

Tianjin as a French banking market (from c.1900 to the mid-1930s)

Hubert Bonin, professor of economic history at Institut d'études politiques de Bordeaux and UMR GRETHA-Bordeaux Montesquieu University [www.hubertbonin.com]

In the South-East Asia area and throughout the Chinese commercial flows, the influence of British or Japanese banks largely prevailed by scale and strength above the activities of French banks; they have tried nonetheless to loosen the hold of their competitors, to play some part in the Asian markets of money et to follow the development of commercial exchanges, either those locally expanded, those joining the Pacific places or those linking Asia and Europe. Three axis of action can be defined: supporting trade between the Far East and Europe, and propping up the half political half financial penetration in China, especially against the United Kingdom, a penetration which ought to strengthen the dimension and range of the Paris financial place. French banks' competitiveness had to be tested on each commercial and money market, all along the Chinese coast opened to western traders and bankers, and where they could broaden the scope of their portfolio of skills, through the acquisition of the specific commercial and financial know how required for the relations with Chinese customers, Asian traders or European firms active there. This process required of course to consolidate their ability in mastering the specific risks created by extending their reach in such new business areas against a background of an overall competition among foreign firms scrambling to get footholds on the North-Chinese and Hebei markets¹.

1. The emergence of a French banking strategy in China

In fact, China had not been the main target of French banks active in Asia, because they had first to fuel the business fostered by the development of French firms in Indochina, starting from the 1860s-1880s after the two-stages conquest of the peninsula. Then the Indochinese commercial business itself opened the doors of the Hong Kong market (for rice exports). But French traders penetrated more and more Chinese markets to get there high-value materials (silk)² and to establish some bridge-heads for exports of consuming goods (textile, machines, etc.), particularly through Hong Kong and the Guangzhou [Canton] coast, where banks accompanied the move with the opening of branches. A second area became the Center-West area, joined from Haiphong harbour by the newly completed Yunnan railway reaching the region³, which French businessmen dreamed of as a key outlet, able to short-circuit the British predominance on the Yangze basin⁴, all the

¹ See Albert Feuerwerker, *The Foreign Establishment in China in the Early Twentieth Century*, Ann Arbor, Center for Chinese Studies, University of Michigan, 1976.

² Louis Gueneau, *Lyon et le commerce de la soie*, Lyon, 1932. John Laffey, "Les racines de l'impérialisme français en Extrême-Orient. À propos des thèses de J.-F. Cady", *Revue d'histoire moderne et contemporaine*, April-June 1969. John F. Cady, *The Roots of French Imperialism in Eastern Asia*, New York, Ithaca, 1954. John Laffey, *French Imperialism and the Lyon Mission to China*, Cornell University, 1966. 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. Henri Brenier, *La mission lyonnaise d'exploration commerciale en Chine, 1895-1897*, Lyon, 1898.

³ Michel Bruguière, "Le chemin de fer du Yunnan. Paul Doumer et la politique d'intervention française en Chine (1889-1902)", first published in 1963 in the *Revue d'histoire diplomatique* and republished in: Michel Bruguière, *Pour une renaissance de l'histoire financière, XVIII^e-XX^e siècles*, Paris, Comité pour l'histoire économique et financière de la France, 1992, p. 84.

⁴ 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. E.W. Edwards, "The origins of British financial cooperation with France in China, 1903-1906", *English Historical Review*, n°86, April 1971, pp. 285-317.

more because of the amplification of commercial relations with the East owing to the opening of the Suez canal⁵ in 1869.

A “Chinese strategy” took shape therefore in the 1890s among French diplomats⁶ and businessmen; and they longed for a powerful banking arm there, able to alleviate the weight of British trading firms and influence in China⁷ and in particular the banking hegemony of Hong Kong & Shanghai Bank (HSBC)⁸ and of Standard Chartered. Several banks drew schemes of Asian deployment; but a cooperative spirit prevailed in favour of the building of a sole tool able to challenge British leaders and their competitors from Japan (Yokohama Specie Bank⁹, in charge of financing trade abroad) and Germany (*Deutsch-Asiatisch Bank*, linked to *Deutsche Bank*). In fact, several countries lagging behind British influence conceived such a strategy to promote a single banking firm in charge of representing the interests of its country in China and in the surroundings: the *Deutsch-Asiatisch Bank*, the Russian-Chinese Bank (with a few French interests) and the *Banque sino-belge* from Brussels were similar parts of such a scheme.

A first stage of the process was animated by a bank created as soon as 1848, *Comptoir d'escompte de Paris*, which had defined a strategy consisting altogether with a national growth and with the supporting of traders, especially on the import-export places and the ports, in order to stimulate the business fighting spirit just after the conclusion of the free trade treaties¹⁰; it had decided to settle in Shanghai as soon as 1860, and then seeded about ten branches in the Eastern countries in the 1860s: in Yokohama (1867), in Hong Kong, in Calcutta, Bombay, Madras and Pondicherry, and in Cochinchina. *Comptoir d'escompte de Paris* appeared therefore as “the French Bank” in Orient, all the more when it strengthened its Chinese settlement in 1886/1887 with the opening of branches in Tien Tsin, Fou Tcheou and Hankow, as the prospects of trade there seem interesting. But *Comptoir d'escompte de Paris* faced a huge crisis in Paris in 1889 and collapsed, and its successor, *Comptoir national d'escompte de Paris*, focused its activities eastwards on Egypt, India and Australia.

The French state was thus committed to entice bankers to take the relay along the Sea of China: he demanded to *Banque de l'Indochine*¹¹, which had been the issuing and commercial bank of southern and central Indochina (Cochinchine and Annam) since 1875

⁵ Hubert Bonin, *Suez. Du canal à la finance (1857-1987)*, Paris, Économica, 1987.

⁶ 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.

⁷ See Jürgen Osterhammel, “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. Robert Bickers, *Britain in China: Community, Culture and Colonialism, 1900-1949*, Manchester & New York, Manchester University Press, 1999.

⁸ Frank King, *The History of the Hong Kong and Shanghai Banking Corporation. Volume 1. The Hong Kong Bank in Late Imperial China, 1864-1902: On an Even Kneel*, Cambridge, Cambridge University Press, 1987. Geoffrey Jones, *British Multinational Banking, 1830-1990*, Oxford, Clarendon Press, 1993.

⁹ 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, and New York, St. Martin’s Press, 1994, pp. 1-23.

¹⁰ Hubert Bonin, “Le Comptoir national d'escompte de Paris, une banque impériale (1848-1940)”, *Revue française d'histoire d'outre-mer*, tome 78, 1991, n°293, pp. 477-497.

¹¹ Marc Meuleau, *Des pionniers en Extrême-Orient. Histoire de la Banque de l'Indochine (1875-1975)*, Paris, Fayard, 1990. Let us precise that, without this very book, this text would have considerably suffered from a lack of materials, which explains our gratefulness towards Marc Meuleau. 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.

and also of northern Indochina (Tonkin) from 1888 to change its scope. In November 1897, it balanced the renewal of its issuing concession in Indochina for thirty years against the deployment of the bank in China and in South-East Asia through the opening of branches. *Banque de l'Indochine* had to bear the French flag on key commercial markets, of course on priority in Hong Kong, Canton and Shanghai, but also in northern China. After only *Banque de Paris et des Pays-Bas*, *Crédit industriel et commercial*, *Comptoir d'escompte de Paris* and *Haute Banque* merchant banks) had godfathered the creation of in 1875, the other big Paris deposit banks (*Société générale* in 1887 and *Crédit lyonnais* in 1896) joined the equity and the board of *Banque de l'Indochine* and relied on their daughter or sister bank to represent the French business community in China. “*They perceive that the Far East French colonies required an autonomous banking institution, altogether the vanguard and the representative of High Finance in Asia, that gathered the large affairs and transmitted them to its Parisian partners, to which it procured a flow of profitable operations, like the credits issued through acceptances or the exchange operations. Multiplying the banking institutions in Asia would contribute to weaken the French position there in front of the British community that knew remarkably how to mix diplomacy and finance and that have founded strong colonial banks like the Hong Kong & Shanghai Bank or the Chartered.*”¹² In the meantime, *Comptoir national d'escompte de Paris*, weakened by the resignation of its German and Swiss managers in Asia who had rejoined British or German banks there, by its own crash of 1889 and also shaken by the economic, monetary – with the acute depreciation of silver metal – and military – because of the Sino-Japanese war – in the Far East during the first half of the 1890s, decided to close its branch of Yokohama in 1893 and those of Tianjin and Fou Tcheou in 1899. For some time, the whole banking strategy in China had now to be borne by *Banque de l'Indochine*, which inherited of *Comptoir d'escompte de Paris* its Hong Kong branch¹³ in 1894 and settled in Shanghai in July 1898 (and further in Singapore in 1905)¹⁴.

The geopolitical circumstances stimulated such a move because China had entered a new series of harsh concessions to “the Powers”, having to lease more harbours, to dedicate more tax revenues to the Boxers indemnity as pledges to bonds, and even to welcome troops which guaranteed the completion of the agreements – even if Chinese nationalists denounced them as “unequal agreements”. The balance of power was not in favour of the Chinese kingdom indeed, and the installation of *Banque de l'Indochine* in northern cities was in fact part of this “imperialist” system linking geopolitical pressure and business penetration¹⁵, within the strategy of “*impérialisme à la française*” promoting “*la France impériale*”¹⁶ beyond the mere colonial deployment.

In the same time, however, French interests in Asia started being promoted by another bank, *Banque russo-chinoise*¹⁷, which associated in 1896 some banks from Paris, with two-thirds of the capital subscribed in France and in Belgium, and from Russia – especially *Banque internationale de Saint-Petersbourg* –, in order to get a share in the development of Mandchouria and of northern China, stimulated by the opening of the Transsiberian railway and the Transmandchourian railroad, for the construction of which *Banque russo-*

¹² Marc Meuleau, *op.cit.*, p. 145.

¹³ Hubert Bonin, “French banks in Hong Kong (1860s-1940s): Challengers to British banks?”, to be published.

¹⁴ 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.

¹⁵ See Frank King, “Extra-regional banks and investment in China”, in Rondo Cameron & V.I. Bovykin (eds.), *International Banking, 1870-1914*, Oxford, Oxford University Press, 1991.

¹⁶ Jean Bouvier, René Girault & Jacques Thobie, *L'impérialisme à la française, 1914-1940*, Paris, La Découverte, 1986. Jacques Thobie, *La France impériale, 1880-1914*, Paris, Mègrelis, 1982.

¹⁷ Rosemary Quedsted, *The Russo-Chinese Bank*, Birmingham, Slavonic monographs, n°2, 1977.

chinoise constituted *Compagnie des chemins de fer de l'Est chinois* in 1896 (Eastern Chinese Railways). But the purpose was meanwhile somehow larger as *Banque russo-chinoise* intended to become the spearhead of the penetration of French and Russian interests in the Chinese regions located north to the Yang Ze Kiang. It recovered the Hankow-Wuhan and Tientsin-Tianjin branches of *Comptoir national d'escompte de Paris* in 1895, and settled in Beijing, in order to act efficiently close to the financial authorities, especially for the loans intended to the payment of the war indemnity to Japan, loans and the treasury advances: It led thus the negotiation of the financing of the Shansi railway in 1902-1903 and negotiated its FRF 40 million bonds on the Paris place. *Banque russo-chinoise* escaped however too rapidly from French influences in so far as its German and Russian managers seemed to favour only the Russian interests and did not promote anymore French banks' business by the Chinese State. The latter called indeed for the British and German banks in 1905 when it looked for the subscribing of the last portion of the indemnity it has to pay to the Powers having intervened during the Boxers war, and this choice aroused strong discontent by the French authorities; *Banque russo-chinoise* ended up competing with *Banque de l'Indochine* in Southern China and opened a branch in Hong Kong in 1904. This managerial dissent, then the weakening of the ability of Russian interests to exert strong pressure on China after the military defeat of Russia in front of Japan in 1905, dismissed *Banque russo-chinoise* from playing some part in the great French financial purpose in China. Moreover, when *Banque russo-chinoise* was merged with Russian *Banque du Nord* into *Banque russo-asiatique*¹⁸ in 1910 and rejoined the sphere of influence of French banks, its successor devoted itself mainly to its Russian and Mandchourian business, and, in spite of the desires of its managers in China, did not represent any significative strength southwards.

This evolution emphasized the mission of *Banque de l'Indochine*, which outlined a double strategy of reinforcement of its commercial implantation in the South of China and of breakthrough in the Centre and in the North: it thus opened branches in Hankow-Wuhan and Canton in 1902, in Tianjin on 18 February 1907 and in Beijing in April 1907, just after a change to its statutes in order to adapt them to the practices on the Chinese places and after an increase of its capital. Success rapidly crowned this program as these branches, equipped with the *comprador* system used as an intermediary with the Chinese community, gathered a broad clientele of local traders and bankers for short term advances on commodities (opium, raw cotton, raw silk, tea) and industrial products (cotton and silk fabric), along with each place, and on gold and silver, which explained their profitability. *Banque de l'Indochine* however limited its operations to short term loans, to currency exchange operations, and to its participation to the issuing of securities subscribed abroad, as its refused to let itself engaged in the construction of a branch network in the Chinese provinces and in the direct financing of local business, then considered as causes of excessive high risks and immobilizations, although the granting of credits to trade houses and even to local bankers implies indeed the indirect financing of indigenous merchants.

The Chinese affairs provided *Banque de l'Indochine* with 27 per cent of its total operations in 1905 and with 33 per cent¹⁹ in 1910, owing to its advances to local customers, to firms coming from Europe, like the *Compagnie française de tramways et d'éclairage électrique de Shanghai*, companies for public works or house building, or Franco-Belgian *Crédit foncier d'Extrême-Orient*, owing to the transfers of public money between Indochina and metropolitan France and owing to currency exchange operations, to the trading of

¹⁸ Ser H. Bonin, *La Société générale en Russie (Histoire des activités financières et bancaires de la Société générale en Russie dans les années 1880-1917)*, Paris, La collection historique de la Société générale, 1994 and 2005.

¹⁹ See Marc Meuleau, *op.cit.*, p. 238.

remittances and bills, particularly on Shanghai, a place that had become “the heart of the circuits of the *Banque de l'Indochine*, the centre of its network”²⁰. Beyond its clientele of European firms, it had acquired, owing to the 1900 reform of its statutes, which allowed it to be engaged in loans lacking of the usual collaterals and credentials, in an outstanding capacity of risk assessment of credit operations with the Asian bankers and large merchants. “By their knowledge of the Chinese affairs and their know how in the exchange techniques that allow them to transfer rapidly the millions subscribed by the French savings or the redemptions of the Chinese government, the agents of *Banque de l'Indochine* brought an organisation and a range of abilities that were necessary to the success of large affairs. We may affirm that never before has ‘the French Bank’ deserved its nickname overseas”²¹, assuming what Michel Bruguière called “flag imperialism”, even if from time to time an actual community between French and Belgian (*Banque d'outre-mer*, *Banque sino-belge*, linked to *Société générale de Belgique*) businessmen²² was maintained for some Chinese financial and railway business.

2. The emergence of the Tianjin port city and business hub

When the *Banque de l'Indochine* branch was opened, the commercial exchanges through Tianjin had been gaining in substance:

	Import	Export
1903	18,622,406	1,148 246
1904	16,256,651	2,069,362
1905	31,463,208	7,585,982
1906	40,102,558	2,583,800
		(HWK taels)

Tianjin welcomed this *Banque de l'Indochine* branch because it had become a geopolitical issue, as the international agreements had attributed a territory to France there²³. Since the Tianjin treaty of June 1858 (following the second opium war and signed by France, Great Britain, Russia and the United States) and its signature in 1860 by the imperial state after the agreement concluding the 1859-1860 struggles on the Hai Ho (now Hei He) river and then in Beijing between Chinese and western troops, a French concession has been established in Tianjin. It had become “an opened city”, thus accessible to western trade houses, and the concession, along the Hai He river, had been enlarged in 1895: the “treaty port” and its settlement, granted by the treaties which submitted China to western Powers, allowed Tianjin to join the group of “city ports” connected to world-wide trade and finance flows indeed.

Obstacles hindered the development of the Tianjin port facilities. Ice during the black season demanded that the main harbour activities focused from March to November. The heritage of low marshy and often flooded land had to be overcome, and there were repetitive floodings (in 1917, for example) due to the convergence of half a dozen rivers into the Hai He River. Tianjin suffered more and more from the silting up of the Hai Ho river: the Hai Ho Conservancy Commission was set up to engineer an important project of a

²⁰ Marc Meuleau, *op.cit.*

²¹ *Ibidem.*

²² 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. Robert Lee, *France and the Exploitation of China, 1885-1901*, Hong Kong & London, 1989.

²³ See Laurent Cesari & Denis Varaschin (eds.), *Les relations franco-chinoises au vingtième siècle et leurs antécédents*, Arras, Artois Presses Université, 2003.

dredging program in 1923, to dig the channel to nine feet and allow steamers drawing 19 feet to come up the river and to intensify maintenance and dredging, thanks to rivers dues and shipping tax collections. It had been set up by the governor of Zhihli and the banks (among which *Banque de l'Indochine*), but it lagged to be structured²⁴ in 1928-1930. Ships were often blocked downstream at Tanggu, which imposed the use of barges upstream. If an agreement was reached at last in 1931 and *Banque de l'Indochine* took part for \$500,000 to the \$2,900,000 loan issued then²⁵, the completion of the program was then hindered by the civil war and the dilution of authority in the area, and big ships had to stop at Tang Ku (Tanggu) or at Taku Bar. Two French companies took part to the exchanges between the upper port and the downstream points of transfer, *Société française de navigation de Tong Kou* and *Société française de remorquage et de chalandage*, both for tramping in the Sea of China and various towing and boating on north-eastern China rivers and canals.

Anyway, Tianjin asserted itself as “the port of the North”, the gateway to Beijing and its area, and as a major transshipment center for food stuff, and later on for goods. “By the 1930s, second only to Shanghai in the volume of foreign trade, Tianjin had become the largest center of industry and commerce in north China.”²⁶ G. Hershatter underlined the three main factors explaining the growth of Tianjin: the convenience of transportation, the proximity to the capital, and the nearby location of areas rich in cotton and local products to be exported. The background of the French concession was thus broadened by the emergence of local industrialists, entrepreneurial companies, evolving from small-scale production of factory system, even if they remained fragile, because of a lack of a “structured” form of capitalism²⁷, “a weak, transient capitalist class”²⁸, loaded by bad finance – the cotton merchants “defaulted”²⁹ in Tianjin in 1923 – depending on warlords’ connections and finance³⁰, and fragilised by the civil war in the 1920s, with its heavy exactions levied by competing warlords governments to authorise and protect the flows of goods³¹ – till the unification in 1928 by the Guo Min Dang³². During the first quarter of the 20th century, flour and cotton mills bloomed, and Tianjin reached about 6 or 7 per cent of the whole Chinese cotton spinning capacity, becoming the fourth textile centre after Shanghai (50 per cent), Wuhan and Qindao, all the more because Japanese investments gathered momentum from the turn of the 1930s. Among local merchants and industrialists were the compradores of western banks (HSBC, Russo-Asiatic Bank) and trade houses (Jardine & Matheson, Butterfield, Swire) decisive go-betweens and investors³³.

The growth of the population (from 60,000 inhabitants in 1860 to 1,7 million in 1947, from the fifth level among Chinese cities in 1927 to the third one in 1935) and the diversification of society and classes opened outlets for western utilities and equipment or consumer goods. Since the turn of the 20th century (mainly cotton yarn, cloth, dyes, sugar, kerozene, opium, etc. – notwithstanding military hardware, or gold and jewelry for warlord customers); and then in the interwar period, iron and steel, petroleum, machines and

²⁴ BIC Correspondance, 25 October 1906., 17 December 1928, 16 July 1929.

²⁵ *Ibidem*, 22 May 1931.

²⁶ Gail Hershatter, *The Workers of Tianjin, 1900-1949*, Stanford, Stanford University Press, 1986, p. 10.

²⁷ *Ibidem*.

²⁸ *Ibidem*, p. 140.

²⁹ Nantes French consulate archives, 9B3.

³⁰ Gail Hershatter, *The Workers of Tianjin op.cit.*, pp. 31-32.

³¹ *Ibidem*, p. 32. From 1916 to 1928, several warlords succeeded one another (Wu Peifu, Zhang Zuolin, Li Jinglin, Feng Yuxing), before the Shanxi warlord Yan Xishan acquired control of Tianjin.

³² But then, the French Consul (Nantes archives, 9B2) underlined the tax extortion by the Zhili provincial administration at the end of the 1920s and the start of the 1930s or the new “consolidated taxes” on cotton yarn, cement, matches, etc

³³ Gail Hershatter, *The Workers of Tianjin op.cit.*, pp. 33-34.

machines parts), whilst goods to be exported progressed (raw and semi-processed goods: cooton, wool, eggs, etc.). Riverside warehouses flourished, along the process of transforming the former sole bridgehead into a key “port city”, which, in 1937, handled about one sixth the level of imports and one-third the level of exports of Shanghai. But

Little by little, the economic importance of the harbour was reinforced³⁴. Tianjin asserted itself as a growing gateway for transit toward north-eastern China, the Beijing area and westward to the Shan-Si region (with a railway from Tai Yuan, Pao Ting and Beijin) thanks to a harbour joining the Hai Ho river³⁵, the Grand Canal³⁶, and the Bohai Bay and the Bohai Sea. The Paris protocole in September 1901 had paved the way for a British and German loan (£1,6 million, 100 million taels, set up by HSBC and *Deutsch Asiatich Bank*) in 1908-1911 to build a railway between Tianjin and Fukou, for example; and an entente between French, British and Belgian interests in October 1905 had prepared the concession of the Tianjin-Pou Keou railway. “*Tianjin has for long been only a little port within important business; it had suddenly taken an exceptional importance because the city was used as a supplying basis during the last two wars and because the building of railways has deeply changed the Chinese economic conditions. The new rail lines, to be built, joining Tianjin to Tsinbao [Tsinan or Jinan] and Nankin [or Nanjing or Nanking, southwards], will still increase the important of the place, but, balancing these elements of prosperity, have to be taken into account the effects of the four months blockade caused by icing, and would be possible that Chin Wan (ou Huan) Tao³⁷, with its harbour opened throughout the year, should overpass the present city, unless we would see emerge two commercial centers as had been the case in France with Le Havre and Rouen, or Saint-Nazaire and Nantes.*”³⁸ This explains perhaps why the French state regained control of its fields located in Chin Wan Tao which had been leased for a while. In the interwar period, Tianjin was thus the end-station for the railway Tianjin-Pukow, itself linked by ferry to the Shanghai-Nankin; and it was joined by the Pei-Ning Railway (Beijin-Liaoning), itself joining in Mukden the Mandchurian railways and finally to the Transsiberian at Manchuli.

All in all, the overall situation of the port city evolved positively because Tianjin took profit from the growth of commercial transit in the wake of the foreign investments³⁹ oriented toward center-northern China, less important than Mandchuria northward and the Yangze valley southward, but maturing significantly. “*Tianjin lived by trade: it was the melting point of five rivers, an important juncture on the Grand Canal, the loading point for sea shipment of goods for north and northwest China, the entry joint for foreign imports and Shanghai goods, and the major northern station of two railroad lines.*”⁴⁰ Foreign concessions, among which the French one, became hives of buzzing port activities (about 60 to 70,000) labourers loading or unloading cargo, freight haulers, cart drivers, transport coolies, on the harbour docks or railroad stations, and in the warehouses – even if the

³⁴ See Brett Sheehan, *Trust in Troubled Times: Money, Banks and State-Society Relations in Republican Tianjin*, Cambridge (Mass.), Cambridge University Press, 2003.

³⁵ The Hai Ho river concentrates the Pei Ho and the Tzuya Ho, itself formed by the Ta Ching Ho and the Hou To Ho, thus opening large areas for local commercial river exchanges.

³⁶ The Grand Canal linked the Yang Ze area to Tianjin, and was extended by the Ching Chun Ho up to Peitang and to the Chi Yun Ho. The dike of the Canal broke in September 1917 and the whole city was flooded; the French concession laid under water for two weeks. Correspondance, 21 and 28 September 1917.

³⁷ Now: Qinghuangdao.

³⁸ BIC Correspondance 25 October 1906, On the economic development of this period, see: Marianne Bastid, Marie-Claude Bergère & Jean Chesneaux, *La Chine. 2. De la guerre franco-chinoise à la fondation du Parti communiste chinois, 1885-1921*, Paris, Hatier, 1972.

³⁹ Hou Chi-Ming, *Foreign Investment and Economic Development in China*, Cambridge (Mass.), Cambridge University Press, 1965. See Sherman Cochran, *Encountering Chinese Networks: Western, Japanese and Chinese Corporations in China, 1880-1937*, Berkeley, 2000.

⁴⁰ Gail Hershatler, *The Workers of Tianjin*, op.cit., p. 15.

three largest steamship docks belonged to two British houses, Butterfield & Cooper and Jardine & Matheson, and the Chinese-owned China Merchants Steam Navigation Company⁴¹.

One obstacle had to be faced in priority, the diversity of currencies used in the Chinese area: “*The bank accounts are held in hong ping taels in Tianjin, in kung fah taels in Beijin. Despite this difference, in Tianjin, transactions between the two markets are always quoted hong ping taels against hong ping taels, whereas this currency requires a new conversion in order to be inserted into the accounts in Beijin, which explains boring complexities for accounting entries. Moreover the hong ping tael on the two markets have only in common their weight which seems to be of 36,16 grams, but the is 992/1000 in Tianjin whilst it reaches 1000/1000 in the capital.*”⁴² But the *Banque de l’Indochine* branch had to tackle business also in silver Mexican piastres and in *peyi-yang dollars* (delivered in huge quantities by the provincial government). All in all the bankers succeeded in handling such difficulties or subtleties and tackled the use of various currencies (Mexican dollars, taels, pounds). But they had to follow the suppression of the tael in 1933 in favour of the silver dollar⁴³ which imposed delicate operations of conversion in May 1933. Such a move paved the way to the comprehensive monetary reform launched by the Chinese central government in 1935, which imposed the unification of bills and the conversion of all all banking accounts and deposits⁴⁴.

3. Tianjin as a port city for the French community of interests

Taking profit from this growth trade and despite harsh competition, the evolution of the French concession set up a framework for the life of *Banque de l’Indochine* branch. Two key events marked it: first, in 1916, France seized the “extra-concession”, a field bordering the concession which had been disputed for years; it expelled Chinese policemen and asserted its authority. A general strike occurred from the Chinese workforce all over the French concession in November 1916, French companies were boycotted, funds were retired from French banks accounts – until the “victory” of Frenchies⁴⁵... A second event occurred in January 1919 when the defeat of Germany led to the sequestration of German assets in the French concession but also to the loss of its concession by Germany, which eased the penetration of foreign real estate investors in the area which Chinese authorities managed by themselves henceforth – and they also recovered the management of the Russian concession in June 1920.

A municipality had been set up to managed French civilians active there – but they were only about 120 in 1928– and people living and working on the French territory. From 1907, the institution used the *Banque de l’Indochine* branch for its day to day needs, drawing overdraft on its account – even if it was also a customer at HSBC; and it benefited from a four-months 4.5% loan of 100,000 taels in June 1909. Later on, in 1924, *Banque de l’Indochine* joined the financing of a new municipal office (on Chengde road), the building of Pei Ho quays and several road works, by a direct loan and by the issuing of a five years

⁴¹ *Ibidem*, p. 118.

⁴² BIC Correspondance, 30 July 1907.

⁴³ *Ibidem*, 21 April 1933.

⁴⁴ *Ibidem*, 5 November 1935.

⁴⁵ Correspondance between the Tianjin branch and the Paris headquarters of *Banque de l’Indochine* (BIC), 8 and 24 November 1916. “*In Tianjin, a local incident occurred when the Chinese police intervened in the French extra-concession and probably exploited by German plotting led to the boycott of French houses and the departure of almost their whole local staff*”, *Banque de l’Indochine* yearly report for 1916. Correspondance between the director of the Tianjin branch and the Paris headquarters of *Banque de l’Indochine*, archives DSE 12/1, Historical archives of CASA. We thank their boss Roger Nougaret (and his assistant Annie Deu-Fillon) to have eased our access to such records.

tls 500,000 loan⁴⁶. The branch managed a flow of day to day advances to the institution and lodged its cash deposits (\$226,000 in November 1935 for instance). Last, it financed French companies contracting with local entities, especially a building one, Brossard Mopin, which got orders from the municipality or from French institutions for new buildings⁴⁷.

A corps of French troops was installed there to watch over the completion of the international agreement following the Boxers revolt – and the *Banque de l'Indochine* branch managed the treasury operations of the French army there. It had to face competitors, first, in 1920-1922, *Banque industrielle de Chine* which rushed to overpass *Banque de l'Indochine* on several opportunities, then since 1923 the successor of *Banque industrielle de Chine*, *Banque franco-chinoise*⁴⁸ – even if the branch of Russo-Asiatic Bank closed down⁴⁹. The Belgian *Banque sino-belge*⁵⁰ and the Italian and Chinese Bank also settled there. Such intense competition raised discontent by *Banque de l'Indochine*, complaining by the authorities about its legitimacy as “the French bank” there. But it kept its current usefulness, supplying for instance a credit for the import of French wine for the army⁵¹ in 1933...

The commitment of French interests to Tianjin gathered momentum, even from Paris, because there was some geopolitical challenge in their defence and promotion in Tianjin. One example was the fate of *Docks et appontements de Tong Ku*⁵² (with its Tong Ku docks and landing quays, competing with the Taku Tug & Lighter Company, originally linked with Russian interests), which was controlled by French entrepreneurs to welcome inland shipping on the Pei Ho, to transport coolies between New Chang and Tong Ku. It had the monopoly of persons and merchandises transport between Tianjin and Taku, where big ships stopped⁵³. It got overdebted and had to be salvaged in 1907 by a syndicate mixing its creditors, among whom the vice-president then president of the municipality of Tianjin, John O'Neill⁵⁴, which provided fresh cash. Further and deeper difficulties led to a liquidation in 1924 and its succession by a sister company managed by O'Neill and a Chinese team of investors and managers led by Joseph Hsu⁵⁵. The fate of this small company was of importance for French authorities because its quays welcomed the

⁴⁶ The Municipality had issued a loan in 1912; its second loan was complemented by a loan by the International Savings Society in 1923 (TLS 150,000 on five years) and by an advance of TLS 48,000 from *Banque de l'Indochine*. Correspondance, 16 May 1924.

⁴⁷ BIC Correspondance, 13 September 1921.

⁴⁸ *Banque franco-chinoise* opened its doors in Paris on October 1922 and in China on February 1923, with branches in Beijing, Shanghai, and Tianjin, and in Hong Kong. It disposed of a brand new building at the corner of *Rue de France* and *Rue Saint-Louis*, which was inaugurated on 2 June 1928 (“Inauguration du nouvel immeuble de la Banque franco-chinoise à Tien Tsin”, *Le Tientsinois*, 8 August 1928 (Nantes French Consulate archives, 619C).

⁴⁹ Russo-Asiatic Bank was liquidated in Paris on 1st October 1926 and in China on 17 October 1926; and the Tianjin branch closed its doors on 27 September 1926 (*North China Star*, 27 September 1926), and its premises were sold to Bank of Communications in December 1928 (see *Peking & Tientsin Times*, 16 October 1929).

⁵⁰ BIC Correspondance, 6 January 1933.

⁵¹ *Ibidem*, 14 August 1933. An amount of 3,100 hl and FRF 500,000 was financed by *Banque de l'Indochine*; the army in Shanghai got 800 hl and the Tianjin corps the other part. The trade house Racine & C^o was one key imported of wine carts for French troops in Tianjin at the end of the 1920s.

⁵² Now Tanggu.

⁵³ The Taku dock had been the first dock set up in north-east China (from 1880/81) within the coast defense post established there for the Chinese military naval force, with a naval base earmarked to protect the Bohan bay (with the Weihaiwei base and the Liushun port). Taku Dock also began manufacturing ships in 1883 and armaments in 1891 for the Chinese forces. The daily function of the dock was also to pile up coal for the steamships of the little Chinese Navy.

⁵⁴ BIC Correspondance, 30 October 1907, 7 November 1907.

⁵⁵ *Ibidem*, 11 March, 27 October 1924.

gunboat (*canonnière*) which France maintained there to assert its power on the concession and to support its troops... But it also managed a local fleet of four tug-boats and four barges, all under French flag, which practiced tramping downstream and inland shipping, trying thus to bear some French influence there.

Another case was the fate of the tramways and electricity company which had to be modernised. A Belgian candidacy for its purchase spurred discontent among French diplomats and authorities; a new company was set up in 1910 by its managers which got a fifty years concession of the networks and the plant, to be modernised⁵⁶. And it benefited from a permanent line of credit of 100,000 taels at the *Banque de l'Indochine* branch. In the interwar period, even if it lost the contract for the Japanese concession in 1928, *Énergie électrique de Tianjin* prospered under the management of Clément Bourgery, its co-owner and manager; its net assets of \$2,347,000 were the basis of large profits (£12,500 in 1924-1925) and dividends, part of them being used to invest in French Indochina. Such a business was reinforced because the firm sold its electricity to the big *Compagnie des tramways & d'éclairage de Tianjin*, which distributed it in the Belgian concession and in the Lao Si Kai territory (*de facto* included in the French territory), but also supplied the whole Chinese city.

The French community also comprised the Christian missions, because French *Missions étrangères* (the international branch of French catholic Church) were not active in northern China, which left room to religious orders (Jesuites, Franciscans, Lazarists). These entities played a key role among the French community of interests⁵⁷ managed somewhat large assets thanks to alms, charities and the revenues of their assets. The *Banque de l'Indochine* branch collected their deposits and even managed their availabilities as a broker: its permanent loan to the new concessionary company for light and tramway in 1910 was thus pledged by the guarantee of the Tianjin Jesuite mission (or "*Mission de Sienshien*"). Along with *La Procure des Lazaristes*, the other important mission in the city, the Jesuite mission became a minor co-owner (and member of the board) of *Énergie électrique de Tianjin* (with one fifth of the equity in 1936). Its leader, the Reverend Jacquart (in 1921-1929), then Reverend Charvet, was part of influential circles in the city, and the manager of the bank treated regularly with him, because he had become more and more some kind of an institutional investor and even a financial "godfather" of the French community of business interests.

The Mission invested funds in several companies of Tianjin: Tianjin Realty, *Société foncière franco-chinoise de Tianjin*⁵⁸ – intimately linked with a driving leverage force on the property market in China (Shanghai) and Hong Kong, *Crédit foncier d'Extrême-Orient*⁵⁹–, *Société française de librairie et d'édition* (a publisher), Tianjin Trust, General Dairy & Farm, Chihli Press, *Huileries de Tianjin*, and a few trading houses: Arnoult (chaired by the Reverend himself), J. Gully or Battegay, etc⁶⁰. Moreover, the Mission served as an endorser bringing its guarantee to several advances by *Banque de l'Indochine*

⁵⁶ *Ibidem*, 21 April 1910.

⁵⁷ See Corinne de Ménonville, *Les aventuriers de Dieu et de la République. Missionnaires et consuls en Chine (1844-1937)*, Paris, Les Indes savantes, 2007.

⁵⁸ *Société foncière franco-chinoise de Tianjin* had been created in 1919 and was owned by O'Neill, but *Mission de Hsien Hsin*, *Mission catholique de Tientsin* and *Mission des Lazaristes* had bought stakes, along with Chinese investors (Nantes French Consulate archives, 212, 3 July 1926). And Father F. Desrumeaux, the *Procureur des Lazaristes*, succeeded to O'Neill as the chairman (*Ibidem*, 27 March 1930); two other priests were then directors, R.P. Charvet, *Procureur de la Mission de Hsien Hsin* and R.P. J. Molinari. *Société foncière franco-chinoise de Tianjin* owned warehouses, residence houses and apartment buildings

⁵⁹ See further and footnote 68. Louis Samarcq was the manager of *Société foncière franco-chinoise de Tianjin*, but also the *fondateur de pouvoirs de Crédit foncier d'Extrême-Orient, located on 45 rue de France*.

⁶⁰ BIC Correspondance, 17 December 1928.

to local companies, for instance *Union immobilière de Tianjin*, a real estate investor⁶¹ created in 1925. In fact, the Mission took part to several projects in real estate on one side for its offices (*École des hautes études, Musée du Hoang Ho-Pai Ho*, laboratories, chapel, offices) and on another side because it invested as a property owner in several concessions or ex-concessions⁶², which provided it with important revenues from renting, and as a financial assets manager (with a thick portfolio of securities, for example American ones), thus fostering deposits and loans to companies. But its management was not crowned with success and several companies which it supported crumbled in the 1920s... Reverend Jacquart had been too much pushing and speculative, and too close to businessmen (Jean O'Neill, in particular); and a drastic reshuffling of the strategy was imposed in the 1930s to alleviate bad investments and recover more revenues from the portfolio, in fact favouring real estate activities.

Year after year, the French concession asserted itself as a competing quarter and economic stronghold against British (or else) interests or aside them: from Victoria Road to *Rue de France*, it became part of “the Wall Street of North China”, far from the Shanghai *Bund*, but proud of its banking headquarters and trade houses. The newspaper launched in 1902, the *Peking and Tien Tsin Times*, often underlined the high end activity of the concession, and the *North China Star* evoked in 1920 “Tientsin’s Lombard Street”⁶³.

4. Developing banking business in Tianjin

Against such economic, geopolitical and banking surroundings, the Tianjin market place appeared within the targets of *Banque de l'Indochine*. But, at a first glance, it was then only a little piece of the jigsaw puzzle that French bankers were drawing in China; its harbour did not reach the scope of the Shanghai and Hong Kong ones, and the insertion of the Beijing hinterland into the international flows was still far limited in comparison of the Guang Dong and Yang Ze areas. For some years, it was considered as mere experimental tool, in complementarity to the Beijing branch; and the Paris headquarters were reluctant to apply a significant working capital to this start up: its director complained against the scant fund allocated to the branch, which was fixed to £40,000 in 1907.

		Taels
Gold capital	£ 100,000	635,000
Silver capital	\$ 500,000	360,000
Cash account to be drawn	FRF 1,000,000	250,000
Total		1,245,000
To be deduced an advance to the Beijing branch		500,000
Actual total for the Tianjin branch		745,000

⁶¹ *Ibidem*, 24 November 1930.

⁶² The Missions owned properties and fields in the ex-German concession and in the French concession, at the limit of the British one. Its revenues from its properties in the French concession reached \$52,000 in 1935.

⁶³ *North China Star*, 12 August 1920, p. 13 (Nantes archives of the French Tientsin consulate, 9C1). In 1923 were thus active in Tianjin: *Banque de l'Indochine, Banque sino-française*; HSBC, Chartered; Japan: Yokohama Specie Bank, Bank of Chosen, Exchange Bank of China, Bank of Tien Tsin; US: International Banking Corporation, Asia Banking Corporation, Chinese American Bank of Commerce, American Oriental Banking Corporation; *Banque belge pour l'étranger* (opened on 13 September 1912); *Sino-Italian Bank; Deutsch Asiatisk Bank*; Russo-Asiatic Bank (till 1926); and these foreign banks were supplemented by a dozen of Chinese banks.

It was not considered as worth investing too much money because it did not look as a promising market and was submitted to hard competition, with branches opened by leading British banks HSBC and Standard Chartered, and *Banque russo-chinoise*. This perception was confirmed by reality: the Tianjin branch had first not so much business to tackle. Initial concerns were also aggravated by the overall economic and financial situation in Asia (and elsewhere in the world) because of a deep slump in 1906-1908, which stopped much of transit business.

The treaties paved the way to the inclusion of the Tianjin area into “modern” influence, because they signified the opening of the Beijing region to foreign trade and a revolution in business flows: French interests could not miss such an opportunity, even this little “scramble for Tianjin” meant harsh competition between the banks which established there). For *Banque de l'Indochine*, a first step was to provide the branch with employees, as a little enclave settled in the immense desert of French influence in this area. The manager (*directeur*)⁶⁴ was accompanied by a very few qualified employees (accounting, control, administration) coming from France and thereafter circulating within the Asian network of the bank and by local employees, speaking either French or English, even if accounting skills were often the challenge. Promissory premises were replaced by specially equipped offices in 1921, located *rue de France* – now on 80 Jiefang Beilin⁶⁵ and still some kind of a “Finance Street” of the city. The *Banque de l'Indochine* branch took profit of the rapid growth of the activities through Tianjin, which explains that more cash was fostered from Paris to support the branch, conquering thus its legitimacy. The funds provided to the branch were developed: they came from Paris through a permanent line for overdraft to be drawn on accounts in Paris (FRF 5 million in March 1933) and London (£30,000 in March 1933), but overdraft facilities were also opened at the *Banque de l'Indochine* branches of Saigon – always rich with availabilities, which brought deposits in Tianjin, for an amount of FRF 21,2 million in March 1933 for example) – and of Shanghai – the hub of *Banque de l'Indochine* in China – and Hong Kong.

A. Converging banking and geopolitical interests: French banks for French business

The image of *Banque de l'Indochine* was excellent there, but it often irritated some French stakeholders of the concession because of its prudence – it often focused on “packing credits” linked with pledged perishable goods or equipment –, its weekly dependance from Paris instructions, and it was therefore criticised by some circles – even the French newspaper *L'Écho de Tianjin* – but that was part of French self-deprecating habits... The Tianjin director had to balance risk taking and the core financial strategy of *Banque de l'Indochine* which favoured a strict liquidity rule which was judged essential to the survival of the firm overseas throughout the cyclical jolts. But French businessmen pleaded the cause of the development of French activities on the market, the penetration of Chinese customership, and the defence of the French economic flag.

No solidarity was anyway practiced from the part of French houses which prompted competition between banks, and Colinet, for example, left the *Banque de l'Indochine*

⁶⁴ (Desvaux, then André Pernotte in 1911, Thesmar, Audap for interim in 1917, A. Lecot in 1920, L. Chevretton, Joseph Demay in October 1924, etc.).

⁶⁵ The building of the branch is still standing and it houses the Fine Arts Museum of Tianjin in the Heping district. The office of HSBC were built a little later in 1925, in the same street, on 84 Jiefang North Road, whilst the Yokohama Specie Bank was built in 1926 on 80 Jiefan North Road. Both were therefore close to *Banque de l'Indochine* on 77 Jiefan North Road. Bank of Chosen stood on 101 Jiefang North Road and *Banque russo-asiatique* (since 1895) on 121 Jiefan North Road.

branch in 1933-1936 because it had found better conditions by five other banks⁶⁶. Impatient clients could for a while take profit from the competition raised by a pushing new bank, *Banque industrielle de Chine*, the CEO of which was precisely the director of the *Banque de l'Indochine* branch in Tianjin, André J. Pernotte... *Banque industrielle de Chine* was godfathered by the French ministry of foreign affairs and circles of industrialists and wholesale traders, and also by the Beijing government which used it to short-circuit the ceilings put on its borrowings by the Consortium of foreign banks since the 1912 Big Loan. *Banque industrielle de Chine* adopted a risk-taking strategy, distributing credits with generosity – that was also the case for a dynamic trade house, Galussère and its affiliate *Société maritime et commerciale du Pacifique*. Tianjin benefited from such a bonanza: “*Banque industrielle de Chine seems decided to carry systematically the forex business in Beijing and Tianjin, whatever the state of the market*”⁶⁷, until the failure of *Banque industrielle de Chine* in July 1921. A few businessmen also set up (on 30 October 1926) a banking competitor, *Banque sino-française*, probably to get access to better and easier conditions of credit⁶⁸, but it was focused on loans to Chinese authorities and seemed to aim to broaden the property investments depending on *Crédit foncier d'Extrême-Orient* and the Christian missions. But *Banque de l'Indochine* constantly financed the operations of *Crédit foncier d'Extrême-Orient*⁶⁹ which served as a real estate investor to develop operations throughout central and northern China and thus in Tianjin, to develop the free areas of the concessions, in the wake of a property boom.

Banque de l'Indochine had thus to resist through a more lenient policy of credit, although the ground for business depended on relatively middle-sized and fragile companies, managed by people who were more “adventurers” than long-term developers, and who were prompt in seizing opportunities to reach agreements without pondering their disadvantages. That was the case for the public works company Brossard & Mopin, which got orders from French authorities and created two plants (ship engines in Tianjin and a small shipyard in Takou-Sin Ho in 1918, with 3,000 employees), without great success, but consuming a few advances⁷⁰. The branch had also to support the trade houses Galussère in 1920-1921 to get a share of its credits against *Banque industrielle de Chine*, and throughout the 1920s-1930s a few other French ones (Arnoult⁷¹, Colinet, Racine), which constituted a very limited basis for a prosperous and durable activity of advances on goods against promissory notes.

Table 3. A few important French trade houses in Tianjin at the turn of the 1930s

	Location in the French concession

⁶⁶ *Ibidem*, 4 March 1936.

⁶⁷ *Ibidem*, 17 January 1917.

⁶⁸ The bank was located on 11 rue Pasteur. The equity was supplied by Ch. Homberg, several trading houses (G. Colinet, the step-brother of J.-P. Ferrer, Racine & C°, J. Battegay, Vernaudon, Gabriel Guidon-Lavallée, etc.), Christian missions (*Mission de Shiensien*, *Mission de Kiangman*), with about 50 French investors and 34 Chinese ones; but the main stakeholder was wholesale trader Jean-Paul Ferrer, who owned 5,599 equities on a total of 8,311 (Nantes French Consulate archives, 212). General Wang was a vice-president and his son Wang Hsio Kong a manager. The bank in fact ceased its operations as soon as 1931 and was liquidated in 1940 (Nantes French Consulate archives, 9C1/61). J.-P. Ferrer was born in Algeria (in 1876) and was the boss of *La Mutuelle*, an import house also practicing mortgage credit, where his son P. Ferrer was *fondateur de pouvoirs*.

⁶⁹ *Banque de l'Indochine* entered the capital of *Société franco-belge de Tien Tsin* in 1907 to broaden its relationship with local property investors, just before it merged with *Syndicat immobilier de Shanghai* to become *Crédit foncier d'Extrême-Orient* on January 1910. Léon Verbert, the manager of *Crédit foncier d'Extrême-Orient* in Tianjin, Shan Shao Lan, its comprador there, and Louis Samarcq, its *fondateur de pouvoirs* there, were also members of the board of *Société foncière franco-chinoise*.

⁷⁰ *Ibidem*, 5 April 1918.

⁷¹ But Arnoult endures severe losses in 1929-1931 and its debt grew rapidly to \$250,000 in January 1931, pledged by an amount of goods of 372,000. Correspondance, 20 January 1931 and 7 July 1931. The debt failed to 37,000 tals in March 1935, and its situation became thus sane.

	(depending on two different sources)		
	in 1926	in 1929	in 1932
Olivier	Rue de Takou	35 rue de Verdun	
G. Colinet	58 rue de l'Amirauté	23 rue de l'Amirauté	6 rue Henry Bourgeois
J. Battégay	26 rue de l'Amirauté		
Racine	137 quai de France	18 quai de France	
J. Ulman			99 rue de France
La Mutuelle (J.-P. Ferrer)			
J. Gully			54 rue Henry Bourgeois
J. Lafitte		rue de l'Amirauté	
Compagnie générale d'Extrême-Orient	?	Rue Dillon	
Moyroux			41 rue de France
E. Médard	?	?	
Arnoult	?	?	
Galussère	?	?	
Vernaudon	?	?	

The main target anyway was trade houses, but the French presence in Tianjin was scarce, all the more because of the might of foreign competitors, from the UK (Jardine & Matheson, Arnold, Perrin Cooper, William Forbes⁷², etc.), or from the US (Andersen Meyer, etc.)⁷³: there were about 34 French trade houses against a total amount of 625 in the mid-1920s. The sole important company active there was the international wholesale commission trader Olivier, much active in Asia from its basis in Paris, London and Milan, which opened offices and warehouses (“godowns”) in Tianjin (financed by *Crédit foncier d'Extrême-Orient*)⁷⁴. The branch financed its Tianjin activities⁷⁵ from the 1920s, even if Olivier faced permanent crisis of treasury; it had to require guarantees on inventories piled in a special godown dedicated to goods serving as pledges for its “packing credits” (then \$125,000)⁷⁶, that is advances on merchandises transiting through the warehouses. Despite the failure of Olivier in March 1922, it restarted its operations and remained a faithful customer of *Banque de l'Indochine* in Tianjin. It exported through Tianjin basic goods (wools, walnuts) but also high-valued “exotic” goods: goat beards, horsetails, bristles (pork hair), animal casings⁷⁷, stumps (drawings on special paper), carpets, furs, straw braids, egg albumine, etc., often sold in New York. Despite the constant support from *Banque de l'Indochine* in Paris – as its house banker – and in Tianjin, this one complained that Olivier also used other banks to finance its exports – for example, the current overdraft advances was shared along 43 per cent for Banque de l'Indochine, against 42 per cent for HSBC and 12 per cent for *Banque industrielle de Chine*⁷⁸ –, but it favoured in fact a sound division of risks and *Banque de l'Indochine* remained the key banker with two-thirds of the 1,5 million taels borrowed by Olivier through packing credits in 1924-1925.

Olivier remained a key customer of the *Banque de l'Indochine* branch throughout the 1930s, with large confirmed and irrevocable credits: “*It is a credit of pure trust which we grant to Olivier, and we are well ware of the danger of such facilities; but, should we operate differently, we ought to renounce to this business and leave them to competitors. Neither Olivier house nor other ones would indeed accept to leave their goods piled up in*

⁷² William Forbes also represented French line *Messageries maritimes*.

⁷³ The French Consul identified 625 non Chinese trading houses in Tianjin in the mid-1920s (Nantes French Consulate archives, TT46): 372 Japanese ones, 85 British, 40 German, 37 American, 28 Russian, 16 Belgian, 11 Italian, 5 Dutch, and 34 French ones.

⁷⁴ E. Charlot, from the Olivier house, was for example the chairman of the Tianjin section of the French Chamber of Commerce in 1922.

⁷⁵ With a global advance of 127,000 taels, 28 April 1921.

⁷⁶ BIC Correspondance, 1st October 1921.

⁷⁷ For example, the company Standard Casing manufactured hog and sheep casings in its factory in Tianjin (on the territory of the Russian concession), and used Olivier to export them to the US (Nantes French consulate archives, 9B2, 1928).

⁷⁸ BIC Correspondance, 26 May 1925.

*the customs godowns, bearing important charges, whereas these houses have an important commercial organisation including vast warehouses*⁷⁹, where the bank cannot precisely determine the value of its pledge. *Banque de l'Indochine's* commitment into Olivier reached \$89,000 in 1933 (48,000 on Europe; 41,000 on the US), against 109,000 by HSBC and 68,000 by City Bank⁸⁰. *"Tianjin is mainly an exporting place and almost the whole exported goods need long and delicate manipulations in the exporters's warehouses, beyond any efficient control from the banks. Should we be unable to go on opening overdrafts in trust without actual collateral guarantee, our part would dwindle there. Our customership is already much small and this situation has a notable effect on our exchange operations which lack counterparts. British and American banks are of course helped in this policy by the large number of houses from their countries, which is not our case."*⁸¹

French houses coalesced anyway to challenge their foreign competitors; they relied on banking support, they had set up a somewhat strong business community of interests, often linked to Christian and military institutions. And they even set up a French fair in 1923 to promote French production, the *Foire française d'échantillons de Tientsin*⁸². But despite these resilient efforts and the continuity of this core customership, the *Banque de l'Indochine* branch could not counterplay the weight of figures: the French contribution to the life of the Tianjin harbour and trade was insignificant and occupied only "niches", and it was not the hub of the market place.

Total exports	110
Exports to Japan	24
Among which cotton	15
Exports besides Japan	86
Exports to UK & dominions	19
Exports to USA	44
Exports to France	3
Exports to Germany, Belgium, the Netherlands, Italy and western Europe	20
Therefore part of France among these exports besides Japan	3,5%
Therefore part of France among these exports to western Europe	15%

B. Big business for French industrialists?

In the mid-1920s, *Banque de l'Indochine* became a partner of a group intending to conquer public orders for telecommunication equipment, *Société française des téléphones interurbains* (STIF). STIF had installed the networks in Tianjin, Harbin and Mukden (in Manchuria), and it transferred its headquarters from Harbin to Tianjin in 1925 because, from an Anglo-Russian company, it had become a French one in September 1924 even if it had kept links with the British Far Eastern company, a supplier to the Chinese Eastern Railway. Its purposes were to re-display its activities from Manchuria to broader north-eastern areas of China. It won the contract for the telephone and wireless link between

⁷⁹ *Ibidem*, 13 June 1932.

⁸⁰ *Ibidem*, 14 August 1933. On 27 January 1937, the shares of the global \$547,000 credit became: 197,000 for Banque de l'Indochine, 150,000 for HSBC, 125,000 for *Banque belge pour l'étranger* (the successor of *Banque sino-belge*), and 75,000 for City Bank.

⁸¹ *Ibidem*, 4 March 1936.

⁸² The fair was held from 13 to 31 October 1923, and a well illustrated booklet was even printed (Nantes French Consulate archives, TT47). "French Minister opens *Foire française d'échantillons de Tientsin* in presence of hundred visitors", *North China Star*, 14 October 1923.

⁸³ BIC Correspondance, 21 March 1939.

Tianjin and Shanghai for the Tianjin-Pukow railway (Chinese Eastern Railway). If it had issued a loan to finance this investment, it needed bank credits to finance its purchases in Europe and the US (copper, equipment) and in Manchouria (wood poles) and to its day to day operations in China as a representant of French telecommunication firms, with advances⁸⁴ of G\$ 148,000, £11,000 and taels 10,000 in 1926. Such an opportunity seemed relevant to *Banque de l'Indochine*⁸⁵. It was modestly involved in a large agreement between European and Chinese banks and SFTI in the Summer 1926 to provide big advances pledged by seven years of revenues from the network to be set up, but Banque de l'Indochine provided it with advances (69,000 taels) pending the first instalment of credit – with the equipment pledged in a warehouse. Part of the equipment was ordered in France to *Câbles de Lyon* (today: Nexans), part in the UK to Siemens UK⁸⁶. Another contract took place in October 1927: the Far Eastern Bank financed (through a G\$ 175,000 documentary credit and a global G\$ 400,000 advance) the telephone equipment of Mukden (exchange centre and 3,000 automatic units)⁸⁷. The group led by Pavlovski enlarged its scope and its subsidiary *Le matériel technique* could propose anything to customers: eleven *Potez 25* with *Lorraine* engines were even sold to the Szechuen government in 1932, transported by boat to Haiphong, assembled there, but military troubles suspended the completion of the operation, co-financed by *Banque de l'Indochine* through confirmed credits.

Such business ought to have changed the scale of *Banque de l'Indochine* in Tianjin, but it had to consider the slowness of the process for such operations, and moreover the fragmentation of Chinese power and influence networks, which led to huge amount of grafts: the telephone contract consumed G\$ 237,000 against a total amount of G\$ 859,000: “No state operation could be concluded in China without considerable ‘squeezes’ to deliver, as soon as the signature of the contracts, to those who negotiate them. This explains why big German firms (Siemens, Carlovitz, Arnhold, Karber) had won before the war the monopole of large industrial firms in the country. Far from having changed, the method has been excessively amplified because of the colossal appetite of present politicians who are the first interested by the conclusion of such operations. Large order of planes, trucks, railway equipment, etc. are reached alongwith such way. We have to accept such cosntraints and close our yeaes if we wish to work in this country.”⁸⁸

The control of the revenues of services companies was no more guaranteed because of the regional military drift, and no more revenues from railway companies or else could be used as a pledge for loans. This enhanced the prospect of operations with the Tchengtai railway, which had kept a hand of French engineers and managers throughout the interwar period despite its sinisation because it had been built and managed (in Shihkiachwang) by Frenchmen in the 1900s. *Le Matériel technique* succeeded in selling fresh equipment (from French firms Daydé and *Comptoir sidérurgique de France*) in 1933 for FRF 20 million, then 29 million, and a package of credit was set up by the *Banque de l'Indochine* branch, even if the Paris office itself was involved for some millions⁸⁹, against the deposit

⁸⁴ *Ibidem*, June 1926.

⁸⁵ *Ibidem*, 15 July 1926.

⁸⁶ *Ibidem*, 26 August 1926.

⁸⁷ *Ibidem*, 27 October 1927. But *Banque de l'Indochine* was not directly involved.

⁸⁸ *Ibidem*, 9 February 1927.

⁸⁹ *Ibidem*, 19 September 1933. Instalments of promissory notes were issued by the Chinese ministry of railways, two paid on exchange of the equipment, the other guaranteed by three Chinese banks, themselves pledged by the trade houé Sassoon.

of part of the funds by the Chinese ministry on a Chinese account as a guarantee⁹⁰. The operation took shape in 1934-1935.

Less pacific trade was also developed, when armaments were involved, owing to the grammentation of military and political power at the turn of the 1930s. French firm Hotschkiss was ordered by the Hei Lung Kiang government with a hundred of machine guns⁹¹ and *Banque de l'Indochine* brought its local guarantee (\$80,000) while the Paris office opened a confirmed credit (USD 78,000). But the development of such business was obviously hindered by the military and political evolution of China and moreover by some disturbing position of the French state, which refused to bring a public guarantee from credit insurance for the suppliers, because it required that the Chinese 1902 loan be repaid in golden francs and not in current francs, which paralysed exports prospects...

C. The Manchuria French dream

From the 1920s, some French business circles dreamed to get a share of the growing Manchurian economy, in line with the interests they had been developed there before WW1 through *Banque russo-chinoise* then *Banque russo-asiatique*. The Sovietisation of the Russian zone of influence did not disturb them, and as soon as 1924 – after France had recognised USSR – they tried to establish relationship with Russian state institutions, the Far Eastern Bank and its sister on the Chinese side, in Harbin, *Banque d'Extrême-Orient* (or Dalbank)⁹². Some years later, *Banque de l'Indochine* studied a project of opening a branch in Manchuria because, there, the French banking influence had dwindled since the liquidation of *Banque russo-asiatique* by its French shareholders: two missions were achieved in the country by the director of the Tianjin *Banque de l'Indochine* branch⁹³, in March 1928 and in March 1933. This latter emerged thus as a lever to prospect the whole north-eastern area, as an information collector in the sake for French business community, far beyond its initial function to finance day to day local exports. But Manchurian business was far riskier: some trade houses failed there (Silverberg in 1929, with *Banque de l'Indochine* losing 11,000 taels on a total of 127,000)⁹⁴, and competition was intense, even from French bankers because the *Banque russo-asiatique* assets there had been purchased by their managers and transformed into *Banque franco-asiatique* in Harbin and Mukden⁹⁵.

Some French businessmen rushed to Manchuria and set up *Union commerciale et industrielle pour la Mandchourie* in 1928 to prospect among local authorities for railway orders or else. But American industrialists and bankers won some contracts in 1930, all the more because the French state refused to bring its guarantee to political and military risks to such business. This offensive was halted by the Japanese invasion of Manchuria in 1931. A second offensive took shape anyway when French firms tried to convince Japanese authorities to consider orders. Tensions between China and Japon and the refusal from France to recognize Manchukuo did not hinder the *Banque de l'Indochine* branch to be involved in such canvassing in the wake of French industrialists, and it joined a group which competed with another one to induce Nippon potentats (general Koiso, for example,

⁹⁰ *Ibidem*, 25 January 1934, 10 February 1934, 15 February 1934. *Banque de l'Indochine* granted two credits (at 7 % + the commission): FRF 3,4 million as an irrevocable confirmed credit, and bills of exchange for 4,154 million, with instalments to be paid through the monthly revenues of the railways. The project intended to draw a new railway in the Tsang Cheu from Shihkiachwang to Siao Fang; coal could be transported directly to the Tianjin harbour without transiting through Beijing.

⁹¹ *Ibidem*, 23 July 1930.

⁹² *Ibidem*, 16 May 1924.

⁹³ *Ibidem*, 29 February 1928.

⁹⁴ *Ibidem*, 25 February 1929.

⁹⁵ *Ibidem*, 16 July 1929.

in 1933) in ordering railway equipment to modernise the lines linking Manchuria to northern China or public works schemes. Such a division, the frailty of financial arrangements, and the will of Japan to favour its own exports limited success. SFTI anyway won a contract for tramway cars for the Tramway Company of Harbin, and *Banque de l'Indochine* financed (USD 36,000) the operation⁹⁶. It was set up at the very branch of Tianjin, because of the SFTI office there, then developed on a worldwide scale: the Harbin company paid its debt to Bank of China in Harbin, which remitted it to on the Harbin account of National City Bank, then to City Bank New York, then to Franch American Banking Corporation (a joint venture between two French bank among which *Banque de l'Indochine*) in New York, then to France (*Ateliers de constructions électriques de Jeumont*).

5. The growing importance of business with foreign houses

Because of the limits of its French customership, the challenge for *Banque de l'Indochine* was to get access to core business among the foreign houses pioneering for winning market shares in the area joining Beijing and Tianjin, despite the harsh competition from British and American banks – and also of German interests until WW1.

A. The prosperity of FOREX

The portfolio of skills of the *Banque de l'Indochine* branch was enriched rapidly because it disposed of a far larger autonomy than its colleagues to fix the values of its exchange operations; it was not a mere relay of the Shanghai head offices, and conversely also traded the forex operations of the Beijing branch. Its director could therefore develop by himself exchange business and assumed large risks, for instance in June-July 1908:

20 June 1908	274,000
23 juin	650,000
2 July	642,000
11 July	1,128,000

But the scale of the Tianjin FOREX remained modest in comparison with Shanghai: “*There is in China only one market, Shanghai. Tianjin is an important place where are treated numerous exchanged affairs, but it is not the key forex market: our place on this respect is only the shadow of Shanghai. Through the quick transmission of rates, we perceive thus here various trends without understanding their motives, because rumours circulate more slowly and we cannot control them. We are therefore submitted brutally to the reactions on the Shanghai market, and the result of such a ignorance of their causes is that, all at sudden, the market get paralysed: nobody operates, everybody keeps waiting... And when the exchanges regain momentum, all the banks operate in the same direction and counterparts are lacking.*”⁹⁸

The need for currency in cash was felt several times because the Tianjin place was so much sensitive to commercial and monetary events in Shanghai and Hong Kong. An intense forex crisis occurred thus in 1927, during the upsurge in Shanghai: the dollar felt, nobody purchased taels, one rushed after silver. “*The main factor which replaced the levels on almost normal rates was the certitude that British war ships would leave Shanghai to*

⁹⁶ *Ibidem*, 4 and 26 April 1932.

⁹⁷ *Ibidem*, 11 July 1907.

⁹⁸ *Ibidem*, 5 February 1936.

Tianjin to bring golden dollars for British and Japanese banks”⁹⁹, whilst the *Banque de l’Indochine* branch had to sell with losses in order to face a run on its deposits, because the French *Jules Michelet* cruiser failed to transport cash from Shanghai for *Banque de l’Indochine* and British banks refused to refinance it and to help it change its silver *sycées* (or taels) into silver or golden dollars.

B. Financing trading houses

In parallel with the development of FOREX, another step was to create a corpus of business because Tianjin had no actual tradition as a foreign banking market and *Banque de l’Indochine* avoided on this place the syndrome of “the late comer”: “*Banks concentrate their activities on Shanghai, were the operations of Petchili [the gulf of Petchili area] and Hubei are usually cleared. Hankeou draws continuously on Shanghai in exchange of its purchase of paper on tea and cereals.*”¹⁰⁰ In direct the bank got in touch with a few knot of traders, of whom it financed bills of exchange. In this time, importers used their own warehouses (*godowns*) because the city was not equipped and wares there served as pledges for middle term loans, which constituted a somewhat high degree of risks for bankers. The other side of its activities comprised advances against wares. The branch reached rapidly a positive level of business:

Various advances	1,350,000
Discounted bills	25,000
Bills to be received on short term	30,000
Total	1,405,000

More and more, the *Banque de l’Indochine* branch found customers among the international community which attended the Tianjin harbour. Before WWI it had been involved in Manchurian business through the activities of a few wholesale traders who operated there and even in Eastern Russia from their Tianjin basis in the Russian concession, and spreaded their activities to Harbin or else. Both Batouieff-Zimmerman and Gallusser houses became important clients, but the war events or bad management led to liquidation and losses as soon as 1915, with debts pending for years – Gallusser having brought as guarantees forests and a sawmill which *Banque de l’Indochine* had to sell. Several German-Russian houses had also joined the portfolio of clients for credits in rubles and also revealed as bad debtors, which was aggravated by the depreciation of the ruble: the concept of Tianjin as a door to trading with Manchuria somewhat failed at the *Banque de l’Indochine* branch.

After WWI everyone took profit from the unfolding of German interests – even if some of them rebounded under other names and Danish flags, notably to import chemicals – which had been so much important before WWI. It played for example some part in business of American firms, always desiring to broaden their credit basis; it began by the financing of the China American Trading (878,000 taels in 1917), a large import house (cars, tires, carpets, office equipment, machines, coats, etc.) which was in 1921 the largest overdraft of the branch and kept its rank durably¹⁰¹ but revealed as a bad affair because its repayments needed years through monthly instalments, even if the firm went on trading, and the bank had to used its mortgaged offices and warehouses to get part of its debt. Anyway the *Banque*

⁹⁹ *Ibidem*, 26 July 1927.

¹⁰⁰ *Ibidem*, 21 March 1907.

¹⁰¹ With a debt amounting to 1,480,000 taels in 1918, 446,000 in October 1922 and 606,000 on 10 February 1923, and still 358,000 on 6 January 1925.

de l'Indochine branch could join the pack of bankers supporting the exports from Tianjin to the US, with large amounts of bills drawn on American banks, even if the Paris office, from the start of the 1930s, established drastic lists of the New York bankers considered solid enough, which reduced the flexibility of the branch and *in fine* its customership.

Because Tianjin, from a port devoted to exporting, transformed itself more and more as an importing harbour to supply goods to wealthy Chinese people or to local administrations and armies, financing imports emerged little by little at the *Banque de l'Indochine* branch. Imports of flour were thus financed in the mid-1930s through the activities of big trading houses Louis Dreyfus, Bunge and Gipperich. Tobacco was also involved through credits to the Karatzas house, a Greek house¹⁰². Armaments rarely appeared with a credit to American China Export Import in 1931 for a delivery to general Han Fu Chu in Kirin¹⁰³.

C. Even investment banking?

Some aspects of the commitment to local development among business welcoming French interests could even reach skills in investment banking, but only in limited cases. One can notice for example the issuing of bond for the then large and prosperous Chung Hsing Mines colliery (Yishien, Chantung) (or Chung Hsing Kuang Wu Chu) to finance its purchase of waggons¹⁰⁴ in 1910 – even if the management of the firm was German.... The next year the firm issued a loan guaranteed by the Tianjin-Pukow railway; the *Banque de l'Indochine* branch was involved because it took part to a series of credits to the Commercial Guarantee Bank of Chihli (Zhili) (against promissory notes or *billets à ordre*) which itself lent the money to the Mines – and the director of the branch Pernotte had been admitted to the board of the CGBC¹⁰⁵. The relationship with the company perdured afterwards, with new packages of promissory notes in 1914-1922 and some advances, reimbursed by bonds issued later on¹⁰⁶. The *Banque de l'Indochine* branch had thus joined the group godfathering the Mines and brokering their securities among their customers – even if the Mines might have been more dependent on German and Belgian interests than on French ones. But such activities disappeared after WWI when the loan had been repaid (in January 1919); and *Banque de l'Indochine* focused on its commercial banking activities.

6. *Banque de l'Indochine* as a local bank for Chinese in Tianjin

Such analysis leads to an obvious conclusion: the *Banque de l'Indochine* branch could not find enough business among French firms because the part played by France and the number of French companies were low, and it could not compete on a broad scale with Japanese, British or American bankers to finance Transpacific exchanges – even on this niche it supported the French house Olivier. Such an intermediary conclusion explains the development of the influence of the *Banque de l'Indochine* branch among Chinese business. It had to get embedded in such business communities, to convince them of the creditworthiness of an institution still unknown in northern China beyond the finance circles of the state in Beijing, and to promote the reputation of what was called southward “the French bank”. It had to appear as equipped with cash enough to follow their needs for loans in booming periods and as a reliable banker able to assume satisfying terms of credit beyond mere very short term activities. These were conditions to conquer the

¹⁰² BIC Correspondance, 17 June 1935. Karatzas belonged to the Canellakis brothers, and had borrowed up to FRF 425,000 and \$102,000.

¹⁰³ *Ibidem*, 15 November 1931. The credit reached an amount of USD 145,000 through bills of exchange.

Banque de l'Indochine Europe financed the global operation, and the Tianjin branch served only as a relay.

¹⁰⁴ *Ibidem*, 7 April 1910.

¹⁰⁵ *Ibidem*, 19 October 1911.

¹⁰⁶ *Ibidem*, 17 April 1912.

embeddedness required to become a key player on a banking market¹⁰⁷. “*The success of our special business is linked to the attitude which we shall adopt during the negotiations with Chinese merchants; the exchange operations should not be taken into account when time will come for them to assess the value of our institution, and the authorities will attribute a moral credit to our bank only along with the level of the resources they will find in our house.*”¹⁰⁸

Sure, *Banque de l'Indochine* lacked the amount of cash provided to HSBC by its superiority in collecting deposit on the Tianjin place (constituting about four-fifths of the liabilities of the HSBC branch). But it could anyway draw some depositors from the French community (the Municipality, the power company, the Jesuite Mission) and use the “clearing” between banks to get availabilities at call. But the basic task was to conquer a basis of local customers, which was the commonplace function of its comprador¹⁰⁹. A classical approach has to determine how and how much *Banque de l'Indochine* ploughed back money into the indigenous sector of the Tianjin economy, notably by using the networks of its comprador, his art of “*guangxi*”, as an intermediary between a foreign bank and the domestic sector, among which the own business of the comprador and his family; but constraints had often to be tackled because risk assessment of local loans (“chop loans”, especially) faced difficulties when “ethnicity” habits had to be considered, that is credit and accounting uses which did not fit European standards.

A. The comprador business before WWI

Along with a traditional *modus operandi*, the comprador Wei (and his deputy Liu, who had worked by a German bank then with *Banque russo-chinoise* in Tianjin) was financed by *Banque de l'Indochine* to provide its own network of Chinese merchants and bankers (what were called the *qiang huang* banks¹¹⁰) with loans and to manage his own staff of clerks (to cover the banking operations with Chinese clients), boys and “shroffs” to dispatch documents and also to watch over customers’ “godowns” where pledged goods were piled up. Chinese purchased imported wares against “native orders” which the compradore rediscounted with local Chinese banks. Himself used its treasury to speculate on wares on his own side. “*The comprador seems to work well, but Chinese business is far from presenting the diversity found in Shanghai: it is impossible there to use money for short term operations, as is practiced in the South with Chinese bankers. The shorter advances there are on two to three months, and more generally on six months to a year*”¹¹¹, with interest rates at almost 10 per cent.

The 1910-1911 troubles reveal the involvement of the *Banque de l'Indochine* branch in the financing of salt traders¹¹². They had become key customers of both the Tianjin and the Beijin branches, among whom Wang, the president of the Tianjin Chinese Chamber of commerce and Ho Ping Chan – because the Changlu salt field were among the main producer of salt in China. They were organised in a “Committee of salt traders”, who

¹⁰⁷ See Mark Granovetter, “Economic action and social structure: the problem of embeddedness”, *American Journal of Sociology*, 91 (3), November 1985, pp. 418-510. M. Granovetter & Richard Swedberg, *The Sociology of Economic Life*, Boulder, Westview Press, 2001 (2nd edition).

¹⁰⁸ BIC Correspondance, 7 February 1907.

¹⁰⁹ See Yen-p'ing Hao, *The Comprador in Nineteenth Century China: Bridge Between East and West*, Cambridge, Mass., Harvard University Press, 1970.

¹¹⁰ See Linsun Cheng, *Banking in Modern China: Entrepreneurs, Professional Managers and the Development of Chinese Banks, 1897-1937*, New York, Cambridge University Press, 2003. Brett Sheehan, *Trust in Troubled Times. Money, Banks, and State-Society Relations in Republican Tianjin*, op.cit., 2003.

¹¹¹ BIC Correspondance, 21 March 1907.

¹¹² See Kwan Man Bun, *The Salt Merchants of Tianjin. State-Making and Society in Late Imperial China*, Honolulu, University of Hawai Press, 2001.

borrowed money against the pledge of the salt tax collection, under the supervision of the salt *tao bai*¹¹³ – and the credit reached a level of 50,000 taels at the end of 1910. The salt business with the comprador had been extended to investments in salt trading led in common with the compradores in Hankeou and Beijin¹¹⁴: in January 1911, the importance of this business led to uncertainty because the merchants were on the brink of collapsing. The debt owned by salt leaseholder merchants (Quang, the chairman of the Chamber of Commerce, Li, etc.) grew in 1907-1910 and became “bad loans” indeed, because both Beijin and Tianjin branches took the easy way to grant trust to this layer of customers (and to the comprador as a go-between) as if to conquer some customership in the area and to assert the brand image of the bank, freshly established there¹¹⁵. The Tianjin comprador was unable to repay its borrowing (50,000 taels for the mere month of December 1911) to the bank. In order to prevent its salt customers and a majority of the little Chinese banks of the area from failing, *Banque de l'Indochine* had to renew its credits: 90,000 taels from its Beijin branch and 189,000 from its Tianjin one – whilst the Tianjin Russo-Chinese branch bore a loan of 200,000. “*All our availabilities are now fixed in loans to Chinese, bankers or salt merchants. Impossible to get any funds on this side. We are even debtors to the banks of the place*”¹¹⁶, at a time when all the salt merchants were collapsing because sales of salt apparently declined harshly and the gabelle system was no more functioning efficiently.

<i>Banque de l'Indochine</i> branch in Tianjin	549,500
<i>Banque de l'Indochine</i> branch in Beijin	1,310,000
<i>Banque de l'Indochine</i> branch in Shanghai	1,100,000
Russo-Asiatic Bank	1600,000
<i>Deutsch Asiatisch Bank</i>	1,000,000
Yokohama Specie Bank	1,000,000
Sino-Belgian Bank	300,000
Chinese banks	3,000,000
Total	9,000,000

The state impose drastic measures to the salt merchants: inquiries on their properties to seize them as pledges, imprisonment of about ten reluctant ones; and finally the state itself repaid 7 million taels of their debt in August, mainly thanks to a 6 million loan by the Ka Ta Ching Bank in July 1911. Finally *Banque de l'Indochine* inherited from 3 million taels for its branches of Beijin and Tianjin which were the creditors of ten big merchants¹¹⁷. This unexpectedly favourable result closed this involvement of the *Banque de l'Indochine* branch in the financing of the salt business and it was then convinced to dedicate its efforts to more day to day commercial operations and to avoid impairing big bad debts, thanks to an improved “capital of experience”.

B. The comprador business after WWI

A new comprador had to be recruited in June 1915 when the first one died; Tzu Chih Fu, himself the son of the comprador of a German house, Tzu Hsen Tang, was recommended by the *Banque de l'Indochine* comprador in Shanghai, Nicolas Tsou, and pledged by the comprador of the trade house Liddel Brothers¹¹⁸. But these guarantees appeared as nil

¹¹³ BIC Correspondance, 22 December 1910.

¹¹⁴ *Ibidem*, 13 January 1911.

¹¹⁵ Letter from the French Consul to the head of the BIC branch, 7 April 1911, Nantes Consulate archives, 9C1.

¹¹⁶ BIC Correspondance, 9 February 1911.

¹¹⁷ *Ibidem*, 11 May 1911, 17 June, 7 July, 15 July, 23 August 1911

¹¹⁸ *Ibidem*, 16 June 1915.

when his son lost on his side about \$60,000, and he had to resign as soon as May 1920. He was replaced by Ling Chi Hsiang, first an executive at the Chinese bank Ye Yung Cieng, then the treasurer of the armée of Li Hung Chang and last the comprador of a French insurance company in Tianjin, *La Mutuelle*. In fact, he developed rapidly his own business under the cover of *Banque de l'Indochine*, and the branch had to tackle large amounts of “native orders” for his own clients... But his operations brought cash through broad deposits either from the comprador himself or from his customers, thus providing a collection of more than 200,000 or 300,000 taels because such amounts have to be repaid during a little run in July 1927; and his operations were concluded in success and profitability, as it appeared at his death in 1933. He was succeeded by Fan Chu Fai, one of the richest land-owner of the French concession¹¹⁹. Since 1920, *Banque de l'Indochine* seems therefore to have found the point of balance in its relationship with the Chinese business world in Tianjin.

We do not perceive the reality and the scope of the comprador's business indeed, because archives noticed only the European side of the branch's life, and we cannot determine whether the branch got some access to the growing Chinese business community which built a cotton industry¹²⁰ in Tianjin at the turn of the 1920s and an industrial basis there. But some clues can be mobilised to precise the development of Chinese customership. The only figure is available in 1928 when the amount of credits borne by the comprador's business reached 615,000 taels, that is a 22 per cent of the local advances by the branch, which can be interpreted either as a positive result or as some disappointing part. But the *Banque de l'Indochine* branch seduced a few Chinese houses, specialised in high-value exports, like Nichols, one of the main manufacturer of Chinese carpets and of wool yarn, exporting to the US, Panama and Manilia¹²¹. One bad affair revealed that *Banque de l'Indochine* indirectly financed the Ta Yi Han Tsang house which exported pork bristles¹²² through a European merchant (with a £282,000 debt toward the *Banque de l'Indochine* branch): “We are once more confronted to a situation which causes a risk often denounced but against which banks are almost powerless: a European house, close to its comprador, or a friendly Chinese firm, which provided it, without known regular agreements, with the funds which are required. The European house, which is the only intermediary which banks can know and control, is in reality only a façade, whereas its fate depends in fact from the action of one or several Chinese businessmen which European banks ignore or on whom they cannot exert any control or action.”¹²³

In the 1930s, one classical activity was then the financing of Chinese trading on cotton fabrics and cotton yarns¹²⁴ (four houses with a \$120,000 debt in 1937), and more and more financing fast growing imports, for instance through credits on artificial silk, cigarette paper, sugar and even oil products; and one key activity became the financing of Chinese houses importing flour (from Shanghai mills or from abroad) with the pledge from the comprador¹²⁵. Despite the political and military environment, *Banque de l'Indochine* noticed “the prosperity” and “the abundance of treasury”¹²⁶ of its Chinese customers – perhaps because regional *dojuns* or warlord consumed high range products or because of

¹¹⁹ *Ibidem*, 14 August 1933.

¹²⁰ See Marie-Claire Bergère, *L'âge d'or de la bourgeoisie chinoise, 1911-1937*, Paris, Flammarion, 1986, pp. 184-187. Cotton spinning capacity in Tianjin jumped from 5,000 spindles in 1914 to 223,000 in 1922. Chunfu Zhu, “Les investissements des seigneurs de la guerre de la Clique du Nord dans les industries modernes de Tianjin”, *Tianjin wenshi ziliao xuanji*, n°4, October 1979, pp. 146-162 (in Chinese).

¹²¹ BIC Correspondance, 24 July 1933.

¹²² *Ibidem*, 5 February 1936.

¹²³ *Ibidem*, 5 February 1936.

¹²⁴ *Ibidem*, 9 February 1937.

¹²⁵ *Ibidem*, 26 January 1934.

¹²⁶ *Ibidem*, 21 July 1937.

the concentration of some “bourgeois” layers in the Tianjin city having fled other areas because of troubles.

7. The results of a steadfast banking strategy

Such a sectoral survey of business covered by the *Banque de l'Indochine* branch leads to consider a global assessment of the results reached on the Tianjin market place: beyond the day to day management of a branch, was it of any interest to set a French bridgehead there? In fact, one even has to wonder how such a branch could resist the shocks of its political and economic environment... But business in northern China was rich with adventures, at the heart of hot history-in-the-making, and those, traders, bankers and financiers, who succeeded somewhat there had to resist such jolts and become acute intermediaries between military and political clans which tried to control the area.

A. *Banque de l'Indochine* confronted to nationalist eruption and political conflicts (1911-1913)

A first apex of the development of the *Banque de l'Indochine* branch was reached at the start of the Winter in January 1911, when the capital used climbed to FRF 9 million; but its liquidity was somehow preserved because it could recover 1,5 million of short term (about four months) negotiable paper and even 2,5 million on 7 January (or £100,000), complemented by 2,4 million of bills of exchange (D/P paper), which reduced the overdraft on the Paris head office to 1,9 million against an authorisation for 4 million. The branch fostered growth and profit through such purchase of commercial paper.

The key obstacle to reach full success in fact came from political events. First riots burst in December 1910, when “constitutionalist” students and merchants – among whom even the president of the Chamber of commerce, Wang, one of the salt merchants who rapidly afterwards collapsed... – demonstrated against the vice-king of Zhili to demand a constitutional reform¹²⁷. This paved the way to permanent troubles in the city – like all over China in the 1906-1911 period. A year later, Tianjin was stricken by the general crisis of confidence which halted business: despite political rest there, banks suffered from withdrawals of deposits from customers and even the state¹²⁸. Species predominated because everyone was feared of political troubles; the circulation of Mexican piastres and silver metal disappeared. Chinese banks suspended their activity and a few ones collapsed (Yi Yuan Heng and Yi Ching Heng). All in all the risks borne by the *Banque de l'Indochine* branch on Chinese merchants and bankers reached then 600,000 taels – among which 40,000 on the sole Yu Fong (the customs bank). Commercial exchanges were paralysed, credit was halted at the end of 1911 – even of Tianjin and the Zhili remained faithful to the central Beijing government. The *Banque de l'Indochine* branch tightened its operations in order to recover its loans. All in sudden, luckily, the military events proved somewhat profitable: it seems that German-friendly interests (the industrialist Skoda Pilsen and the trade house Arnhold-Karberg) issued a £300 000 loan in London to provide money to the Beijing state and Yuan Chi Kai against orders for armaments¹²⁹... The cash flowed from Europe to China, and then part of it was distributed on the Tianjin place through the *Banque de l'Indochine* branch and part of it to the state through Commercial Guarantee Bank of China. Anyway the currency was used as a pledge for an issue of bills, which provided fresh air to the treasury of Chinese trade and bank houses, then of the branches of European banks. But appeasement was of short time because a revolt, looting and fires

¹²⁷ *Ibidem*, 22 December 1910.

¹²⁸ *Ibidem*, 7 November 1911.

¹²⁹ *Ibidem*, 23 February 1912.

shaked Tianjin in the beginning of April 1912: warehouses and shops were destroyed, thus rubbing off the guarantee of bankers' loans. The *Banque de l'Indochine* branch had to face 205,000 taels of thawed commercial credits¹³⁰.

Happily a rebirth of business took place because the cash provided to the Chinese government in Beijing by the Reorganisation loan helped it reimbursing numerous debts in the second half of 1913: trust and business regained momentum, even if the *Banque de l'Indochine* branch kept cautious about credits¹³¹. But the lenient management of the branch in the first half years of its existence led to piling up bad credits which the bank had to negotiate for recovering them for about a decade, pending the sale of goods stocks and mortgaged plots of land.

B. Business despite uncertainties in the 1920s

The *Banque de l'Indochine* branch lost its director, Pernotte, who had been judged too much pushing and lacking too much of "risk-aversion"; but such a move helped it to succeed in resisting to reckless risk-taking. Either because of instructions from the Paris headquarters or because of lucid management, it avoided the fate of the branch of *Banque industrielle de Chine*. This harsh competitor of *Banque de l'Indochine* in China and particularly in north-eastern China had been led by Pernotte himself¹³² after its departure from *Banque de l'Indochine*, and broadened rapidly its operations to numerous French, non French and even Chinese business, without apparently respecting sane rules of risk assessment – because it often linked financial prospects and large overdrafts to its future clients for investment banking projects. The collapse of *Banque industrielle de Chine* troubled the *Banque de l'Indochine* branch¹³³ because it stirred a crisis of trust, a run on deposits from Chinese customers who confused *Banque industrielle de Chine* and *Banque de l'Indochine*, all the more because a few Chinese trading houses working with *Banque industrielle de Chine* failed and because French authorities demanded *Banque de l'Indochine* to take part to a rescue refinancing of its rival. But rapidly *Banque de l'Indochine* emerged safe and even drew depositors fleeing *Banque industrielle de Chine* or its successor (which opened its Tianjin branch in February 1923).

Globally, banking business took profit of the relative growth of Chinese economy¹³⁴, and of the assertion of the Beijing area (because of the modern urbanisation process), of the Tianjin hinterland (Shansi, etc.) thanks to the railway networks and even somewhat of Manchurian orders. The *Banque de l'Indochine* branch could thus finance more Chinese business, beyond the scope of the French concession and its close neighbouring. For a while, the military struggles took place far southwards and the Tianjin area benefited from the relatively stable government of a few warlords balancing their power with that of the central government. Anyway the civil war imposed its dire effects on the *Banque de l'Indochine* branch, which suffered from uncertainty and bad debts over Chinese houses: "All the trading houses of our place are struggling against important troubles."¹³⁵ And Kuominchun troops occupied Tianjin a while in 1925. But the concession itself ended

¹³⁰ *Ibidem*, 6 April 1912.

¹³¹ *Ibidem*, 12 July 1913.

¹³² See André J. Pernotte, *Pourquoi et comment fut fondée la Banque industrielle de Chine, ses difficultés, ses ennemis, politique et finance*, Paris, Jouve, 1922. Nobutaka Shinonaga, *La formation de la Banque industrielle de Chine et son écroulement, un défi des frères Berthelot*. Paris, 1988. Le Duc Léouzon, *Le procès de la Banque industrielle de Chine. Plaidoirie de M. Léouzon Le Duc*, Paris, 1926. Jean-Noël Jeanneney, « La Banque industrielle de Chine et la chute des frères Berthelot, 1921-1923 », in Jean-Noël Jeanneney, *L'argent caché*, Paris, Seuil, 1984, pp. 128-168.

¹³³ BIC Correspondance, 9 July 1921.

¹³⁴ See Thomas Rawski, *Economic Growth in Prewar China*, Berkeley, 1989.

¹³⁵ BIC Correspondance, 6 January 1925.

welcoming thousands of rich people fleeing the civil war, because Chinese families wished to escape despoliation from warlords¹³⁶ and trading with the hinterland were resumed nevertheless – despite the exchange crisis in Shanghai in 1927: “*Tianjin, like the other northern ports, benefited from a relative tranquillity. The volume of transactions was thus growing despite the halt on transit of goods from Mongolia which use now the Eastern railways and the Dairen and even Vladivostock ports.*”¹³⁷

Resources	
Deposits	1,703
Capital account	1,238
Various creditor accounts	702
Clearing creditor accounts by other banks	127
Money coming to the branch from internal resources of <i>Banque de l'Indochine</i> :	
Deposit from Paris (£ account)	795
Deposit from the Beijing branch	54
Deposit from the Shanghai branch	423
Total of resources from <i>Banque de l'Indochine</i>	1,386
Total liabilities	3,831
Assets	
Advances on exgerior business	2,427
Advances on bills of exchange	183
Local business	2,791
Among which advances pending :	
Advances on promissory notes in tls et \$, among which:	774
<i>Crédit foncier d'Extrême-Orient</i>	157
Catholic Mission	37
Chinese clients through the comprador	385
Advances on goods	384
Among which advances to Olivier House in China	12
Among which advances to Chinese houses through the comprador	130 100 26
Advances on securities	274
Advances on current accounts	230
Among which <i>Énergie électrique de Tianjin</i>	139
Among which advances to the Mission of Tianjin and its <i>Union immobilière de Tianjin</i>	50
Among which advance to trading house Arnoult	81

Signs of deflation prevailed anyway because of the climate of risks, and the Paris office required the repatriation of cash assets between November 1925 and September 1926 (towards Shanghai) then in January 1927 in January 1929 (to London, about £85,000, then 600,000 taels) in order to preserve the assets from geopolitical threats, which was well anticipated: “*This [1928] year, Tianjin has directly suffered from the regaining of hostilities, and the Chinese city has been particularly hit by massacres and destructions. To the horrors of civil war was added starvation, and misery is high among a population charged with taxes. The lack on transport means, which hinders the circulation of goods, and robbery have impeded the imports from the hinterland and, except a few articles, the*

¹³⁶ *Ibidem*, 1st May 1925.

¹³⁷ *Banque industrielle de Chine* annual report for the 1927 year.

majority of export products were shortened a lot.”¹³⁸ The flight of dictator Chan So Ling spurred a cash crisis on the Tianjin place in January 1929 because its clan drew huge amounts from its banking accounts in Chinese banks, themselves threatening their deposits in European banks: *Banque de l’Indochine* had to be cautious and could not thus take profit from a strong and stable growth; but its accounts were preserved sane.

Conclusion

Despite its relatively satisfying management and business, the *Banque de l’Indochine* branch did not become the keystone of the Asian activities of *Banque de l’Indochine* in Asia and even in China. Its weight (frequently at 2 per cent) against the total returns remained far from those of the Shanghai and the Hong Kong branches:

	First term 1916	First term 1919	Second term 1919	First term 1920
Indochina and Cambodge	44,6	50,9	47,3	41,6
China	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
Hankeou	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
Singapore	4,7	2,7	16,1	3,6
Paris	14,2	6,2	4,7	4,4

But the strategic purpose defined by the Paris office and the French government was completed: even in this Tianjin city where business prospects had not been high, the flag of a French bank succeeded in competing with the British ones, and the interests of the French concession had been well served. The branch got roots within the Tianjin market: it built the corporate image of the bank there; it carried the French flag at the heart of a French territory supposed to express the dominance of the power at the entrance of the empire and provided services to French stakeholders there. It also constituted a customership among Chinese interests, especially bankers, salt merchants, trade houses, and even a mining company. It seized a market share of financing export-import trade and foreign exchange. It worked often in closed link with the Beijing branch, thus confirming the economic partnership between both markets. Throughout these accomplishments, it asserted its autonomy against the tutelage of the Shanghai branch, which predominated over the other branches in China, except Hong Kong.

Sure bankers served as leverage to foreign (end thus “imperialist”) interests’ penetration into several layers of Chinese economy¹⁴⁰, even in northern areas despite their far less commercial importance than Central and Southern areas for foreign companies. And the *Banque de l’Indochine* branch was used by French interests first to penetrate into the area joining Tianjin and Beijing, with also breakthroughs westwards towards the Shansi or else, second to prospect Manchuria despite the reversal of influence there, from Russian to Chinese and finally to Japanese stakeholding. Such a branch complemented the Shanghai leverage force established by *Banque de l’Indochine* and constituted a bridgehead into

¹³⁸ *Ibidem*, 1928.

¹³⁹ Minutes of the Board of *Banque de l’Indochine*, 25 October 1916, 29 October 1919, 28 April 1920, 24 November 1920.

¹⁴⁰ Clarence Davis, “Financing imperialism: British and American bankers as vectors of imperial expansion in China, 1908-1920”, *Business History Review*, 1982, 56-2, pp. 236-264.

north-eastern China, either for business or, almost so much importantly, for getting information about the evolution of balance of powers, of economic trends, of currency moves, and of the orientation of trade exchanges.

Banque de l'Indochine faced huge handicaps, because of the competitive edge of British banks, the frail influence of French business in north-eastern China in comparison with southern China) and the meager number of French trade houses involved there. The branch was devoted to supplying financial means to the French concession indeed. But business history show that even companies hindered by harsh handicaps did succeed in encroaching on market shares: return-led managers looked out for business opportunities, curtailed niches, because of their adaptability and flexibility, explored new territories of business and followed such a path in Tianjin, which transformed the *Banque de l'Indochine* branch into an active and profitable hub of banking business despite high risks, bad debts, and dire military events – even if its part in the life of the bank did not reach a key position, as it provided it with only 0,71 per cent of its profits on the first term of 1930 for example.

Table 10. Position of the main Chinese branches of *Banque de l'Indochine* during the first term of 1930

	Net profit	Profits on interests and commissions	Profits on forex trading	Returns on interests	Interests charged on advances	Returns on commissions and interests	Commissions and interests paid by the branch	Revenues from the rediscounting of bills of exchange
Tianjin	216	31	241	76	538	2,608	439	4
Hong Kong	645	51	681	100	647	6,146	426	0
Guangdong	37	21	65	48	347	642	223	0
Shanghai	788	412	511	625	1310	11,681	2,441	1
Beijin	35	18	91	26	115	699	55	0
Hankeou	39	4	70	11	104	703	72	0
Mongze and Yunnanfu	605	33	882	396	253	769	52	
Total for <i>Banque de l'Indochine</i> company	30,315				29,535	78,168	22,788	5,978
Total of raw profits at <i>Banque de l'Indochine</i>	107,705							

Sources : *Banque de l'Indochine*, Historical archives records, 339AH53 profits and losses on first term of 1930