

Chapter 8

French Trade and Banking Footholds in Hankow/Wuhan Challenging British Hegemony up the Yangtze (1903–1920)



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Abstract French companies and banks (mainly *Banque de l'Indochine*) undertook to sustain the momentum launched by the French State, its diplomacy and various business lobbies in favour of the promotion of economic patriotism in China. The coalition of the Consulate, the branch *Banque de l'Indochine* and trade houses transformed Wuhan/Hankeou into a hub to draw regional commodities and to introduce French goods. Bankers there had to cross military and political events, to resist competition (HSBC, from Shanghai), and to take part to the development of the concession, in the midst of the Yang Ze Kiang valley. They had to get embedded into the connections of Chinese business (through the comprador and trade houses) to avoid the risk of asymmetry of information, to broaden their capital of knowledge about the business opportunities in the area, and to get used to the local uses of payment. Their intimacy with the few French trade houses having offshoots there favoured the development of substantial banking stuff, despite the dependence from the Shanghai marketplace and from the treasury funds of the *Banque de l'Indochine* branch downstream.

Keywords *Banque de l'indochine* · Wuhan/Hankow/Hankeou concession · Yang Tzekiang · Trade banking · Trade houses · Risk management

In the massive port cities of Shanghai and Hong Kong,¹ the French business and banking communities were very active, and bridgeheads had been established in Tianjin and Guangdong by French businessmen and bankers around the First World War Bonin (2020a). Conversely, the river port city of Hankow was a remote marketplace in upstream Yangtze, far from the core interest of French imports, exports and money flows. Though this study presents a challenge, it will serve to complement our survey of the initiatives, successes and limitations of French economic

¹Bonin (2003, 2012).

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expansion in China in the first half of the twentieth century. It will reveal French entrepreneurs' ability² to resist and overcome the competition and to join the group of major stakeholders.

At the same time, we shall also sketch the outlines of the "open economy" which took shape in the more remote regions upstream. But, as elsewhere, here too events conspired to hamper the development of the Hankow port city: the revolutionary movement and the subsequent civil war, the tensions created by the division of Republican China and various social and political crises in Shanghai which hindered trade between Hankow and its outlets abroad.

The issue revolves around the ability of the French to establish, in the name of economic patriotism, a bridgehead upstream of the Yangtze in the face of the strong British hegemony in trade, transport and banking.³ In this text, we intend to describe the foundations of French trade and banking in Wuhan, the methods followed to garner market share and weave networks of relationships with foreign and local merchants and the role played by compradores and intermediaries in penetrating the Chinese business community. We will analyse French bankers' skills portfolio including the ability to control and avoid risks, the insertion of managers and middlemen into the Wuhan–Shanghai axis regarding money and commodity operations and their growing FOREX operations.

Finally, we shall also assess the diversification in their clientele in order to determine how these French bankers succeeded in becoming stakeholders in the river port city's business over and above merely serving the interests of the French business community. In order to assess the "transnational" dimension acquired, we shall scrutinise the balance between French, non-French (German, Belgian, etc.) and Chinese business in the growth of French bankers' assets. This will also help profile the "imperial", "global" and "local" banking models. As bank regulations political and economic circumstances, and the conditions of risk management changed in 1920, we will focus on only the first seventeen years of the *Banque de l'Indochine's* branch.

1 How Important Was It to Be Embedded in Hankow?

Though there is no doubt that, in this twenty-first century, being active in Wuhan represents a key advantage as the city is rich with more than 9 million inhabitants, supervises a fast-developing region in terms of energy, industry and services with key French interests like Peugeot-PSA (automobiles), Valeo (car equipment), Alstom (electronics) and Carrefour (retail), business prospects there were rather dim in the first decades of the previous century: the neighbourhood lacked substance, the range of commodities and minerals was limited and the trade along the Yangtze river was restricted to local exchanges and specialties—a far cry from the scale of the "big" business and trade that had already taken shape downstream around Shanghai. Moreover, the region had just emerged from the Boxer uprising, which had been

²See Bonin (2019).

³Lee (1989), Weber (1997).

supported there by the reformist and nationalist viceroy himself, till he set limits to its spread.⁴

1.1 *Hankow: Towards an “open” Economy*

The core issue lays in the hope that Hankow⁵ could turn into a regional hub with an “open economy”, that the Yangtze axis grows to have adequate substance for exports and imports and last, that Hankow enters the network of Asia’s “modern” hubs.⁶ Two things were required: increasing trade between Hankow and Shanghai on the domestic front and improving foreign trade and transforming the region into a major outlet for exports to Europe, Japan or the USA (like Tianjin), be they of high value (Guangzhou silk) or not. Apart from the port city itself, trading could be extended into the Hunan province, where opportunities in mining, railways or commodities could be exploited to fend off Russian and German ambitions.

There already existed before the First World War a 500 km railroad connecting Hankow to Chángshā/Tchang Cha (capital of Hunan province, with 500,000 inhabitants). The latter was a hub for collecting commodities and goods bound for the northern river shipping connections, which made Hankow an important transshipment point linking rail to river traffic. A second track was laid connecting Hankow to Beijing in 1903–5 with the aid of Belgian (and French) finance, rail equipment and public works (the station in Hankow, *Han kou da che men*, was designed by a French architect).⁷ Subsequently, it was bought over by the State thanks to the “Peking-Hankow Railway Redemption Loan Agreement” settled on 8 October 1908. These connections helped open up the area, with immediate effects on the degree of competition, services offered and a reduction in interest rates (from 12 to 10% in 1907 according to the *Banque de l’Indochine*) which stimulated trade and led to the development of the Hankow marketplace. Lastly, the building of the section linking Hankow and Guangzhou commenced just in the 1910s.

One of the issues faced by bankers and traders was weaning the Hankow market away from its dependence on Shanghai, its main rival. Traditionally, contracts (exports, boarding, financing) were signed in Shanghai, where various stakeholders had been active for decades, leaving nothing for the bankers upstream except as loan recovery managers. Though gradually the diversification of service equipment increased value addition in Hankow, only some 20 m taels were “engineered” in Hankow of the total 26 m exported in the first half of 1911 because a quarter of them were processed in Shanghai and only transited through Hankow warehouses and harbour as transshipments.⁸

⁴Kelly (1963).

⁵See Rowe (1984).

⁶Gipouloux (2011a, b).

⁷See Hentenryk (1972, 1977).

⁸Archives of the Banque de l’Indochine, historical archives of Crédit agricole SA, BE 1047, 439 AH 179, rapports-bilans semestriels, 27 July 1911 [BIC, then onwards].

Table 1 Exports of rural commodities through Hankow in the first half of 1911 (million taels)

Total value	26	
Sesame seeds	8	40% towards The Netherlands, 17% to France, 13% to Germany, 11% to Italy
Cow hides	4.5	French firm Olivier, Italian Chinese Export
Wood oil	4.5	Hegemony of US firm Gillepsie
Cotton	2.1	For Japan and other Chinese provinces

Archives of *Banque de l'Indochine*, historical archives of Crédit Agricole SA, BE 1047, 439 AH 179, *rapports-bilans semestriels*, 27 July 1911

1.2 Which Resources?

Foreign interests were mainly focused around tea, with Russia and Tibet as its main clients and France not really involved. Still, the cash generated increased imports and helped French traders find outlets. It was only slowly that a wider range of goods and minerals began to figure in the list.

1.2.1 Rural Resources

The staples traded indicate the port city's rural roots. It had become an outlet for commercial agriculture thanks to enterprising and open-minded peasants and craftsmen. Hides topped the list: cowhides (78,805 piculs⁹ in the first half 1906 and 109,856 in the first half of 1907), buffalo hides (22,539 and 18,694) and goat hides (3,024,183 and 2,370,171 units). As Chinese trade intermediaries grew in size and scope, so did the opportunities for bank loans. The goods traded included vegetal and animal tallow (for candles and machinery), wood oil (for the manufacture of linoleum in Germany and USA, varnish in the USA), pig bristles, sesame seeds (110,000 tons in 1908), gall nuts (to Germany and the USA), musk, jute (Tables 1 and 2).¹⁰

The growing trade increased the need for credit, both for exporters as well as importers: equipment was imported for modernising villages (motorised winnowers for seeds, hydraulic presses and dryers for hides, steam heaters and tanks for oils and fatty substances). Because of growing competition and lower profit margins, the cotton business gave way to the export of beans and horse beans towards the end of the 1900s. France emerged as a major outlet for a few commodities like sesame seeds and cowhides (sesame seeds came from Hebei also), which constituted a peculiar

⁹A picul (or tam) was a traditional Asian unit of weight, defined as “a shoulder-load”, “as much as a man can carry on a shoulder-pole”. As for any traditional measurement unit, the exact definition of the picul varied historically and regionally: In imperial China and later, the unit was used for a measure equivalent to 100 catties, or around 60 kg (Wikipedia).

¹⁰Archives of BIC, historical archives of Crédit Agricole SA, BE 1047, 439 AH 179, *rapports-bilans semestriels*, 9 August 1907.

Table 2 Major trading houses for the export of rural commodities in 1908

Cowhides (piculs)		Sesame seeds (tons)
Carlowitz	45,000	15,000
Melchers	20,000	20,000
Arnhold Karberg	9000	26,000
Racine-Ackermann (French)	3500	4000
Olivier (French)		3000

And also: Schweitzer, Fuhrmeister, Kolkmeijer, Evans Pugh, *Societa Coloniale Italiana*, Meyer, Theodore Rawlins

Table 3 Leading commodities exported from Hankow in 1915 (in piculs)

Sesame seeds	1,770,025
Beans and broad beans	1,407,137
Wood oil	602,128
Cotton	461,112
Vegetal tallow	210,884
Cowhides	227,026
Ramie and jute	203,162
Gall nuts	57,449
Buffalohides	14,961
Pig bristles	22,801

Source Archives of BIC, historical archives of Crédit Agricole SA, BE 1047, 439 AH 179, *rappports-bilans semestriels*, second half of 1915

aspect of this stage of the global economy at the start of the twentieth century (see Table 3).

1.2.2 Black Tea

Hankow's biggest export was, of course, black tea with 278,426 piculs (556,852 "half-chests" or strong boxes) exported in 1906 and 350,709 piculs (701,418 "half-chests") in 1907. But as Russia was the biggest client of "brick tea" (till the end of the 1910s), *Banque de l'Indochine* had to scramble to prevent *Russo-Chinese Bank*¹¹ from assuming leadership in that field. Being the centre of the Chinese black tea trade, Hankow attracted Russian tea traders who set up factories in the early 1860s to manufacture "brick tea", made from tea dust. Three of the four brick tea factories in Hankow were owned by Russian businesses: SW Litvinoff and Co (known locally as Shun Fung), Tokmakoff, Molotkoff and Co (Hsin-Tai) and Molchanoff, Pechanoff and Co (Fu Cheong). Shipments from Hankow went via steamers directly

¹¹ See Crisp (1974), Shinonaga (2012).

Table 4 Exports of tea from Hankow in 1908 (lbs)

To Nikolayevsk	8,797,700
To Vladivostok	7,430,500
To Odessa	4,423,200
To London	1,489,000
To Okhotsk	850,000
To Saint-Petersbourg	600,400

Source Archives of BIC, historical archives of Crédit Agricole SA, BE 1047, 439 AH 179, *rappports-bilans semestriels*, 1 February 1909

to Odessa and St. Petersburg or were transported overland on the Tea Road via Mongolia and Siberia to Moscow. It finally succeeded in grabbing some market share from the leading bank and seducing a few tea traders such as Trading C^o, Theodor and Rawling and *Popoff Frères* (1915) (Table 4).

1.2.3 Imports

Imports at the start of the century were still stagnant as the smaller Chinese traders were used to dealing directly with their Shanghai suppliers. As elsewhere, cotton cloth and spun cotton were imported for local craftsmen, joined later by velvet cloth. The progress of copper, iron, cement, machinery, oil and railway equipment illustrates the gradual diversification of industry, the extent of the public works undertaken in the area and the complementarities between Hankow and Shanghai as the doors to upstream Yangtze. As soon as the “open economy” spreads across the countryside and into the merchant cities of Hebei and its neighbouring provinces, imports increased rapidly, transforming Hankow from a hub for collecting commodities to a dispatching centre for imported goods, equipment and material. Some houses even specialised in this import trade which served as a lever for the issue of commercial paper, managing bills of exchange and remittances to clearing houses in Europe.

1.3 Competition as Elsewhere

But despite their high ambitions, the French had to face the real balance of power. For instance, the French shipping company linking Hong Kong and Shanghai had to stop its river services upstream in June 1911 and to yield to the *China Navigation Company*'s hegemony on the Yangtze... British and German houses¹² had long established themselves all along the river and its corresponding relays, the Yellow Sea¹³ and the Eastern Sea of China. Their concessions in Hankow were also much better

¹²Dean (1972), Edwards (1970).

¹³See Warner (1985).

entrenched compared to the French, especially as the “hongs”¹⁴ exerted great influence from their base in Shanghai: Jardine and Matheson and Swire and Butterfield had been very active in Hankow since before the First World War.

The British HSBC and the Russo-French *Banque russo-chinoise* had preceded *Banque de l'Indochine* upstream of the Yangtze: the former as the arm of British interests all across China and the latter due to the heavy tea purchases by Russian traders in the provinces. “No doubt that given equal rates, traders prefer certain banks, and for generations the Hong Kong and the *Russo-Chinoise* Banks have grabbed the lion’s share. But it is also because they too reciprocated in kind, advancing the sums required for purchases. We too can build ourselves a solid clientele. We are the only one, apart from the Hong Kong Bank, to have locally available funds—a big advantage in the eyes of the traders here. We just need to set right the misconception, still widespread, that we only deal with the Chinese, and to convince the Europeans that we would welcome them with the same facilities offered by other banks”.¹⁵

The Japanese business community had established itself with ardour, with a federative trade house, a shipping company, and the support of its *Yokohama Specie Bank*.¹⁶ In 1907, there were around 1,600 Japanese in Hankow. They were influential at the court of the viceroy of Hubei/Hou Peh and even managed to convince him to commence investing in modern city equipment—a rarity in those days. There were two types of Chinese banks: small and local and the larger, medium-sized ones (about 25) mostly from Chansi or one of the nine “mandarin” banks linked to the Administration. Gradually, they gained in size and stability, as was proven during a sharp monetary crisis in Hankow in October 1907: “Thanks to the resources gained over the past two to three years, Hankow had a large reserve of liquid capital. Chinese houses have made great strides in creditworthiness”.¹⁷ This explains why *Banque de l'Indochine* lagged far behind the stakeholders of the Hankow market in 1907: there was a long way to go! (Table 5).

2 *Banque de l'Indochine* at the Core of French Business in Hankow

With Hankow turning into a “pioneering front” for French businesses, we will follow the emergence of French pioneers there and see how they built themselves a strongly rooted community in that developing market.¹⁸ The opening of the *Banque de l'Indochine*’s branch in 1902 (made autonomous in January 1904) epitomised the strategy drawn by French experts in Paris. Let us recall that the institution managing

¹⁴Keswick (1982), Blake (1999), Jones (1986).

¹⁵Archives of BIC, historical archives of Crédit agricole SA, BE 1047, 439 AH 179, rapports-bilans semestriels, 9 August 1907.

¹⁶Tamaki (1990), Ishii (1994).

¹⁷Ibidem, 15 February 1918.

¹⁸Meuleau (1990) .

Table 5 Current accounts by banks in Hankow (in thousand taels) (end of June 1907)

	Cash (deposits)	Loans to Chinese bankers
Yokohama Specie Bank	150	500
Russo-Chinese Bank	80	700
Deutschasiatisch Bank	500	200
Chartered Bank	200	?
HSBC	400	1,200
BIC	75	1080
		290 (for the account of the Saigon branch)

Source Archives of BIC, historical archives of Crédit Agricole SA, BE 1047, 439 AH 179, *rappports-bilans semestriels*, 9 August 1907

the currency and business banking in Indochina was assigned the mission of opening branches there in return for the renewal of its status in the colony, a task. It took up in earnest at the turn of the century¹⁹ to help the French compete against British, German, Japanese, Russian and also later, American trading, shipping and banking firms. The *Banque de l'Indochine* branch²⁰—headquartered then on Dubail Street, today *Dongting Jie*²¹—acted as the spearhead for an efficient penetration of French interests into Hubei province. Like its counterparts, the French concession²² (set up in 1896 within the framework of the Treaty Ports²³) was located within the settlements area in Hankow (*Hankéou* in French) along the river Han, close to the two other areas of Wuchang (*Outchangou*), on the right side of the Yangtze, and to Hanyang on the other side of the Han River.

2.1 A New Business Community

The branch was a cornerstone of the French concession which, in 1910, was headed by a French Consul who looked after 30,000 inhabitants spread over 361,000 km². It was relatively isolated, with a letter to Paris taking 21 days through Siberia or 40 days via the Suez Canal. “Imperialism” was very much at stake with the French flag fluttering proudly over the newly built *Hôtel municipal* and visits by warships like the *Dupleix*, which came in June 1911 for the inauguration of the building. The manager of BIC, like the consul (for example, Joseph Réau,²⁴ consul and head of

¹⁹Gonjo (1985), Bonin (1994a, b).

²⁰The building itself is today the Victori and Café.

²¹Along the name of a battle in 1854 where Chinese troops won over foreign ones during the Taipin war, as if anti-imperialism had to be proclaimed against a past when the Powers had predominated.

²²Rihal (2007).

²³Murphey (1970), Fairbank (1970).

²⁴“Last evening, I dined at the *Banque [de l'Indochine]*, with the O’Neil, the Brandt and Bondeuf. This evening I will dine with the Brandt and tomorrow with the Hervy”, 10 June 1912, in Philippe

the French Municipality from 1910 to 1916 and Lecomte), entertained lavishly both formally and informally to consolidate their rooting and foster solidarity now that a business “bourgeoisie” had taken shape. The *Cercle Gaulois* and the *Hankow Club* (which managed the race rack) were also social watering holes. Like in all French concessions, business “big wigs” (heads of trading and real estate houses) were the main stakeholders of the settlement (Brandt, O’Neil, Lehman, etc.). Though partners in economic patriotism, their continued success depended on their ability to respect basic management rules and good practices. The fragility of some of them, especially in the face of recessions, prevented the concession from attaining to some degree of permanent economic stability.

2.2 *Human and Financial Resources*

Thus, the survival of this little French community depended on no small measure on the quality and competence of the *Banque de l’Indochine*’s branch manager. Most had already acquired some experience elsewhere before moving to this job: Trouillet graduated from the Bangkok branch to replace the Hankow branch’s founder, Joseph Pernotte, in 1909. He brought with him Lehman (promoted to deputy manager in Saigon in August 1912) and Delaunay as deputies. The branch was given a credit line from Paris of one million dollars, complemented by advances from the Saigon branch (100,000 FRF on 30 June 1904) and further contributions from Paris, in addition to current profits. In 1908, 1.4 m FRF in capital and 7.8 m in cash advance helped the manager to achieve a breakthrough on the market. Sometimes he was also helped by his counterpart in Shanghai, where the availabilities were often abundant: for example, an amount of 14.6 m taels was lent (at 4% interest) in December 1916.²⁵

3 **A Dynamic Strategy: The French Offensive in the Hankow Region**

The issue was well put by the first branch manager in 1907: “Are we [not] here to take an increasingly more active part in the business affairs knowing that, despite the present difficulties, they have a brilliant future? I remember how pained I was to see, some years back, how isolated our branch had become from any European business and looking, for all intents and purposes, like an old retiree in the middle of this young

Marchat, *Raphaël Réau, consul à Hankéou pendant la Révolution chinoise et la Grande Guerre, 1910–1916*, Paris, L’Harmattan, “Mémoires asiatiques”, 2013, p. 112. On 12 June, Réau had dinner with the Brandt, the O’Neil and Lehman [the deputy-head of the *Banque de l’Indochine* branch]. “Lehman invited me to the bank along with the O’Neil, very nice”, *ibidem*, 15 June 2012. Réau was promoted to Hong Kong.

²⁵ Archives of BIC, historical archives of Crédit agricole SA, correspondence and statistics from the branch to the headquarters, 439AH535, 30 December 1916.

and vibrant colony bursting with life and activity”²⁶ It was Pernotte, the branch manager (who would later leave *Banque de l’Indochine* to head the smaller *Banque industrielle de Chine*²⁷ and stir up what he felt were over-conservative mindsets) who spearheaded French entrepreneurship in the Yangtze region. “Hankow has entered the industrial stage of its economic development. This will gradually open up major opportunities for European industries for the supply of all the material required by this growth. There is little doubt that, as elsewhere, here too the French industry will let itself be forgotten, stuck in its ivory tower, while the big English, German and American houses have already begun sowing the country with their agents and agencies. And, seeing the facilities offered by them—which sometimes border on sacrifice (as in the case of Borsig [German] for the pumps of Tan-San-Wan)—one has the distinct impression that they have realized the massive potential of the region and are prepared to fight tooth and nail. Meanwhile, our poor French houses, so timid and mediocre, are incapable of any sustained effort towards an as-yet far-off result”²⁸ An offensive strategy was asserted: “We must never hesitate to accept an operation without profit if it could result in luring other advantageous ones”²⁹.

3.1 *Trade Finance and Commercial Banking*

A dual strategy was to be deployed: “To prospect houses demanding credits for their export business at the expense of other banks, and managing bills to be discounted or paid for the account of houses with imports business”³⁰ Advances on bills amounted to £ 5.268 m in June 1909 [probably Shanghai£].

3.2 *Advances Without Formal Collaterals*

The export houses found a rapidly developing market in advances on bills: paid by them to their regional suppliers, pending the loading of these goods on ships. As collaterals, the goods kept in warehouses were scrutinised and checked by bankers, either for the usual warrants (registered in the books with documents) or for overdraft facilities or “advances on bills” which were less formalised, as they linked stocked goods and classical overdrafts without formalised pledges: “Loans against bills of

²⁶ Archives of BIC, historical archives of Crédit agricole SA, BE 1047, 439 AH 179, rapports-bilans semestriels, 9 August 1907.

²⁷ King (2008), Pernotte (1922).

²⁸ Archives of BIC, historical archives of Crédit Agricole SA, BE 1047, 439 AH 179, rapports-bilans semestriels, 15 February 1908.

²⁹ Archives of BIC, historical archives of Crédit Agricole SA, correspondence and statistics, 439AH535, 5 April 1907.

³⁰ *Ibidem*, 4 April 1903.

exchange. We think that your bigger loans are all well covered by the merchandise specified in your statements and whose existence you have ensured by conducting regular visits and inspections”.³¹ In 1909, the branch took part in an agreement³² between banks to tighten the conditions for loans: every check would be guaranteed by a formal “letter of linkage” and, at the end of each month, by a letter of recapitulation of the goods pledged. But competition forced banks to break away from this agreement and dabble in greater risk.

In any case, all this was not possible for tea because it required testing and sampling of the product and some heavy negotiations regarding price. “It goes completely opposite to the other goods such as hides, grains, oils, fats, fibres, etc., that is, all that we classify under the name ‘general cargo’. For these articles, everything is done by ‘forward’ contracts in which the Hankow trader acts as the link between the entire set of Chinese sellers and their European buyers”.³³ Risks increased with price fluctuations because compradores, who maintained relations with both European buyers and the local sellers, began speculating. Lastly, there were the risks of quality: “The goods we dispatch end up almost worthless: they lose in weight and quality, the hides have holes, the grains smell rotten, etc.”.³⁴ Tense negotiations were undertaken between dispatchers, experts and arbitrators, with major losses at stake.

The advantage of this type of credit was the rapid recovery of the loan: immediately after the trade house had sold and transferred the goods on board. The turnover of the capital involved was supposed to be rapid—except when recessions in Shanghai or tides on the Yangtze blocked exports downstream. “The money invested as advances on bills to be delivered was reimbursed and turned over more than three times in the same semester. The goods involved did not remain, on average, more than a month and a half in the godowns”.³⁵ Whatever the balance between security and commercial spirit, the takeoff of this line of products was rapid from the first years of the branch (Table 6):

Despite recurrent risks, *Banque de l’Indochine* had to admit Hankow’s profitability. It became a key stakeholder of that region, with a wide range of clients (Table 7).

3.3 FOREX Operations

Each *Banque de l’Indochine* branch dealt directly with FOREX operations not only because each was (relatively) free to add value to its cash treasury, but also because each had to anticipate the fluctuations of the half dozen currencies used and in the

³¹Archives of BIC, historical archives of Crédit Agricole SA, correspondence and statistics from the branch to the headquarters, 439AH535, 24 March 1914, 11 March 1911.

³²*Ibidem*, 2 April 1909.

³³*Ibidem*, 24 March 1914, 11 March 1911.

³⁴See Footnote 27.

³⁵*Ibidem*, January 1916.

Table 6 Amount of overdrafts on unpledged goods from the branch of Hankow (taels)

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

Source Archives of BIC, historical archives of Crédit Agricole, BE 1047, 439 AH 179, *rapports-bilans semestriels*, varia

Table 7 Major customers of the BIC branch in Hankow for advances on bills to be delivered in 1912 (taels)

<i>German houses</i>	
Schwarz Gaumer	151,314
Arnhold Karberg	88,768
Carlowitz	73,972
Melchers	3881
<i>French houses</i>	
Miffret	17,466
E. Bouchard	8186
Olivier	5023
<i>Varia</i>	
Mitsui Bussan Kaisha	59,498
New Chinese Antimony	17,556
Louis Göring	4251 + 192,760
J.K. Panoff	192,760
Alff	7815
Total	664,437

Source Archives of BIC, historical archives of Crédit Agricole, BE 1047, 439 AH 179, *rapports-bilans semestriels*, July 1912

price of gold and silver for its coverage operations. The branch manager sent orders by telegraph to his partners in Shanghai, Hong Kong, Paris and London. Bills of exchange to be discounted and mainly remitted (in Europe or Asia) opened doors to clearing flows also involving FOREX operations. The branch had to get rid of its currencies as soon as their amounts began posing some risk. Thus, in order to remain competitive, *Banque de l'Indochine* began to routinely buy and sell them on the Hankow market.

This trading of bills of exchange became a leading activity of the BIC branch. For example, in the second semester of 1907, it bought bills for 11.116 m FRF (compared to only 1.802 m in the second semester of 1906) and sold bills for 5.176 m (0.303 in

1906). It included the support of ten million on paper for direct exports—for trade between Hankow and other markets—supplemented by two million FRF negotiated with the houses using Shanghai for managing their exports.³⁶ “This paper had been supplied to us mainly by the principal houses of Hankow, whose patronage was eagerly sought after by all the major banks such as Arnhold Karberg, Carlowitz, Jardine Matheson, The Trading Company, etc.”³⁷

Losses and disappointing results alternated with massive profits. The manager struggled to balance the currencies against the risks. For example, in 1909, contracts to sell pounds in Shanghai and Tonkin were concluded in the Shanghai currency, with uncertainties on the value. In 1910, the temptation to jump on opportunities was fortunately curbed as the speculative positions could have threatened the branch: “It was due to this that we allowed our competitors to grab Carlowitz’s FOREX contracts. As this house only dealt with big parcels, the fear of a lack of funds made us lose this business which, through interest on loans against bills to be delivered and FOREX profits, though small, was always profitable”.³⁸ Still, the branch’s capital of expertise continued to increase, and the little boom preceding the WWI was marked by sound FOREX operations on bills of trade, with an amount of 12.1 m FRF in the first semester of 1914 (compared to 8.4 and 11.112 m in the first and second semesters of 1913, respectively). The branch acquired export paper, consisting of bills to be drawn on European banks as representative of the exporting trade houses and the profits from these FOREX operations amounted to 28,974 taels in the first semester of 1914.

4 Widening the Customer Base

Step by step, the small team (three Frenchmen, a comprador and their employees) succeeded in luring customers and established the institution in Hankow’s market.

4.1 *Belgian Customers*

Belgian companies, pioneers in the region, were the logical first target: getting them would quickly build *Banque de l’Indochine*’s reputation and help its entry into the local network. Railways had been useful tools to prospect fresh markets: French interests were involved in railway projects in the wake of Belgian initiatives.³⁹ In the 1910s, French and Belgian interests had jointly managed the Lung-Tsing-U-Hai railway track, with bonds issued and capital raised in Belgium and France, and Seynot,

³⁶Ibidem.

³⁷Ibidem.

³⁸Archives of BIC, historical archives of Crédit Agricole SA, BE 1047, 439 AH 179, rapports-bilans semestriels, January 1911.

³⁹See Henteny (1977).

a Frenchman, as chief-engineer. BIC conducted business with Belgian Trading, a trading house hungry for credit on bills (for the export of hides).⁴⁰

It provided major loans to J. K. Panoff, a Belgian firm from Brussels, which exported minerals (antimony) for its own plant or for importers in Anvers. From 1915, it also processed a part in the Seven Mile Creek foundry in the Russian concession.⁴¹ BIC's total risks with the group attained 734,394 taels in 1914 (mainly advances on bills to be delivered, on goods, bills), almost 1 million in 1915 and 921,000 in 1918 (5.5 million FRF).⁴² It also accounted for 70% of the loans to Chinese Antimony Company in 1910. Via the intermediation of the Paris merchant bank *MM. De Neuflyze*, Panoff also found an outlet in France: "Major contracts with Stibium, Usines de Brioude, Compagnie La Lucette, Cookson, etc. which had been won through the intermediation of MM. De Neuflyze were interrupted by the War. Large quantities of minerals have been detained in the ports of Lisbon and Alexandria. A part of it goes to De Neuflyze and some other houses for which the operations had been conducted. Another part belongs to Panoff himself. His Belgian partner has asked his agent to pursue the restitution of this merchandise, on which there is considerable value addition".⁴³ L. van der Stagen came through during The First World War as Belgian Trading Cy's representative in Hankow and used the *Banque de l'Indochine* for imports.

4.2 *Native Prospects*

In 1889, Zhang Zhidong/Chang Chi Tung was transferred as Viceroy of Liangguang (Guangdong and Guangxi provinces) to Viceroy of Huguang (Hunan and Hubei provinces). He governed the province for the next eighteen years (till 1907) and called for big plants to open up the path to modernity. While he ended his tenure on a more conservative note, his successor, Tchao Tse Chouan, rekindled the reformist spirit. Despite the cash flow crisis lived through by the State cotton mills, it paved the way for *Banque de l'Indochine* to join the informal consortium of bankers providing them loans. That was the case for a cigarette plant (MAT), the Hanyan Plants (steel manufacturing, with 6,000 employees—from 1909 for *Banque de l'Indochine*, with collaterals on property documents), the Hupeh Cement Works (from 1912) and (in the French settlement) the Ching Long Flour Mill (from 1908/1914) set up by a group of Chinese investors managed by the French A. Brandt house—and the same for the Hankow Waterworks, a Chinese company (Sun). In 1910, Hanyang Steel benefited from advances on rails to be delivered to the Tianjin–Pukow railway, repaid through

⁴⁰Archives of BIC, historical archives of Crédit Agricole SA, correspondence and statistics, 439AH535, 5 April 1908.

⁴¹Ibidem, 18 March 1914; 31 March 1915.

⁴²Ibidem, 7 April 1918.

⁴³Archives of BIC, historical archives of Crédit Agricole SA, BE 1047, 439 AH 179, rapports-bilans semestriels, July 1915.

remittances on London. Despite the offer for sale of the Ching Long Flour Mill in 1914, their production went on without any crisis with their banker,⁴⁴ which was not the case of Hupeh Cement, that was forced to close down in 1914 because of its Japanese creditors—but *Banque de l'Indochine* got back its advance thanks to a pledge on a cement stock.

Moreover, as it was practiced in other places, *Banque de l'Indochine* began offering advances in piastres to native bankers, with a risk on exchange (from 1907). It used its own godown in the building of its branch to store the goods pledged against these advances, but also rented other godowns (*Pao-Tong* godowns, since 1905). Prior to WWI, it relied on a comprador, Liu Sing Seng. Trustworthy connections were extremely important as Hankow had only just begun to introduce modern accounting practices and transparency, and local capitalism still lacked the scale: the “absence of strong indigenous houses presenting solid guarantees for credit and able to serve as intermediaries between the European trader and the Chinese retailer”.⁴⁵ “The resumption of these operations since last September has been of considerable benefit for us. Moreover, we have transferred the short-term loans, whose flexibility is valuable for our cash balance, from Shanghai to Hankow.”⁴⁶

Like its fellow banks, BIC widened its trade network by dispatching imported goods all across the province and its neighbourhood: discounting paper spread deep into the countryside. Though profit per operation was meagre, the aim was to accumulate these quick returns to amortise the resources (deposits, advances from Paris) mobilised in such businesses: “Our branch itself absorbed some six million taels on average every year which, along with millions more brought by the other banks, disappeared in the Chinese hinterland or returned in part to settle import accounts. In any case, they came back to us in the form of francs credited to us in Paris only six to eight months later. This unavoidable cycle is the result of the unique conditions of this place (large number of imports) which requires a constant supply of funds to function”.⁴⁷

4.3 *Credit to Import/Export Houses*

The French bank did not hesitate to pick up business and credit opportunities among the challengers of French companies, mainly German and British competitors.

⁴⁴ Archives of BIC, historical archives of Crédit Agricole SA, correspondance and statistics from the branch to the headquarters, 439AH535, 24 March 1914.

⁴⁵ Archives of BIC, historical archives of Crédit Agricole SA, BE 1047, 439 AH 179, rapports-bilans semestriels, 9 August 1907.

⁴⁶ Ibidem, 20 July 1909.

⁴⁷ Archives of BIC, historical archives of Crédit Agricole SA, BE 1047, 439 AH 179, rapports-bilans semestriels, 1 July 1916.

4.3.1 German Trading Houses

German customers made a beeline to the *Banque de l'Indochine*'s branch, happy to extend their credit line for their overall trade. Their needs were high as they accounted for 30% of the overall Hankow trade in 1910. The branch was patronised by both modest (Schnabel-Gaumer, Lautenbach, S. Wurch, Kolmeyer and Rockstroh, etc.) and big (Melchers and Co since 1912) companies. Moreover, Carlowitz and Arnhold Karberg, both present in several port cities, frequented the branch with success before the First World War, getting credit to finance their imports in Europe, China and Hankow. They were very active in imports, purchasing cotton cloth in Manchester and selling them in Shanghai and Hankow. "It was to avoid the big risks run by the German houses when they extended to the Chinese very long credit lines that the importers of Manchester preferred going through the Germans as intermediaries".⁴⁸

As in other provinces, they gave the British a run for their money, and the *Banque de l'Indochine* had to be involved, unless it wanted to miss the boat. In 1915, a report related *ex post* the extent of the German competitive spirit: "We have given our complete support to the French houses here. And after the disappearance of the Germans, all of them have made big profits. The commissions, which earlier had been below the improbable, have returned to normalcy. It was because the Germans had worked not so much to make money as to monopolize the market and destroy the competition at all costs".⁴⁹

4.3.2 British Trading Houses

The 1910s were marked by the arrival of British customers like Harvey and Co, which used *Banque de l'Indochine* as their sole banker to finance their imports from Liverpool to upstream Yangtze: "This house only does imports. All of its credit lines opened in Europe pass through our hands. This type of business is not an immobilisation, but a continuous rolling to which we have set an upper limit. Every check is, so to say, a new business as it guarantees us new merchandise, and every payment becomes a part or full repayment of an earlier loan. This rolling also brings us forex business and presently, we have £17,000 in sales contracts".⁵⁰ Spunt & Rosenfeld, a house based in Shanghai, established itself in Hankow during WWI. In May 1916, *Banque de l'Indochine* bought large quantities of bills to be remitted on Shanghai. In the first semester of 1916, the firm accounted for a fourth of all cotton exports to Japan, financed through *Banque de l'Indochine* (1.4 m taels). "J. Spunt is a big house specialized in the cotton trade. It works for the Shanghai house and

⁴⁸Ibidem, January 1916.

⁴⁹Ibidem, July 1915.

⁵⁰Archives of BIC, historical archives of Crédit Agricole SA, Lettres-bilans, from the headquarters to the branch, 439AH535, 19 April 1913.

settles our accounts from its discounts on Shanghai: 444,000 taels as loans against remittances in Shanghai at the time of the cotton harvest in September 1916".⁵¹

The powerful English house of Dodwell, which managed the tea business of the *Anglo-Asiatic* trading house in Hankow and which had the opportunity of granting overdraft facilities for the transfer of bills to Europe through the BIC's services, also joined the fray during WWI.⁵² After 1915, Burtenshaw,⁵³ taking advantage of the German withdrawal, forged ahead, relying completely on the BIC's branch: he was the main importer of Belgian plate glass, and his boss was an important investor too, in *Pharmacie centrale*, Central Stores, *Patell Frères*, and a plant for carbonated water.⁵⁴ The firm amassed 421,000 taels⁵⁵ at the start of 1918, favouring advances on goods by BIC for an amount of 47,000 taels (2000 crates of window glass, lighting equipment and electrical appliances).⁵⁶ A few houses complemented this core set of clients. In 1914, the Swiss Louis Göring and his mining company (Göring-Laidrich/Wan Chen Chu) were treated as big clients for their tin export business. The China-Java Export Company was also accompanied in its development.

4.4 *Privileged French Customers*

A thorough analysis of the BIC's contribution to French interests is not possible, but there is no question that the French business community was a priority target. All six Catholic missions active in the area were clients (for their deposits of 37,253 taels in 1911) as was the concession's Municipality as regards its cash flow and some borrowings after 1911 (with a debt of 85,106 taels in June 1918). *Crédit foncier d'Extrême-Orient*, a Franco-Belgian financial institution linked with real estate investors in French concessions, borrowed in Hankow too (60,000 taels in June 1918). Though BIC had no monopoly and French firms were often also clients of HSBC, for instance, several houses approached it regularly, happy to use its connections to the main Chinese port cities and Europe.

Banque de l'Indochine also dealt with several local companies like Monbaron (1909), Adolphe Grosjean & Cie, Cossantelis Brothers (a Greek house from Marseille, active in Calcutta and Hankow) and A. Miffret—which financed its entire export of hides through BIC in 1912: "This house made great progress by dealing with Europe and America in its speciality of leather and hides using open and documentary

⁵¹ Archives of BIC, historical archives of Crédit Agricole SA, BE 1047, 439 AH 179, rapports-bilans semestriels, January 1917.

⁵² Archives of BIC, historical archives of Crédit Agricole SA, correspondence and statistics from the branch to the headquarters, 439AH535, 2 April 1909, 13 March 1916, 12 September 1916.

⁵³ *Ibidem*, 7 September 1917.

⁵⁴ Archives of BIC, historical archives of Crédit Agricole SA, correspondence and statistics from the branch to the headquarters, 439AH536, 20 January 1918.

⁵⁵ At this time, the tael was valued at seven francs.

⁵⁶ See Footnote 53.

letters of credit. It uses the services of the International Banking Corporation for its business in the United States”.⁵⁷ Hankow also hosted the offshoots of bigger companies that were active in several port cities such as Racine-Ackermann: “This house is extremely methodical and prudent and has done very well over the past few years. Its balance with us this semester attained 260,000 taels. It has since remitted 130,000 from HSBC and 130,000 in Europe”.⁵⁸ The branch also worked with Olivier, the largest French trading house in China and its maritime neighbourhood: “This house too has done very well over the past few years. Originally established in the English concession, it has migrated to the free lands of Tachimen [Tai Chi Man], where the hide business is not forbidden, and has built there a first class establishment”.⁵⁹

On a smaller scale, the BIC branch also serviced retailers like the chemist Picca, clockmaker *Dubois* and the Italian food-store Cozzi (till 1916, when the Italian Chinese Import & Export bought it over), expressing the intimacy between the bank and daily life on the settlement. Established in Hankow, *Société franco-chinoise de distillerie* (set up in 1909 by Yao Foo Chen) became a permanent client, with advances on securities (1911) and overdrafts. For a while, the branch was in touch with Bouchard, the manager of a colliery. In Hankow as in other provinces, a few French entrepreneurs and investors tried (and often succeeded) in exploiting local mineral resources, even on a small scale.⁶⁰

All things considered, *Banque de l’Indochine* satisfied the demands for a banking form of economic patriotism by actively supporting its French customers in the Hankow river port city. The First World War was an apex for this development, thanks to the temporary elimination of German competitors: “The French houses—notably Grosjean, Racine-Ackermann and Miffret—are presently passing through a period of unmatched prosperity. A string of businesses that have resulted in profits they could never have known without the disappearance of the German houses from European markets”.⁶¹ Meanwhile, *Banque de l’Indochine* kept its feet firmly on the ground, financing other foreign houses active on the Yangtze to an equal amount—if we focus on the special “credit product” available at the port that is, advances in blank, pending the issuing of formal bills (Table 8).

The *Banque de l’Indochine*’s Shanghai branch was a permanent commercial partner too. Both acted with a large degree of autonomy (except for a very few years). The Hankow branch used its cash treasury to purchase bills to be drawn on Shanghai through the Shanghai branch. The latter mobilised its own cash as deposits by its sister branch which managed some means of payment on a daily basis and,

⁵⁷ Archives of BIC, historical archives of Crédit Agricole SA, BE 1047, 439 AH 179, rapports-bilans semestriels, January 1917.

⁵⁸ Ibidem, January 1917.

⁵⁹ See Footnote 57 (Bonin 2020b).

⁶⁰ Archives of BIC, historical archives of Crédit Agricole SA, Lettres-bilans, from the headquarters to the branch, 439AH535, 11 April 1914.

⁶¹ Archives of BIC, historical archives of Crédit Agricole SA, BE 1047, 439 AH 179, rapports-bilans semestriels, January 1916.

Table 8 Breakdown of credit amounts of advances on bills to be delivered at the *Banque de l'Indochine*'s Hankow branch (in taels) in May 1916

<i>French houses</i>	
Racine-Ackermann	2,045,226
Grosjean	556,141
Miffret	446,817
Olivier	304,047
Sub-Total	3,352,231
<i>Foreign houses</i>	
Italian Chinese Import & Export	1,317,428
Spunt & Rosenfeld	1,067,931
Mitsui Bussan Kaisha	98,931
Panoff	627,212
Sub-Total	3,111,502

Source Archives of BIC, historical archives of *Crédit Agricole SA*, correspondence and statistics from the branch to the headquarters, 439AH536, 13 May 1916

more importantly, by organising the transfer of the amount of the salt tax collected in Hebei and its neighbourhood.

4.5 *Banque de l'Indochine Stirring Fresh Competition*

Banque de l'Indochine struggled to gain access to French and foreign companies active in these fields, and its progress was rapid: in fact, the opening of the branch filled a void and the Hankow trading community felt happy to have a new supplier of credit. In its own words, “these figures represent about one sixth of the overall exports, which is an encouraging result if we take into account the considerable part of HSBC”.⁶² The branch experienced several years of rapid growth, with 15% in 1908–1909 (after a recession) and a doubling of exports of hides in 1910. For goat hides only, the *Banque de l'Indochine*'s branch accounted for 47% of all loans in 1912, thanks to its client China-Java Export (with German interests) (Table 9).

As a sign of its competitiveness, *Banque de l'Indochine* succeeded in drawing a part of the bills discounted between Hankow and Shanghai for cotton exports: “Our purchases of discounted bills on Shanghai have more or less doubled following the establishment of Spunt and Rosenfeld in Hankow. It buys cotton and dispatches it to its Shanghai headquarters, replacing the Japanese houses which, till recently, had dominated these 15-day loan operations, the time to do the packaging, then replaced by term discounts of ten days on Shanghai”.⁶³

⁶²Ibidem, 1909.

⁶³Ibidem, January 1916.

Table 9 Part of *Banque de l'Indochine* in the financing of exports from Hankow

	<i>Banque de l'Indochine in the first semester 1909 (piculs)</i>	Total bank financing in the first semester 1909 (piculs)	Percent in the first semester 1909	Percent on the second semester 1909	Percent in 1915
Goat hides	330,000	2,138,000	15.43		
Sesame seeds	372,000	1,386,000	26.84	25	8
Beans	45,000	525 000	8.57	17	
Wood oil	18,600	269,000	6.91		0.5
Cowhides	17,600	132,000	13.33	14	14
Vegetal tallow	38,000	125,000	30.40	25	14
Ramie (China grass, also called Chinese plant or white ramie) (for fabric manufacturing)	7000	66,000	10.61		
Gall nuts	2400	21,000	11.43		3 or 4
Buffalohides	2900	20,000	14.50		2
Pig bristles	1380	6281	21.97	36	18
Cotton					8.5
Ramie and jute					2

Source Archives of BIC, historical archives of Cr dit Agricole SA, BE 1047, 439 AH 179, *rapports-bilans semestriels*, 1909, 1910, 1915

5 Hurdles on the Path of Expansion

Several barriers had to be overcome in the course of a successful implementation of a developmental business strategy in Hankow.

5.1 *The Effects of the General Crisis of 1907*

Within a few years of its establishment, the *Banque de l'Indochine*'s branch had to face the turmoil caused by the severe recession that struck the USA, then Europe and last Shanghai and a few port cities. Exports fell in 1908, and the collapse of several firms in Hankow affected many banks, notably the branch of the *Russo-Chinese Bank* which was badly hit by the fall of its comprador—though the other banks were all repaid in that last case, except HSBC. *Banque de l'Indochine* had to curtail its advances, even though it could not give up on its weakened customers in the midst

of the crisis. FOREX operations turned uncertain, with the bank and its clients having to bet on a revival in valuations which made the “situation difficult for our branch. On one hand, we cannot refuse FOREX to our clients who are themselves straining to guard themselves against the expected hike, and on the other, it is almost impossible for us to cover ourselves”.⁶⁴

5.2 *Local Worries in the First Semester of 1910*

Apart from the world’s economic conditions, China was confronted with its own “regional” disturbances. In the first semester of 1910, several houses collapsed in Shanghai and, by domino effect, in Hankow. The rapid expansion after the 1907/8 crisis led to over-deleveraged operations among Chinese traders, who had benefited from too many loans by mainly German houses and bankers. A few compradors, unable to recover their assets, fled (at China and Java Export). German houses had failed to implement the rules of loan balancing and the monitoring required on the quality and quantity of stocked goods. Some of them ended up with bad debts, which affected their bankers. *Banque de l’Indochine* itself declared immobilised loans to Fuhrmeister (13,000 taels) and Kolkmeijer and Rockstroh (76,000 taels, of which 20,000 for export of wood oil to the US). Fortunately, the branch manager had refused to extend FOREX credits to German clients.⁶⁵ But these claims were to load its accounts for a while.

5.3 *The Effects of the Wuchang Uprising (1911)*

A ferocious mini-civil war broke out in the area in 1911: the “Double Ten” insurrection (or Wuchang Uprising⁶⁶) was launched by local revolutionary groups on 10 November against the Qing imperial regime—as in Guangzhou, it was nationalism against imperialism. Heavy fighting between the official army and the insurgents followed the flight of the Viceroy Rui Cheng: from 17 October to 1st December, the revolutionary army and local volunteers defended the city in the Battle of Yangxia against better armed and more numerous Qing forces commanded by Yuan Shikai. The latter seized Hankow (except the concessions) and Hanyan, but not Wuchang, as by then, the revolt had spread all across central China to Nanking (30 November) and negotiations led to an agreement which would eventually lead to the Republic (ushered in on 19 December after the Regent was deposed). All in all, it was one

⁶⁴Ibidem, “Year 1908”, 1 February 1909.

⁶⁵Ibidem, 27 July 1910.

⁶⁶Wuhan is known as the birthplace of the Xinhai Revolution, named after the Xinhai year on the Chinese calendar. There are several museums and memorials to the revolution and the thousands of martyrs who died defending the revolution.

month of hard infighting in the port city, two-and-a-half months of local war followed by a huge fire in November and the destruction of more than a third of the town. Even after that, anarchy prevailed as the Republicans could not maintain order, and regional trade came to a grinding halt.

Delegates of foreign settlements—including French consul Raphaël Réau⁶⁷—succeeded in convincing the belligerents not to bomb them and to provide better healthcare to injured soldiers. Meanwhile, precautions were also taken in the form of French military ships with troops steaming up the Yangtze (the *Décidée*, then the *D’Aberville*). Troubles resurfaced when the Yan Shi Kay regime parted ways with their former revolutionary partners. Once again, purges and revolts rendered the trade roads insecure. *Banque de l’Indochine*’s major clients were badly affected: public works came to a halt affecting the tin mines of Louis Göring and the Hupeh Cement Works.⁶⁸ A mass of unpledged advances were suddenly frozen, leading the *Banque de l’Indochine*’s Paris headquarters to place its branch under the direct supervision of the Shanghai manager (1912 to first of July 1913). Numerous Chinese clients failed to repay their debt, and the guarantee shouldered by the comprador had to be committed. But he himself was short of funds, and his own debt amounted to 1,312,000 taels in 1916 along with the irrecoverable claims on his Chinese connections. But all things considered, the effect on the BIC branch was not severe, and business regained momentum in 1913–1914.

6 Conclusion: Was It Worth Investing in the Hankow Market?

It is always difficult to understand the strategic and financial mindset which leads companies to form developmental strategies, either in skill portfolios or in new regions. Grazing for bits of business in far-off regions might seem a shallow business model. The history of companies, the core of business history, is rife with questions like: was it worth committing so many human and financial resources to such petty commitments? As we can see (Table 10), the *Banque de l’Indochine* branch’s return to Hankow did not even attain 5 percent of the total returns of the *Banque de l’Indochine*’s branches in 1916. In 1907, the capital (1,393,531 FRF) and the overdraft drawn on Paris (7,826,531 FRF), totalling 9,220,062 FRF, generated returns of 285,843 FRF over the two semesters of 1917, that is a ROCE (return on capital employed) of 3.1 percent, which is low considering the risks undertaken and the distance between the branch and banking hubs in China (Shanghai, Hong Kong), London and Paris.

⁶⁷“Réau Raphaël”, in Bensacq-Tixier (2003), pp. 469–471, Marchat (2013), Rihal (2013).

⁶⁸Archives of BIC, historical archives of Crédit Agricole SA, correspondence and statistics from the branch to the headquarters, 439AH535, 13 November 1911.

Table 10 Returns of the major *Banque de l'Indochine* branches at the turn of the 1920s (percentages)

	First semester 1916	First semester 1919	Second semester 1919	First semester 1920
Indochina and Cambodia	44.6	50.9	47.3	41.6
Singapore	4.7	2.7	16.1	3.6
Paris	14.2	6.2	4.7	4.4
<i>Total of China</i>	23.6	22.8	17.4	18.5
South China (Guangzhou, Mongtze and Hong Kong)	11	9.2	11.2	5.6
Guangzhou	2.4	2.7	3	-5.8
Mongtze	5.3	5.3	6.2	3.8
Hong Kong	3.3	1.2	2	7.6
Shanghai	7.8	10.5	4.1	11.3
Hankow	3.9	-2.2	-0.2	0
Tien Tsin	1.8	5.5	1.9	2.4
Beijing	-0.9	-0.2	0.4	-0.8

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

Losses at the turn of the 1920s negated the revenues. The capital allotted to the branch was almost swallowed by the losses that piled up in 1916–1920. So many bad debts had to be amortised and claims immobilised over several semesters. The manager was dismissed and operations were paralysed for four–five years. The customer base shrank because many of them found elsewhere what *Banque de l'Indochine* could not provide. It was a disappointing time.

Still, business and banking histories have to take a much wider view in order to arrive at a more balanced assessment.

- First, let us remind ourselves that economic patriotism was at stake, which meant that *Banque de l'Indochine* had to open and manage branches in every port city and provide for French trading, shipping and insurance companies. In that regard, the implantation in Hankow was a success, with about a dozen French houses relying on the branch, its three French-speaking bankers, its warehouses and services.
- Second, the complementarity between *Banque de l'Indochine* branches profited from the development of the Hankow branch. The Saigon branch invested cash, while the Shanghai branch worked closely with its sister upstream for trade finance and FOREX operations and the management of payment and remittances. For the “house of *Banque de l'Indochine*”, it was an opportunity for mutualising the management of its twin offshoots.

- Third, on the scale of the entire firm, any multinational company could find complementary services in that branch in favour of their multiple bases in Chinese port cities: think of German, French or British firms active in the Yangtze valley and elsewhere (*Olivier*, etc.). Offering a banking presence across so many markets added to the French bank's reputation and cemented its international position and brand image. In the eyes of its customers, *Banque de l'Indochine* was almost equivalent to a "*Banque de Chine*". Its brand name persisted even after the merger with *Indosuez* in 1974 (till the twenty-first century, when *Crédit Agricole-CASA* took over, ultimately transforming it into *Crédit Agricole Commercial and Investment Banking-CACIB*, except for some affiliates in Asia (*Indosuez Securities, Indosuez Private Banking*)).
- Fourth, the amortisation of the entire banking firm, on a global scale, was favoured by the development of the Hankow branch. Specialised departments, business units in market banking, FOREX, trade finance, documentary credit, management of means of payment and money flows, etc., could incorporate the small flows engineered in Hankow and the regions upstream of the Yangtze into the "big machine" of their "organisation of firm" at the scale of *Banque de l'Indochine*. The little bits of business brought by the Hankow branch contributed to reducing the overall cost of exploitation of the banking firm as a whole, be it in Shanghai, London or Paris. Here, there were no "noble" products like the silk tackled by the Guangzhou branch, nor the sheer amounts like those of Indochinese rice managed by the Hong Kong branch. As in Tianjin, low-key products were the norm, but each one, like pig bristles or hides, fuelled business and contributed in its small way to the building of *Banque de l'Indochine* in Asia and European.
- Fifth, as the Hankow branch gathered momentum, its managers and employees formed part of the managerial team which reinforced the portfolio of skills and the capital of competence of the *Banque de l'Indochine* as a firm, and generally speaking, at the scale of this modest competitor to HSBC, it enhanced the overall Asian corporate culture of the institution, as has been studied by Frank King regarding HSBC.⁶⁹ Details such as the joining of a senior employee at Hankow as deputy manager at the Saigon branch exemplify the spillover of "good practices" in risk management and of the portfolio of skills throughout the *Banque de l'Indochine*'s network of branches in China.

Competition was fierce, especially from HSBC.⁷⁰ After a promising start, the Hankow branch endured great difficulties in the second half of the 1910s. But all in all, it succeeded in gaining ground against the banking bigwigs. In fact, it survived both its rivals: first *Russo-Chinese Bank* and then (from 1910), *Russo-Asiatic Bank*. The latter was weakened by bad business in Hankow and by the Russian revolution and second, *Banque industrielle de Chine*, which collapsed in 1923 (though succeeded by *Banque franco-chinoise*, it was later amalgamated into *Banque de l'Indochine*).

⁶⁹King (1996, 2000).

⁷⁰See King (1988).

The “Darwinian syndrome”, so effective in business history, did not apply to *Banque de l’Indochine* or its branch.

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