>o</sup> shared by half its silk exports among Lyon and New York in 1928. A near balance was reached in 1926 or 1928: respectively 23,239 and 18,005 balls left Canton to the USA, and 20,316 and 17,625 to Europe. As a hallmark, Gérin Drevard, the biggest French firm there, sold 3,096 balls to Lyon and 5,895 to the US from May 1926 to December 1927; Arnold 909 and 4,320; and the whole business respectively 45,634 and 55,792. All in all, the French bank had to evolve in parallel: still remaining an offshoot of French interests along the Pearl Rivers, it couldn't but join the fray of China-US connections, where the port city was strongly involved, thus changing its scope from Asia-Europe habits to Asia-US business. But such developments required its insertion into a new "financial system", that is FOREX operations no more linked to French franc and British pound (through Hong Kong dollar or Chinese-Mexican silver dollar), but more and

<sup>62</sup> The manager of Banque de l'Indochine branch to Paris headquarters, 17 March 1923.

<sup>63</sup> *Ibidem*, 9 May 1925, 19 August 1925.

<sup>64</sup> *Ibidem*, 3 December 1923.



more to the US dollar. Far from the stature of Shanghai and Hong Kong, Canton anyway had to diversify its banking *modus operandi*.

	Towards Lyon		Towards the USA		Towards Italy
	May 1928-April 1929	May-December 1929	May 1928-April 1929	May-December 1929	May 1928-April 1929
Export of raw silk balls	21,773	15,079	26,972	34,061	
Silk waste products	21,084		21,825		6,817

Source: report from the Canton Banque de l'Indochine manager for the first and second terms of 1929.

Huge forex contracts had to be set up, with maturities up to one year or more. Beyond volumes and maturities<sup>65</sup>, the Banque de l'Indochine branch could not act by itself because of its lack of correspondents in New York – and it faced the harsh competition of the branch of National City Bank, which lured even French houses (big Madier Ribet) owing to better banking interest conditions<sup>66</sup>. By chance, French transatlantic interests moved forward decidedly in the immediate after-war and founded in 1919 French American Banking Corporation, which federated initiatives by the two banks which were the more involved in non-European international operations, *Comptoir national d'escompte de Paris* and Banque de l'Indochine. This common affiliate became thus the correspondent of the Canton Banque de l'Indochine branch<sup>67</sup> in 1920 –owing to a security deposit there of \$500,000 by Banque de l'Indochine Paris in the name of its Canton offshoot), and the trade houses exporting to the US could then onward transfer their the letters of credit and trading documents (for documentary credit), and rely on that plat-form to clear banking operations<sup>68</sup> with their US counterparts (Serrell Brothers, etc.). The bills (“silk paper”) arrived in New York and where paid cash or, pending their repayment, were rediscounted locally for a few months (three to four), and acceptance operations complemented the

<sup>65</sup> “La campagne des soies de Canton 1920-21, qui a été déjà engagée par l'Amérique, va probablement donner lieu dès le mois prochain à d'importants contrats de change. La plus grande partie du papier offert sera en livres ou en Canton dollars et viendra à maturité vers la fin de l'année courante, sinon en 1921. Des échéances aussi éloignées représentant pour nous, au seul point de vue des cross rate, un aléa considérable. Il nous est impossible en effet de vendre du sterling à des livraisons correspondantes, tant à cause des nécessités de notre trésorerie que de la rareté des transactions très éloignées sur les marchés de Hong Kong et Shanghai”, *Ibidem*, 18 March 1920.

<sup>66</sup> “La National City Bank of New York, spéculant probablement à la baisse, a enlevé la plus grosse part des transactions sur l'Amérique, grâce aux taux véritablement extraordinaires qu'elle a constamment offerts. Nous savons par expérience combien il est vain de vouloir s'attacher une clientèle de change ; aussi avons-nous laissé faire, lâchant volontairement beaucoup d'affaires en USD. Par l'intermédiaire de son comprador, elle a avancé également 4 ou 5 millions de dollars sur des balles de soie au taux de 7 % l'an. Elle est à l'heure actuelle en train de prendre une place prépondérante sur le marché”, report from the Canton Banque de l'Indochine manager for the second term of 1929.

<sup>67</sup> The manager of Banque de l'Indochine branch to Paris headquarters, 23 April 1920. “Nous espérons pouvoir ainsi prendre une part appréciable du papier documentaire £ et \$ à usance qui se présentera sur notre place pour la campagne des soies 1920-21.”

<sup>68</sup> “Depuis l'extension importante des négociations de papier de soie aux États-Unis, notre compte chez nos correspondant de New York avait d'une façon générale présenté un solde débiteur très élevé ; en moyenne, depuis le commencement de cette année, un million de gold dollars. Il ne nous est pas possible de faire rencontrer dans une proportion aussi importante les livraisons de nos ventes TT avec les crédits de nos remises ? Non seulement nous devons attendre la maturité de nos effets à quatre mois de vue, mais aussi, et bien qu'une grande partie de nos remises soient à vue ou escomptables dès leur arrivée à New York, nous avons encore là une différence de livraisons (achats et ventes) qu'il nous est difficile d'apprécier exactement. Nos contrats d'achat sont presque toujours livrables sur deux ou trois mois. Nos contrats de vente sont le plus souvent à un mois de livraison. Les marchés restreints de Hong Kong et Canton ne nous permettent guère de faire nos contreparties autrement que par livraison rapprochée”, *Ibidem*, 15 August 1923.

process<sup>69</sup>, with about a final 0.5 per cent profit margin<sup>70</sup>. During the first term of 1928, the branch purchased commercial paper on the USA for an amount of \$2,063 million, to French (Madier Ribet, Gérin Drevard, etc.), British (Arnold, TR Griffith, Mac Neary, etc.) and Japanese (Mitsui Bussan Kaisha) houses. All in all, the operations completed on USD by the branch progressed sensibly from the first (4,538 million) and second (5,874 million) terms of 1928 to the first term of 1929 (8,529 million): it “walked on two legs”, on Lyon and New York.

The evolution of the branch epitomized thus the three-fold dimension reached by the port city, with operations with France, London and New York, and the whole range of FOREX and clearing markets in their wake, all the more when the branch commenced purchasing credit paper on London and New York issued in Canton by trade houses, being its customers or not: it betted on pure forex operations, without direct links with the operations of its own clients.

### C. Canton as a regional platform

In parallel the Canton area intensified its domestic activities along the rivers upstream (Xi Jiang, Xun Jiang, Pei Kiang) to Wou Tcheou/Wu Chow Fu/Wuzhou, LiouTcheou/Liuzhu, Chao Chow Fu or Nanning, with fuelled credit, remittances, management of means of payments, all in all ending partly in the office of banks and Banque de l'Indochine. This eased somewhat the action of the comprador (Mak Fook Cho since 1926). Supplementing the connections between foreign and Chinese merchant houses, he could overcome the misfits of his predecessor and thus reinsert the branch into the domestic market, fuelled by local activities and by the flows linking the port city to its hinterland, either by waterway or roadlines. With a dozen employees by himself in 1930 and a joint building, he could find out fresh opportunities of credit and check clearing, all in all bolstering the revenues in interests and commissions, and more importantly contributing to the creditworthiness of Banque de l'Indochine on the Canton place. The total amount of the advances guaranteed by the comprador reached \$448,500 (against 507,600 as goods pledged by the clients and 56,000 by the comprador himself).

“The chain of silk trading” comprised of Chinese merchants, those working with the French houses, and they benefitted too with the Banque de l'Indochine credits, for example in 1930 Cheong Ke or Wong Man Sang – which reflected the structuring of a local Chinese capitalism that reached a relevant size and creditworthiness, and were more and more partners of international connections around each port city<sup>71</sup>. They were also in touch with their French counterparts for import operations, either from Japan or essentially from Europe, about consuming goods (cognac, etc.), and they acted as wholesale intermediaries before redistribution in the hinterland. But German houses (Reuter Brockelmann, Carlowitz) had come back throughout the 1920s and seized key roles in the import trade, whilst British and German agents tackled the market for armaments, prospering along with the endless internecine fightings and thanks to the “investments” into modern

<sup>69</sup> “Acception par société américaine de remises sur crédit confirmé irrévocable tirées par Gérin Drevard sur quelques banques du clearing house de New York”, *Ibidem*, 26 January 1931.

<sup>70</sup> “Le taux d'escompte aux États-Unis et le taux d'intérêt sur nos soldes débiteurs que nous charge la French American Banking Corporation, 5.5% actuellement, rendent ces opérations fort difficiles à traiter. Étant donné cependant que le papier tiré sur les États-Unis l'est exclusivement sur lettres de crédit et nous donne ainsi une grande sécurité dans nos transactions, nous aurions tort de nous désintéresser de cette branche d'activité de notre commerce local, et mon intention est de continuer ces achats dans la mesure où ils me laisseront une marge de couverture normale”, Report of the manager of Banque de l'Indochine branch for the first term of 1928.

<sup>71</sup> See Sherman Cochran, *Encountering Chinese Networks. Western, Japanese and Chinese Corporations in China, 1880-1937*, Berkeley, University of California Press, 2000.

equipment by the warlords (in Canton and Kwantun, in neighbouring Kwansi, both clans struggling one against another in 1928-1929 when the former, rallying the Guo Min Tang Nankin Government, trounced the latter).

#### **D. Canton and Hong Kong sister port cities**

The Canton activities acted altogether as independent business and as complements to the Hong Kong market<sup>72</sup> – its harbour itself depending on the 160/200 British steamers calling at Canton each month from Hong Kong, as the hub of international transportation remained located in the British colony. Petty but massive transportation connections joined both harbours with up and down exchanges depending on availabilities and price lists. This explains the co-operation between both Banque de l'Indochine branches in Canton and Hong Kong – all the more because the latter was involved in financing the import trade of Indochinese rice, redistributed afterwards to the whole south-east China and in the Canton area, which also received big cargoes of flour from the colony. The former frequently purchased commercial bills and documentary credits paid there by French merchants (for their collection in the area for exports) to be remitted to Hong Kong, depending of clearing needs<sup>73</sup>. The connections between the two cities also favoured trading on currencies, both acting in parallel or sometimes through clearing between themselves. The Canton branch developed an active trading activities alongside the little differences between the various dollars circulating in the area and, moreover, succeeded in relevant (low-key anyway) speculations on arbitrages against gold and silver<sup>74</sup> in 1927-1929 – even if it endured a big loss once in May 1929, because he had betted as a bull on tael whereas HSBC contributed to push the HK\$ upward<sup>75</sup>.

#### **Conclusion**

If we ponder our *SWOT* matrix of analysis to gauge the performance and competitiveness of the Banque de l'Indochine branch in the Canton port city, we can pretend that the belated initiative to open an offshoot there was full of promise.

*Threats* were to be found in the under-equipment of an old-fashioned city and harbour – before intense investments to modernise them –, the intense competition from British banks HSBC and Chartered and more and more of Yokohama Specie Bank and City Bank, the hegemony of the Hong Kong international commerce and banking centre, and last the successive military and political civil wars which hindered confidence, transportation and security.

*Opportunities* were to be seized in the growing production of silk in south-west China, the emergence of layers of Chinese intermediaries, oriented towards their domestic hinterland, and, for a few ones, committed to develop international connections. Far from keeping its “local” dimension, Canton asserted itself as an actual proto-global port city, practicing business with Europe (Lyon, London), Japan (Yokohama), and more and more with New York. Sure, huge amounts of little steamers and junks had to fuel the Honk Kong harbour

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<sup>72</sup> See Ming Chang, “Historical dimensions of the Hong Kong-Guangdong financial and monetary links : Three cases in politico-economic interactive dynamics, 1912-1935”, paper for the HKMRJ banking and monetary history conference, April 2007.

<sup>73</sup> “Nous avons eu notamment l’occasion, à plusieurs reprises, d’acheter sur place des francs pour compte de Hong Kong dans des conditions que cette agence n’aurait pu trouver ailleurs : achat de papier documentaire à quatre mois, cédé à l’agence, sans risques pour elle, au cours du vue”, The manager of Banque de l’Indochine branch to Paris headquarters, 22 October 1924.

<sup>74</sup> Report on the second term of 1928 by the manager of Banque de l’Indochine branch.

<sup>75</sup> The manager of Banque de l’Indochine branch to Paris headquarters, 5 July 1929.

where the main transoceanic shipping liners handled transbordments. But Canton was involved directly in international trade, FOREX, and banking connections.

Banque de l'Indochine's *weaknesses* laid first in the difficulty to tackle the risks poised by the intermediary of the comprador – thus explaining bad losses in the after-war years. It also lacked expatriates (four, then three) and its managers did not stay for more than a few years, and every of them was not brilliant. The branch lacked permanent funds to follow the growth of business in the 1910s and then in the second half of the 1920s, which imposed to demand costly re-funding at the Hong Kong, Saigon and Paris sister entities. Last, Canton was not the priority of the bank all over Asia, and staid as among the second-rank types of outlets, in comparison with Shanghai and even Tianjin.

Table 6. Evolution of the Canton Banque de l'Indochine branch at the end of the 1920s

	First term 1926	Second term 1926	First term 1927	Second term 1927	First term 1928	Second term 1928	First term 1929
Completed operations (million HK\$)	3,067	3,890	3,559	3,543	16,261	21,029	30,222
Net profits (thousands \$)	19,930		35,177	18,133	12,551	-9,879	-36,167 (big loss on a bad currency exchange operation)
Total amount of local operations (million HK\$)	1,085	1,450	1,919	1,463	1,335	2,308	2,977
Advances on goods (thousands \$)	39	568	634	235	237	743	816
Overdrafts (thousands \$)	561	580	592	681	694	708	723

Data mined in the term reports of the Canton branch, but with misfits and discontinuity in the data.

Anyway, little by little, the *strengthes* of Banque de l'Indochine became leverage forces to draw broad customerships and conquer solid market shares. Is embeddedness in the Canton foreign community of business and the commitment of its successive managers paved the way to deep and permanent cooperation with the French merchant houses active in the area (mainly in silk trade), although these firms did not prevent themselves to benefit with offers from the other banks... Banque de l'Indochine was sufficiently equipped on an international level to compete with HSBC, Chartered and IBC-City Bank on the fields of forex, remittances of exchange bills, documentary credits, clearing transfers, etc., thanks to its basis in Paris and London; and the creation of the affiliate FABC in New York contributed to enhance this competitiveness when the American market became a key outlet for silk merchants, even the French ones. Both networks of connections (to Paris/Lyon and London on one side, to New York in the other side) were forms of prot-globalisation inserting Canton port city in a worldwide trading system, but far behind Hong Kong and Shanghai in size of course. The refinancing capacity of the Canton branch was often consolidated by fresh contributions from the Paris mother house or from its big branches in Saigon and Hong Kong, always rich with treasury availabilities.

Sure, the evolution of the Shameen island, port and concessions in these 1900-1920s will not foster broad considerations about the history of globalisation. But some dozens of European merchants and bankers showed an actual fighting spirit of entrepreneurship to seize the opportunities offered by the diversification of the worldwide silk productive system; and Canton became their bridghead in south-west China. We can pretend that such open-minded offensive revealed itself far more promising and then profitable than the ever-dreamed Franco-French penetration of western China along the Mekong or the French railway! Instead on relying on protectionist *chasses gardées* or state protections,

the framework of the greenfield offensive in Guangdong/Kwansu was designed along free-standing competition among trading and banking houses; this little “scramble for China” benefitted from almost no protective helps – beyond the mere spot of the concessions on the small Shameen island. The destiny of the Canton port city relied therefore on its very insertion in this proto-globalised array of connections. Japanese and American firms joined French and British competitors there; and the German ones, for a while set aside, came back in the 1920s as importers of European goods. The ultimate landmark for this “worldwide” stretch reached by the port city might be that a dozen Chinese merchants themselves commenced to be “big players” on the international silk market. Shameen/Canton was thus not only an island of “imperialist” settlements; it became some kind of an informal school for a proto-globalised “business model”, connecting the portfolio of banking and trading skills, despite the successive obstacles put ahead by the civil wars, the revolutionary/anti-imperialist moves and strikes, or piracy.