

French business and banking in Canton port city in the 1930s. A globalised community of business facing hard times

Hubert Bonin, professor of economic history at Sciences Po Bordeaux and GRETHA research centre-Bordeaux University) [www.hubertbonin.com]

From the 1890s till the 1920s, French authorities and the French community of overseas business acted altogether to promote France's competitiveness abroad, either in independent countries (Latin America, USA, etc.), or in the colonial empire. Cooperation between diplomats, industrialists and merchants, bankers¹ – what had been called "triptych bank, industry, diplomacy"² – ought to have built walls of sandbags to prevent the hegemony of British and German, or here and there Belgian, Japanese or else, business. Asia became therefore a challenge for them, and the well-known "scramble for China" was a hallmark for this economic competition. Overall commercial outlets were to be conquered there, about railways, machinery goods, armaments, consuming goods, etc. But key bridgeheads were to be found through the bunch of concessions which France got along the successive "port treaties" in the time of "the Great Humiliation", when Big Powers imposed to China the free opening of a few ports and rivers to foreign commercial penetration. Canton was thus promoted as one of this plat-form to ease French influence on some coast and hinterland areas. On its settlement (on the Shameen/Shamian island, shared with the British concession), French trading houses, one and for a while two French banks (*Banque de l'Indochine* with a branch there since 1902, *Banque industrielle de Chine* in the 1920s), a consulate, etc. were signs of a durable French embeddedness.

Its purposes were to by-pass somewhat the British influence³ exerted in south-west China through Hong Kong⁴, and mostly to favour French penetration deeply into the Chinese economy. From the 1900s to the 1920s, the array of French commercial and banking tools there had been steadily gathering momentum⁵. It fulfilled the French ambitions and became another "toolbox" being available for traders and exporters in the Far East and was up to mobilise the whole range of influence⁶ in order to bolster French deployment in the area – as a way to counterbalance the strongholds of British trading houses ("hongs") and

¹ See Hubert Bonin, "The French banks in the Pacific area (1860-1945)", in Olive Checkland, Shizuya Nishimura & Norio Tamaki (eds.), *Pacific Banking (1859-1959). East Meets West*, Londres, MacMillan & New York, St. Martin's Press, 1994, pp. 61-74. H. Bonin, "L'activité des banques françaises dans l'Asie du Pacifique des années 1860 aux années 1940", *Revue française d'histoire d'outre-mer*, 1994, tome 81, n°305, pp. 401-425.

² Jacques Thobie, *La France impériale, 1880-1914*, Paris, Megrelis, 1982. Jean Bouvier, René Girault & Jacques Thobie, *L'impérialisme à la française, 1914-1960*, Paris, La Découverte, 1986.

³ See Jürgen Osterhammel, "Imperialism in transition: British Business in China, 1860s-1950s", in R.T.P. Davenport & Geoffrey Jones (eds.), *British Business in Asia since 1860*, Cambridge, Cambridge University Press, 1989, pp. 189-227.

⁴ Norman Miners, *Hong Kong under Imperial Rule, 1912-1941*, Hong Kong, Oxford University Press, 1987. Geoffrey Sayers, *Hong Kong (1862-1919): Years of Discretion*, Hong Kong, Oxford University Press, 1968. Steve Tsang, *A Modern History of Hong Kong*, London, Tauris, 2004.

⁵ Hubert Bonin, "French business and banking in Canton port city (1900s-1920s): From an offshoot to embeddedness", paper presented at the ENIUGH conference in London, 16 April 2011 (see our website www.hubertbonin.com; or the ENIUGH website).

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.

banks (HSBC, Chartered Bank). Germany had followed a while the same path (with *Deutsch-Asiatische Bank*, linked with Deutsche Bank⁷) and Belgium also – with *Banque sino-belge* in 1902, then in 1913 *Banque belge pour l'étranger*, an affiliate of *Société générale de Belgique*, which gave birth in 1934 to *Banque belge pour l'étranger (Extrême-Orient)*⁸. Banque de l'Indochine was invested with the mission to sponsor the developments of French business thanks to its Chinese branches⁹, and the Canton outlet followed that path. In the 1910s-1920s, it had become the road companion of French silk traders, using Canton to get the raw silks, spun silks, or silk waste to be exported to Lyon, then broadening their scope to exports to the US, which were revealed as the main market for such high range staples. It had also woven intense relationships with Chinese merchants, either in the silk field, or on general trading, therefore as a “local” bank.

This survey will enhance the intimate connections between business history and banking history, encompassing the evolution of the portfolio of strategic activities of the branch, its portfolio of skills, and its performance. It had benefited from the “curb of experience” of French bank *Banque de l'Indochine* in China and in Canton. Such a portfolio of expertise and skills was put facing harsh tensions occurring throughout the 1930s, either military and political ones, or economic ones, because of the overall crisis. The progress achieved since 1902 and the position reached through the apex of growth in the 1920s were then questioned. Why and how did Banque de l'Indochine and the whole French community of business cling to their presence and activities in such a city which was shaken by new waves of crisis and tensions?

We'll ponder about strategy, tactics to face the dire times, skills in the management of risk and the penetration into the Chinese community, and about the intensiveness of the community of business mixing banking and trading in Canton and its surroundings. We'll determine how the “port-city” succeeded in preserving its commercial inhalfediary position, its international business connections, its basic vocation as a “pumping” force collecting local staples (and ores) for the interest of Non-Asian (“imperialist”) interests, its function as a bridgehead for non-Asian exports of consuming or equipment goods in south-west China, and last, its role as a plat-form favouring the “spillover” of non-Chinese entrepreneurship, business reliability and creditworthiness (against “rogue” practices) among the emerging Chinese capitalism on the inter-war period – and the existence of nineteen Chinese banks in Canton in 1936 epitomized this breakthrough.

1. The background: Canton as a port-city bolstering banking

The development of Canton as a port-city can therefore be gauged through the growth of its banking business itself: The more credit, FOREX and cash transfers gathered momentum, the more the river and maritime exchanges of the harbour were extended. From a mere relay between the countryside and the British Hong Kong big offshoot, Canton emerged slowly but steadily as a regional hub by itself. Sure, the main commercial

⁷ Motoaki Akagawa, “German banks in East Asia. The Deutsche Bank (1870-1875) and the Deutsch-Asiatische Bank (1889-1913)”, *Keio Business Review*, The Society of Business and Commerce, Keio University, n°45-1, 2009, pp. 1-20.

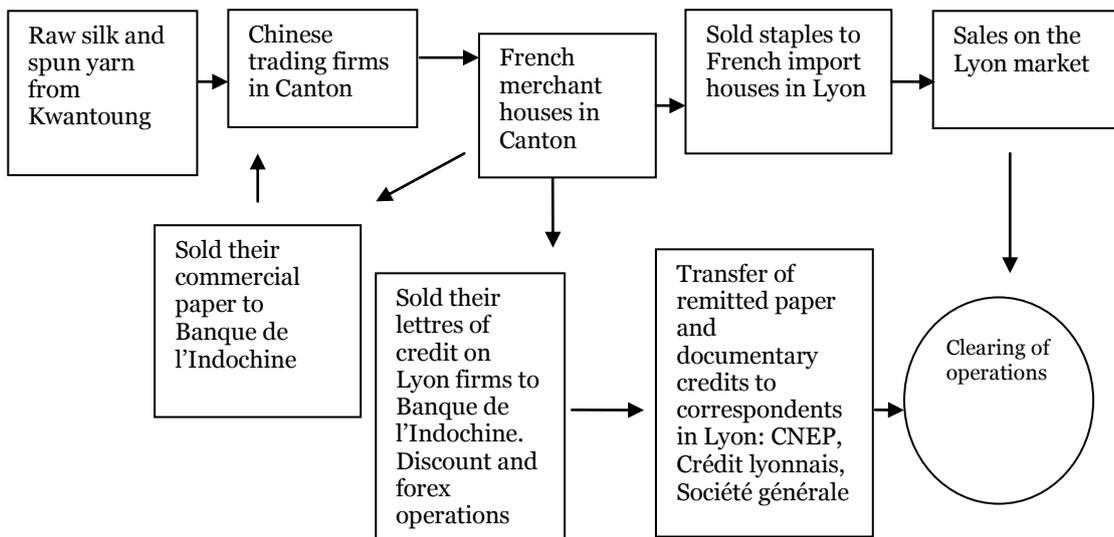
⁸ See René Brion & Jean-Louis Moreau, *La Société générale de Belgique, 1822-1997*, Anvers, Fonds Mercator, 1997. Ginette Kurgan-Van Hentenryk, “Un aspect de l'exportation des capitaux en Chine : les entreprises franco-belges, 1896-1914”, in Maurice Lévy-Leboyer (ed.), *La position internationale de la France, Aspects économiques et financiers, XIX^e-XX^e siècles*, Paris, Éditions de l'École des hautes études en sciences sociales, 1977.

⁹ Marc Meuleau, *Des pionniers en Extrême-Orient. La Banque de l'Indochine, 1875-1975*, Paris, Fayard, 1990. To be complemented by: Yasuo Gonjo, *Banque coloniale ou banque d'affaires ? La Banque de l'Indochine sous la III^e République*, Paris, Comité pour l'histoire économique & financière de la France, 1993 (first published in Japanese, Tokyo, University of Tokyo Press, 1985)

flows, toward Europe or the US, were to transit through Hong Kong facilities, and a majority of the maritime connections of Canton were as “feeders” to the international lines reaching Hong Kong. But we can pretend that the first third of the 20th century transformed radically the function of the seaport: it acquired more and more independence; its Chinese bourgeoisie broadened its basis, scattering its links deeply into the Pearl River and its affluent, alongside the commercial roads penetrating to the countryside. Because of this move towards some kind of a “first globalisation”, this commercial penetration stimulated the production of commodities for exports, mainly silk, some little mining ores, and a few other agricultural products. As Lyon (in France) and the US became intimate customers of the area, the port-city changed its stature and jumped into some worldwide dimension.

This led to the building of a new commercial city centre, equipped with far more warehouses, belonging to Chinese intermediaries or, sometimes, as for *Banque de l'Indochine*, to banks or their compradors. What is amazing is that, throughout the political and military events striking at the heart of the city, every municipal body and power struggled to pursue the extension of the construction of a modern commercial port and port-city, far beyond the sole European concessions in Shameen island, even if this latter was also comprised within this breakthrough of business modernity (with regional headquarters of banks, trading houses, insurance companies, or else). Thanks to the impulse of European and American capitalism, “East met West” in Canton too, through a visible and regular process which imposed its rhythm on the local society, despite the arguments about Chinese nationalism and model versus the import of the western model. Sure, the investments into a modern city favoured grafts and thus the financing of the political and military cliques which succeeded to one another at the head of the region. All in all, Canton came out of these decades as a competitive port-city, far behind the starring Hong Kong and Shanghai business and financial centres, but at the level of Tianjin or Wuhan, for example, which justified that *Banque de l'Indochine* and its competitors clung to their strategy of establishing a small but robust banking centre there – even if refinancing by Hong Kong supplemented the availabilities of these branches.

A major proof of such commitment and success was supplied by the development of a local bourgeoisie, either in the countryside (silk merchants, general trading houses) or in the city itself. Even a few houses commenced to assert themselves in the 1920s as international players, as stakeholders to the exports of silk, mainly oriented towards the US. Such a proto-globalised trans-Pacific connection eventually led to the building of “modern” layers of business society, in Canton and its surroundings, somewhat independent from the military cliques managing customs revenues or racketeering the trade houses... Such a social revolution fuelled the extension of banking customers, and therefore that of *Banque de l'Indochine*, which included them to its “niche strategy”, either directly, or more generally through the intermediary of its comprador. Far from accompanying passively the building of a “modern” economy and society, and remaining a mere companion of road to foreign companies, several dozens of “modern” Chinese houses also joined the fray and contributed to the embeddedness of “capitalism” in the port city and in the upstream areas. And this granted the European banks with strong clients, able to broaden the limit of the “niche” as they inserted it more and more into the proto-globalised transoceanic exchanges and FOREX. This ended naturally by the transformation of the Canton harbour from an export tool to an import leverage for foreign goods, which explain the parallel growth of European importing houses (among which several French ones, supported by *Banque de l'Indochine*) and of Chinese ones, thanks to a process of diversification of Chinese involvement in the opening of the canton port-city.



2. French businessmen and bankers entangled in a worrying environment

After three decades permitting a steady if chaotic upsurge of modern capitalism in the port-city, the 1930s offered a still more concerning background. Like on many marketplaces all over China, Canton businessmen and bankers had to jump from the little golden age of trade in the second half of the 1920s to the dire 1930s, when so many hurdles were put in front of free business in many Chinese areas. The fate of Canton as a “proto-globalised” port city was therefore at stake. From the outset of the century it had gained a position as a key export centre of raw silk, spun silk and silk waste, either towards Europe (Lyon, Italy) or towards the US and New York. The dual trade and banking architecture which had been built, oriented towards Europe and North America, was challenged by the various types and degrees of crisis.

A. Canton, a modernised city

Sure, the Pearl Rivers, the Si-Kiang (to Wuchow Fu, Nanning or Liou/ Tcheou) and the Pei-Kiang (to Chao Chow Fu) remained the main accesses to the countryside upstream to draw local production to the port-city. The port-city remained a regional hub and depended mostly on Hong Kong for its open sea trade, but its traffic gained substance, for instance with Shanghai, Formosa or even Tianjin.

Table 1. Vessels having entered and cleared at the Canton port

	1933		1934	
	Numbers	Tonnage (thousands tons)	Numbers	Tonnage (thousands tons)
Open sea steamers	1,813	2,624	2,067	3,040
River steamers	4,201	4,356	4,015	4,350
Small boats	522	97	679	119
Distribution of flags and tonnage of vessels entered and cleared at Canton				
Total	7,288	7,102	10,041	7,578
British	4,893	5,367	5,458	5,857
Chinese	1,313	783	3,526	897
Portuguese	349	160	376	167
Norwegian	261	441	182	339
Japanese	120	166	130	176
Dutch	66	70	43	51
French	38	49	25	32

Source: archives, 323 DES 36/2, Letters and reports, Second half 1934

In the meanwhile however, the economic environment for business as several tools became available. First, a line of telephone linked Canton and Hong Kong in 1931, allowing better trading operations¹⁰. Second, in July 1936 was opened the (681 miles) railway joining Canton and Hankeou/Wuhan, allowing a connection in 40 hours and thus extending northwards the scope of the port-city. Third, fixed on that track, at the Chuchow station, a new line opened on September 1937, linking Nanchang (Kwangsi) and Pingshiang (Hunan), extending the already active path between Pingshiang and Chuchow, and indirectly the stretch of the Canton port-city as a regional hub. Fourth, the first air postal connection between Canton and Hanoi was created by *Air France* on 14 February 1936: every Friday, business exchanges between the concession and the colony could be accelerated through air mail.

B. The issue of power in the Guangdong

Against these opportunities and progress, many hurdles stood and broke the business momentum. Canton was swallowed in military and political events. First, the relations between the Guangdong authorities and the central Nankin power fell back to incertitude, as in the mid-twenties. The local bigwigs were attributed decentralised functions to keep order in the region, which explained a process of local rearmament, rekindling the phenomenon of warlordism. They were also constrained to finance part of the national war through transfers of cash to the Guomingdang armies. Both facts led to deeper taxes weighed on business, often through arbitrary ways. The background of Canton business, which had reached some peaceful balance at the end of the twenties, became once more gloomy. Uncertainty was intensified first when a change at the top of the Guangdong government in April 1931 (with warlord Chen Ji Tang/Chen Chai Tong) stirred war with the Nankin state, and promoted a hard stance against the Japanese and the agreement settled by Chiang Kai Shek with them about the Manchukuo, before he negotiated an contracts preserving his influence on Guangdong. This vagary imposed to bankers a policy of extreme rigor¹¹. These troubles had sometimes effects on the steadfastness of the journey between Canton and Hong Kong, as insecurity could prevail, demanding strict precautions, for instance the protection of the small warship *Argus*, based in the South-China Sea¹². A few years later, the Guangdong clique was toppled by an internecine coup in August 1936: marshall Chan Chai Tong, who favoured more autonomy from the Nankin state, had to fly; and the influence of the central power proclaimed – even if in the neighbouring Kwangsi Li Chung Jen, an ally of Chan, stayed at the helm¹³.

The main result of such move was in fact the spreading of the central currency, the national Chinese dollar, to the Guangdong between August 1936 and February 1937. The result onwards was that three currencies were used in the port-city: the dollar of the Kwansi-Kwantung, the Hong Kong dollar (for notes), and the national dollar, rejected anyway by the users of the others. The national dollar progressed due to the inflows of refugees from the northern, Shanghai and Nankin areas and the firms flying the occupied

¹⁰ “Grâce à la liaison téléphonique avec Hong Kong, nous avons pu démontrer à nos clients européens et chinois que leur intérêt était de donner des ordres fermes valables pendant une ou deux heures. Cela nous a permis de négocier une proportion très importante des remises tirées suivant crédit de bonnes maisons américaines à des taux meilleurs que ceux de nos concurrents. » Banque de l’Indochine archives, 323 DES 36/2, Letters and reports, Second half 1932, 12 January 1932.

¹¹ “Une politique d’extrême prudence continue de s’imposer.” *Ibidem*, First half 1931, 3 August 1931.

¹² « Transporter des fonds à Hong Kong est une opération trop risquée sans le concours de la canonnière *Argus*, qui n’a guère paru à Shameen ces derniers mois. » *Ibidem*, First half 1933.

¹³ “Le mouvement révolutionnaire de juillet 1936 fomenté par les deux *Kwangs* contre l’autorité centrale aura eu comme seul résultat de permettre à Nankin la mainmise complète sur le Kwantung par suite du départ précipité du maréchal Chan Chai Tong et de sa clique.” Banque de l’Indochine archives, DES 13/4, Reports from the Canton branch to the Paris headquarters, 16 November 1936.

zones. Operations of “internal change” grew, but the Banque de l’Indochine branch did not get much involved, due its weak resources in national dollars¹⁴, even if the head of the Postal & Savings Bank chose to open a deposit account at Banque de l’Indochine, as he was French (De Sercey). It had however to take into account all these moves because the State imposed a control on FOREX in Canto since August 1938.

C. The effects of the Sino-Japanese war

Second, businessmen had to face the tensions fostered by the deepening rift between the Japanese and Chinese powers. First, after the invasion of Mandchuria, the latter set up a boycott of Japanese goods, which put a halt to several exchanges between Canton and the rest of Asia. Then, the overall military penetration or offensive into the Republic China disturbed far more the Cantonese business connections, as the maritime lines and tranquillity were often disrupted, and insecurity polluted the daily life of the harbour. As soon as political order was reinstated, military events (“the North war”) struck the port city from the summer 1937: the outburst of the war with Japan forced the Japanese houses, banks (Yokohama Specie Bank, Bank of Taiwan) and people to leave Canton at once; and the overall trade with Japan also disappeared. Such events weighed on the day to day fate of merchants and bankers (and the population) because air raids started bombing the harbour: a first attempt occurred on 18 August 1937; then war reached the Guangdong since the first week of September, when three warships entered the Pearl River on 6 September¹⁵. The Japanese fleet tried to fix a maritime blocus on the connections between Canton and Hong Kong, and on the traffic on the Pearl Rivers, mainly to stop imports of armaments. Air bombings increased, against the railways, the industrial and harbour areas (for instance on 21-23 September)¹⁶; and the Kukong port was destroyed in October (150 km north of Canton). One target was the Canton-Kowloon railway, but the bombings failed, whilst the Canton-Hankeou was stricken a few times¹⁷. Anyway the offensive lacked efficiency: the river, maritime and railway connections were preserved¹⁸. But the Chinese troops themselves blocked the rivers to protect the harbour against a risk of offensive on 30 September, thus hindering the foreign ships to join Hong Kong till 30 November 1937.

In the meantime, Chinese nationalism was expressed actively against foreign “imperialism” as anti-Japanese reactions were somehow extended to the whole foreign presence. Chinese demonstrators invaded the concessions on the mainland at the beginning of September 1937, but the British and French area on Shameen was preserved, and some military force was mobilised to stop any rush: the *Argus* gunship was even called to reinforce dissuasive postures – but the wives of the two French managers of the branch were transferred to the more secure Hong Kong. The branches of Yokohama Specie Bank and Bank of Taiwan had to close, and their staff and business transferred to Hong Kong.

Business uncertainties prevailed therefore: capital fled the area, and a moratorium had to be imposed by the authorities. Happily, Banque de l’Indochine bore no risks on Japanese

¹⁴ Banque de l’Indochine archives, DES 13/4, Reports from the Canton branch to the Paris headquarters, 7 September 1938.

¹⁵ Banque de l’Indochine archives, special note n°21 from the Canton branch to the Paris direction, 8 September 1937.

¹⁶ *Ibidem.*, 1st October 1937.

¹⁷ Banque de l’Indochine archives, special note n°29 from the Canton branch to the Paris direction, 10 October 1937.

¹⁸ Banque de l’Indochine archives, DES 13/4, Reports from the Canton branch to the Paris headquarters, 1st September 1937.

and Chinese banks at that time, which appeased the concerns of its Paris direction¹⁹. But “business as usual” could not prevail because panic burst out by fears of bombings or naval offensive; three-quarters to four-fifths of the population of the port-city fled away, fearing the bombings, and only about 300 000 remained. Even if the “determination” of the Chinese to resist the Japanese offensive was noticed by the foreigners, the usual circuits of production and commerce were disturbed in the last four months of 1937 in South China. The comprador of the Banque de l’Indochine branch was no more able to siphon off business towards the branch²⁰.

Then Great History reached Canton, when the Japanese army seized the city on 20 October 1938. From that date onwards, the exchanges suffered from an almost closure to classical flows, towards Hong Kong or Indochina mainly. The Chinese Nationalists occupied the midst of the Kowloon-Canton railway and the Japanese its both ends²¹, whereas the River was blocked and communication halted with Macau and Hong Kong, whilst the telegraph lines fell under Japanese control. Moreover, the ultimate fights had destroyed part of the harbour, notably warehouses, causing losses to merchant houses. The important clients of the Banque de l’Indochine branch could no more tackle business²². The bank decided to stop loans pledged by silk bales so long the state of war²³, and so cut deeply into its appetite for risk. Instructions were to convert the assets of the branch into USD bought in Hong Kong and transferred there on creditor accounts, at the Banque de l’Indochine branch or by other banks²⁴ – in order to anticipate on the depreciation of the Nankin dollar; and the assets in NK\$ were reduced from 1 300 373 to 634 000 from 27 October to 16 November 1939. When the full war burst out, Hong Kong served as a shelter for Chinese savings at the expense of Canton: “Hong Kong has now become a haven for refugee capital as a result of the war. Chinese funds are seeking safety there and vast sums are being invested in real estate business and industry.”²⁵ In 1938-1939 the Banque de l’Indochine branch relied on the French consul (P. Simon) to keep its telegraphic connection, its postal envoys (through the diplomatic bag), and to ease cash transfers of HK\$ and National dollars to Hong Kong²⁶

2. New opportunities to business

Despite this glooming environment, a few opportunities were offered to businessmen and bankers which allowed them to fill the hole dug into commonplace exchanges.

A. Financing the armaments trade

From 1929, the Banque de l’Indochine branch became involved in accompanying through its services several packages of sales of armaments by French (and also Belgian) companies: The more the orders from the Guangdong authorities grew in size, the more

¹⁹ « Notre agence n’a aucun risque avec les banques chinoises ou japonaises, qu’il s’agisse de contrats de change, de dépôts de fonds, de clearing, de remises en cours de règlement. » Banque de l’Indochine archives, DES 13/4, Reports from the Canton branch to the Paris headquarters, 19 August 1937.

²⁰ “Les quatre cinquièmes de la population ont quitté la ville et il ne reste plus que les personnes de moyens très modestes; le commerce est donc réduit à fort peu de chose. Là où il n’y a rien, le comprador ne peut évidemment rien. » *Ibidem*, 24 February 1938.

²¹ *Ibidem*, 6 May 1939.

²² “Depuis la prise de Canton, l’agence de Shameen de la Société commerciale asiatique ne travaille plus, puisqu’il n’est plus possible d’expédier aucune marchandises de Canton. Mais la SCA garde actif son bureau de Hong Kong. » *Ibidem*, 31 May 1939.

²³ *Ibidem*, 14 August 1939.

²⁴ *Ibidem*, 31 May 1939.

²⁵ Internal note of Banque de l’Indochine, 21 June 1939, *Ibidem*.

²⁶ Confidential note to the Paris office, 16 December 1939.

the activities in FOREX and transfers of cash (the repayment in Europe of the receipts paid by Chinese clients) were extended, which offered returns through commissions. In 1929-1930, the military order in Guangdong was not yet fully re-established, because one warlord of Kwangsi, general Chan Fat Kwei, fought to return at the head of the Canton government. He was defeated, and the local State succeeded in settling an agreement with the Nankin State, to act as its delegate in the region²⁷. Anyway, the ultimate fights, the repression of the bandits who had prospered thanks to the local wars, and several programmes of rearmament opened doors to orders in armaments²⁸, and French interests became involved²⁹. What favoured the Guangdong finances was the fees imposed on the opium trade using Canton as export harbour on the account of the provinces of Yunnan, Kweichau and Sechuen, through the Kwangsi, towards Swatow, Amoy and Shanghai³⁰.

On one side, Banque de l'Indochine practiced commonplace banking: The import of airplane engines for the Guangdong airforce in 1930 resulted in a fat bill of exchange (FRF 833 000), to be discounted. Similarly, when some Pinguet house acted as an inhalfedary to sell armaments to the warlord, another bill of exchange (£ 16,000) drawn on the Reuter-Brockmann house was discounted by the bank, with a collateral in cash for 75 per cent³¹. Another service comprises of FOREX facilities, as it was the case in 1931 for an order of armaments, thanks to the art of FOREX of Banque de l'Indochine³². The total amount³³ overseen by Banque de l'Indochine during the first half of 1932 reached USD 760 000.

For the important orders, Banque de l'Indochine assumed no risk at all, except the "risk of execution"³⁴: for example, in 1932, the two brokers tackling these armaments deliveries, Ott and Krebs had to fuel cash on a current account in Europe beforehand as an actual guarantee³⁵. Banque de l'Indochine was a partner to larger operations in 1932: sales of armaments by French firms Schneider and Hotchkiss (and also supplying mere advice to Belgian Herstal). E. Ott, a Swiss heading the Industrial Export C^o, acted as an intermediary in South China for the "*Groupe Chine*", an association of French exporters to the Chinese market, picking up contracts and following them till completion. In 1932, he oversaw the purchase of 200 *Hotchkiss* machine guns by the general headquarters of the First Group Army Corps³⁶, for an amount of USD 183,457, with a guarantee by the Canton government and a collateral through a on the modern cement plant of Sai Tsun, opened in 1932.

²⁷ « L'accord entre le gouvernement nationaliste et le nôtre semble parfait, le nôtre jouissant en fait d'une autonomie complète. » Banque de l'Indochine archives, 323 DES 36/2, Letters and reports, 14 December 1930.

²⁸ « Dans trois ans, il est vraisemblable que le Kwang Tung et ses satellites, les provinces limitrophes, représenteront une force considérable, bien armée, bien équipée, pourvue d'un armement excellent et très moderne. Ce sont les usines françaises et tchécoslovaques qui auront été les grands fournisseurs de ce matériel. » *Ibidem*, Second half 1933.

²⁹ « Le plus clair des ressources de la Province sert à financer des expéditions militaires et à acheter des armes et des munitions. » *Ibidem*, 14 December 1930.

³⁰ *Ibidem*, "political situation", first term 1933.

³¹ *Ibidem*, 14 December 1930.

³² "Vente de dollars au Quartier général des armées cantonaises pour achats d'armes (USD 519 000). Nous avons pu faire bénéficier nos clients de taux exceptionnellement favorables qui leur ont permis de boucler des affaires que les taux ordinaires du marché ne permettaient pas de conclure. » *Ibidem*, second half 1931, 6 February 1932. « Les affaires d'importation d'armes ont continué d'être productives et vous ont procuré des couvertures [de change] intéressantes. » *Ibidem*, second half 1931, 8 April 1932.

³³ *Ibidem*, first half 1932, 27 October 1932.

³⁴ "Les précédents contrats ne comportaient aucun risqué pour Banque de l'Indochine, qui agissait simplement comme caissier et agent de transmission des fonds dus au vendeur français." Banque de l'Indochine archives, DES 13/4, Reports from the Canton branch to the Paris headquarters, 21 February 1934.

³⁵ *Ibidem*, 15 February 1932.

³⁶ *Ibidem*, 19 September 1932.

On 22 February 1933, another contract was comprised of 260 *Brandt* mortars, 39,000 shells, ammunition, for an amount of gold-USD 624,999, with the last instalment achieved on 27 March 1934. In parallel, Henri Krebs, the head of the Augsburg house in Basel since 1921, and the representative in Canton since 1931 of the Belgian *Fabrique d'Herstal*, also used Banque de l'Indochine as a financial lever, with an amount of loans of USD 150,000 in 1933, for his imports of armaments in the area³⁷. All in all, the armaments business varied along the availabilities of the Guangdong authorities and the rhythm of war, locally or northwards (to support the Nankin moves against the guerrilla, then the Japanese). The Banque de l'Indochine branch oversaw sales of armaments of USD 769,000 in the half of 1932, 226,000 in the first half of 1933, and the fees earned on them fuelled half of the profits of the branch³⁸ during the second half of 1933.

Even if it faced (in 1934) the competition of the Bank of Kwangsi in Hong Kong for FOREX fees linked to the imports of armaments, the Canton branch acquired a relevant portfolio of skills on these military operations, as a factor of “differentiation”³⁹ and of profit, thus proving its efficiency⁴⁰ and fuelling cash to the credits for silk business⁴¹. Such an expertise led several opportunities. Negotiations in 1934 about a big contract (FRF 85 to 100 million); Banque de l'Indochine (in France and in Guangdong), as an active intermediary, and the *Groupe Chine* had to face a British coalition of HSBC and Jardine Matheson, because its manager John Craven was also on the Board of Vickers. Six French firms, led by Brandt, were involved: Schneider (40m), Hotchkiss (20m), Renault (10m), Brandt (10m), Sauter-Harlé (4m), and SOMUA (1m). The Chinese partners were the government of Kwantung/Guangdong and marshal Chan Chai Tong/Tchang Tchai Tong⁴², and also the Bank of Canton (located in Hong Kong) as a guarantee. After seven months of negotiations, the financial contract was signed in the summer 1934 and implemented in August-September – with the head of the Banque de l'Indochine branch in Canton, Jean Juge, and the representatives of the marshal, but its completion lasted still a few months, because of lack of money on the Chinese side. Banque de l'Indochine guaranteed the delivery of the military equipments, against treasury bills of the Guangdong government (themselves pledged by the returns of taxes on tobacco and wine) and exchange bills at the order of the bank, to be drawn on 60 months⁴³.

Schneider, the big French manufacturer of heavy armaments⁴⁴, was once more involved in such trade in July 1935, in that case about three batteries of four canons, light canons, and ammunition. Payment instalments were scheduled in 1935-1938, once more with the returns of taxes on wines and tobacco as collaterals for promissory notes issued to cover the credit; and Banque de l'Indochine acted as the agent for the transfer – with a 1 % fee,

³⁷ *Ibidem.*, 5 May 1933

³⁸ “Les affaires d’armes se sont élevées pour le semestre à FRF 6,826m. La majeure partie de cette somme revient au Groupe Chine, qui a été, pendant tout le semestre, le meilleur client de notre agence. » Banque de l'Indochine archives, 323 DES 36/2, Letters and reports, first half 1933.

³⁹ “Bonne expérience de l’agence de Canton dans l’accompagnement des ventes d’armes, avec l’appui du consul française. Notre agence est rompue à toutes ces affaires, qu’elle traite avec succès depuis trois ans », Banque de l'Indochine archives, DES 13/4, Letter from the Canton branch to the Hong Kong branch, 27 April 1933.

⁴⁰ « Les transferts de fonds afférents aux précédents contrats (Schneider, Hotchkiss, Brandt, etc.) se sont effectués avec régularité ; or ces contrats seront dans l’ensemble d’ici très peu de temps, entièrement réglés », Banque de l'Indochine archives, DES 13/4, Reports from the Canton branch to the Paris headquarters, 1st January 1934.

⁴¹ “Les affaires d’armes sont pour nous une source substantielle de bénéfices et elles nous permettent en temps normal des couvertures rapides à notre papier de soie.” *Ibidem*, 27 April 1933.

⁴² “Tant que le maréchal Chan Chai Tong règnera sur le Kwantung, la paix sera assurée dans la ville et dans la province; or sa situation actuelle est très forte.” *Ibidem*, 1st January 1934.

⁴³ *Ibidem*, 21 June 1934.

⁴⁴ See Tristan de la Broise & Félix Torres, *Schneider, l’histoire en force*, Paris, Jean-Pierre de Monza, 1996.

for its guarantee to the embarkation of the equipment in France, thus as some kind of comptroller of the completion of the operation⁴⁵. The deliveries commenced in April 1936, cash was picked up by the Canton branch for the account of the *Groupe Chine*, all the more because new contracts were signed in March-May 1936 for further orders of canons, 75-type batteries, mortars, shells, etc. Such orders were pending around FRF 78 millions in August 1936, with 33,7m paid by the government against a value of 10,4m for equipment already delivered – which could reinsure the bank despite the change of power in Canton⁴⁶. During the sole first half of 1936, the sales of armaments which Banque de l'Indochine oversaw reached FRF 24m against a total of 32m⁴⁷. The coup of August 1936 suspended the process, but the new power eventually confirmed the contract, although imposing more “grey” payments and smaller fees⁴⁸. A last operation took place in March 1936, when Banque de l'Indochine provided the trade house Feld & C^o with its guarantee (£ 58,000) to the completion of the delivery of 10,000 *Mauser* guns ordered to the Belgian *Fonderie nationale* till it was implemented in the spring of 1938; and it managed the transfer of the two first instalments (\$ 7,650) by the Kwangsi government – the other ones still pending in 1938... Because the general crisis paralysed commonplace business in the Guangdong area, the business of armaments became one of the key source of revenues for the branch, for the account Interests & fees⁴⁹.

B. Contributing to the modernisation of South China?

Because Banque de l'Indochine had proved its efficiency on the field of the armaments contracts, it tried to extend its reach to the imports of equipment goods. If China faced sometimes political and military tensions, its actual economic development still gathered momentum, piece by piece. This explains that negotiations occurred in 1935 between the Guangdong authorities and the Schneider group, in that case with its sister company in Czechoslovakia, Skoda. It intended to deliver a big power plant to supply energy to a paper mill, at a cost of HK\$ 209,000 on 35 months; guarantees would have been brought by Zevnostenska Banka and Anglo-Czechoslovenska Banka, but, from Paris and Shanghai, the head of the General Inspection of Banque de l'Indochine, Jean Laurent, who supervised its Asian activities, struggled to introduce his bank into the pool, and the Banque de l'Indochine branch in Canton would have granted a HK\$ 86,000 loan to Skoda to help the conclusion of the contract⁵⁰. But, alas, the project capsized, even if Skoda endeavoured to reach other agreements (for five sugar plants, etc.), and if Banque de l'Indochine took part to a very few other Czechoslovakian exports to Guangdong in the mid-1930s. The launch of the Three-Years Industrial Plan in 1934/35 was to open doors to opportunities of

⁴⁵ Banque de l'Indochine archives, DES 13/4, Reports from the Canton branch to the Paris headquarters, 15 July 1935.

⁴⁶ *Ibidem*, 14 August 1936.

⁴⁷ “Vos affaires d'armes vous ont procuré 24 millions de francs de ventes [de papier de crédit]. Le Groupe Chine et ses dirigeants vous ont acheté, de plus, \$112 000 », donc en procurant à la banque une sorte de dépôt de garantie, d'où un ensemble de ventes de 32 millions de francs. » Banque de l'Indochine archives, 323 DES 36/2, Letters and reports, Second half 1936, 18 September 1936. Le Groupe Chine lui-même prend pour 11 254 livres de papier, et ses dirigeants le solde: Bossut (d'une dynastie industrielle du Nord de la France) 18 833 livres, Ott 13 290 et Marchad USD 25 870.

⁴⁸ « Les autorités de Canton reconnaissent enfin les contrats du *Groupe Chine* en cours, mais avec des conditions financières moindres, d'où un manque à gagner sur les commissions aux inhalfédiaires ». Banque de l'Indochine archives, DES 13/4, Reports from the Canton branch to the Paris headquarters, 16 November 1936.

⁴⁹ Banque de l'Indochine archives, 323 DES 36/2, Letters and reports, first half 1937, 18 October 1937.

⁵⁰ “L'Inspecteur général Laurent a jugé regrettable que le financement du plan d'équipement industriel de cette province, dont la réalisation est très activement poussée par les autorités locales, fût assuré entièrement en dehors de nous. » Banque de l'Indochine archives, DES 13/4, Reports from the Canton branch to the Paris headquarters, 26 April 1935.

contracts, but the involvement of the Canton banks cannot be gauged through our available archives in Paris.

C. Financing fresh exports of wolfram mining ore

Since the turn of the decade, the archives introduced references to “wolfram” (or tungstene, a metal used for alloyed steels since the take-off of the second industrial revolution in the steel industry, and also to the production of light bulb filaments, X-ray tubes). The South China Trading C^o (M.T.L. Laing) commenced exporting this ore to the US⁵¹; it owned a mine field in Nananfu (Kiangsi, Yuet Wah Mining C^o)⁵², and collected the production of other mines, for exports to the US – until its crash in October 1935. The Banque de l’Indochine branch granted it with advances on goods – the first quotation being in 1931 (HK\$ 8,000 on 78 wolfram sacks⁵³). Another company, *Société commerciale asiatique*, also became an agent of such exports: his boss Chan Yuk Lam gave all its credit business to the Banque de l’Indochine branch⁵⁴. For years, thus, it managed the remittances on four months sight drawn by the firm on its agent in London (M.D. Ewart); and it started discounting such bills since November 1937. Happily, when the depression deepened, the exports of wolfram went on progressing, which balanced somewhat the dull silk exports.

3. Classical business at stake

Throughout the depression, “business as usual” went on, despite some disappointments and risks, but also thanks to little changes in the market trends. Despite the concerns about the state of business, Canton remained an attractive place for its area, to collect deposits on banking accounts, to fuel the day to day markets of commodities, etc.

A. General considerations about Canton exchanges

The diversification of its commerce staid low, because silk drove its exchanges, and imports lagged far behind exports.

⁵¹ *Ibidem*, 5 January 1932.

⁵² *Ibidem*, 18 January 1933.

⁵³ Banque de l’Indochine archives, 323 DES 36/2, Letters and reports, 21 March 1931.

⁵⁴ *Ibidem*, second half 1930, June 1931. Banque de l’Indochine archives, DES 13/4, Reports from the Canton branch to the Paris headquarters, 22 August and 11 October 1934. SCA had its headquarters in Canton-Shameen, a branch in Hong Kong, and an agency in France (Jacques Labatut).

Table 2. Hints about Canton trade					
(thousands <i>taels</i>)	1929	1930	1930 (taking into account the fall of silver by 30%)	1931	1932
Imports from foreign countries	41895	51509	36,055		
Imports from China	56,086	75,630	52,941		
Exports from Canton	85,607	69,070	48,349		
		1930		1931	1932
(in thousands <i>Haikwan taels</i>)		<i>Exports</i>			
Total				62,000	38,000
Silk		45,089		37,365	14,240
Vegetal products		4,613		6,265	6,980
Animal products and hides		822		2,292	1,240
Textiles		611		1,362	
Mineral ores		2,759		2,498	1,060
Among which wolfram			2,358	2,058	
(in thousands <i>Haikwan taels</i>)		<i>Imports</i>			
Total				56,000	47,000
<i>Foodstuff</i>					
Sugar		7,902		5,823	2,050
Oleaginous		5,644		4,604	2,670
Cereals, fruits, grains		4,192		5,930	8,510
Fish and sea products		2,260		2,284	2,000
Canned food		762		835	800
<i>Commodities</i>					
Chemicals		3,049		2,860	3,230
Coal		2,668		2,388	3,300
Metal and minerals		2,474		4,389	4,540
Stones, cement, glass, china				1,400	1,830
<i>Equipment goods</i>					
Piece goods		5,490		4,216/5,300	3,930
Cars		250		295	1,020
Machinery		710		270	2,930
Electric equipment		680		1,150	
Armaments and ammunition		1,174		1,061	
<i>Textiles</i>					
Raw and spinned cotton		1,067		1,130	
Wool and wool cloth		1,517		1,729	1,820
Varia					
Tobacco		1,070		807	630
Matches		361		293	
Paper and books		1,874		2,642	2,860

Source: Banque de l'Indochine archives, letters, reports and outcomes, 1930, 1931, 1932.

As a mere regional port-city, Canton depended heavily on the Hong Kong hub and international, maritime, commercial, and financial centre; and it acted as some kind of a “feeder” in favour of the true capital of South-East China, whatever its colonial status. This explains that the whole amount of goods transbordered in Hong Kong were reckoned as Hong Kong exchanges, even if the contracts and order had been generated in Guangdong.

Table 3. International exchanges of the Canton port-city (in thousands <i>Haikwan taels</i>)				
	Imports		Exports	
	1930	1931	1930	1931
Total	51,162	56,212	60,367	61,811
From or to Hong Kong	47,032	51,867	59,622	60,571
From or to Japan (with Formosa)	2,406	1,830	25,7	61,3
From or to the Dutch Indies	654	616	13	3,6
<i>From or to Indochina</i>	<i>651</i>	<i>1,329</i>	<i>75</i>	<i>66,3</i>
<i>From or to France</i>	<i>/</i>	<i>5,8</i>	<i>/</i>	<i>12</i>
From or to the USA	/	36,2	/	110,5
From or to Macao	297,6	376,1	631,3	893,9
From or to the British Indies	119,8	132,3	/	4,5
From or to UK	/	6,8	/	52,8
From or to Singapore	/	3	/	33,8

Source: Banque de l'Indochine archives, reports, letters and outcome, second half 1931.

B. The evolution of American outlets

Despite the extending depression in the US, trading houses active in Canton tried to fuel the Trans-Pacific exchanges, through classical remittances borne by confirmed letters of credit on New York banks⁵⁵. In 1931-1932, they could seize the opportunities of the boycott against the Japanese goods and of the depreciation of the British pound to push ahead the Chinese commodities and goods overseas. The South Trading Company, from American origin, was thus quoted as an active promoter of Guangdong products, not only for wolfram, but also for general trade⁵⁶.

⁵⁵ Par exemple : « Acceptation par société américaine de remises sur crédit confirmé irrévocable tirées par Gérin-Drevard sur quelques banques du clearing house de New York. » Banque de l'Indochine archives, DES 13/4, Reports from the Canton branch to the Paris headquarters, 26 January 1931.

⁵⁶ *Ibidem*, 5 January 1932.

	First half 1930	Second half 1930	First half 1931	Second half 1931	First half 1932	Second half 1932	First half 1933	Second half 1933	First half 1934	Second half 1934
Wing Tai Loong	679,595	68,942	49,350	64,326			23,632			
Canton Silk Trading C ^o	217,810									
Madier-Ribet	103,415	3,940		524,372	116,080	216,207	14,774			
Gérin-Dreverd	86,249	57,125								
J. Baud (successor to Gérin-Dreverd)				37,121	9,309	107,412				
South China Trading C ^o	82,175	21,791	69,085		22,000	52,000				
Hogg	73,880									
General Silk Importing C ^o	56,181									
Canton Raw Silk C ^o	35,472	3,940								
Wong Man Sang	34,671	326		18,819						
Canton Mercantile & C ^o	24,522	20,683		11,324						
Mitsui Bussan Kaisha	20,338									
T.E. Griffith	13,033			107,263		18,046				
Société commerciale asiatique	8,801	27,763	5,106	10,953	1,334	18,547	5,440	39,150	14,760	16,800
J. Cassa	3,500									
N. Hashim	2,027	6,050								
South China Trading C ^o				36						
Wo Hing Silk Corp.				126,509		18,685				
Ping Shick				92,432		11,536				
Reiss-Masset				15,793	124	5,440				
U. Spalinger				9,849						
Deacon				4,925	3,152	206				
Sang Wo Tai				3,394	350	1,863	1,750			
Canton Overseas Trading C ^o					3,188					
China Overseas International Trading								6,000		
Dodwell						2,258				
H. Ferguson						2,500				
Jebsen						1,715				
Johnson						2,079				
H. Yong						2,077		5,176		
Total amount	1,441,669	210,261	125,541	1,063,090	155,617	460,581	45,596	50,326	14,760	16,800

Source: Banque de l'Indochine archives, letters, reports and outcomes, 1930 and 1931

Conversely, the South Trading Company and its boss Laing were granted credit to finance US exports to China, to steel or glass dealers, or houses in general trade and sundry goods. But these loans had to be borne for longer halves than scheduled as the Chinese imported did not recover their goods rapidly and piled them in Hong Kong before transferring them to Guangdong area and selling them. All in all, this US firm⁵⁷ had got HK\$ 153,000 from Banque de l'Indochine in January 1933. But the total amount reached by the business of the branch with the US reached \$400,000 in the spring of 1933 (through remittances to be delivered and cashed in New York, with the risk borne till the completion of the operations), balanced by \$85,000 of accounts in credit⁵⁸.

⁵⁷ *Ibidem*, 18 January 1933.

⁵⁸ *Ibidem*, 30 May 1933.

But the crisis crept into the place: silk exports to the US dwindled since the second half of 1930 and the slump was pervasive⁵⁹ in 1932/33. Banque de l'Indochine's remittances from Canton to New York⁶⁰ fell from USD 1,063,000 to 155,000 between the first and the second halves of 1931. The big US house T.E. Griffith seemed on the verge of collapsing on December 1931 with a total of FRF 344,000 of debts to Banque de l'Indochine on exchange contracts on one side, and USD 78,210 of negotiable remittances on letters of credit, drawn on "high-rated"⁶¹ American banks (Guaranty Trust, Chatham Phenix National Bank, Heidelbach Ickelheimer, Goldman Sachs, Bank of America, National Trust & Savings Association, Pacific National Bank, etc.). Happily, it escaped its difficulties and resumed its activities, but it worked mainly with Chartered Bank⁶². Later on, in February 1936, John Ferguson & C^o failed with pending credits of FRF 61,515 (cotton bales sold in Lyon) and USD 9,856 (waste silk sold to the American Spinning Company, in Providence-Rhode Island)⁶³.

In front of such concerns, Banque de l'Indochine hardened its conditions in 1932 and imposed a package of services (transfer of remittances) and credit, to increase its charges on the support to silk exports to the USA and alleviate somehow further risks⁶⁴ – even if it did not anticipate on the devaluation of the dollar. Bankers in Canton and Hong Kong agreed to halt competition in favour of steep conditions of credit and remittances for the US operations⁶⁵. And Banque de l'Indochine focused its US connections on solid operations with reliable banks (Brown Brothers, Manufacturers Trust, etc.).

C. The evolution of the silk trade

Advances on silk bales remained important around the Canton warehouses, and Banque de l'Indochine became more and more involved in this business, tackling bigger amounts of credit. French house Madier-Ribet, its long-half client in the interwar period, was a leading company at that time⁶⁶. It acted altogether in Japan and Lyon, with for instance an amount of FRF 2,3m of negotiated bills of exchange and 2,9m of pending orders, all on "very good

⁵⁹ "La demande de soies d'Amérique a été inférieure de plus de moitié à celle du dernier semestre (4 735 balles de soie grège au lieu de 10 990 le semestre précédent)." Banque de l'Indochine archives, 323 DES 36/2, Letters and reports, first half 1933.

⁶⁰ *Ibidem*, 27 October 1932.

⁶¹ Banque de l'Indochine archives, DES 13/4, Reports from the Canton branch to the Paris headquarters, 27 January 1932.

⁶² "L'Amérique a très peu acheté sur notre marché – 4,735 balles seulement du 1^{er} janvier au 30 juin [1933], représentant USD 650,000 environ. La maison Madier-Ribet ne traite presque plus rien avec l'Amérique, sinon par firme interposée, L. Muguet, pour USD 14,774. Seule la maison Griffith, qui confie la majeure partie de ses affaires à la Chartered Bank, a travaillé, encouragée qu'elle était par la nouvelle agence de Gerli Inc. New York, qu'elle a réussi à souffler à J. Baud. » Banque de l'Indochine archives, 323 DES 36/2, Letters and reports, first half 1933.

⁶³ Banque de l'Indochine archives, DES 13/4, Reports from the Canton branch to the Paris headquarters, 5 February 1936.

⁶⁴ "Les tirages D/A n'étant plus acceptés par aucune banque et toutes les remises sur l'Amérique étant couvertes par des ouvertures de crédit, nous avons pu renégocier toutes les remises de Madier-Ribet" sur New York (USD 524 000). Banque de l'Indochine archives, 323 DES 36/2, Letters and reports, second half 1931, 6 February 1932.

⁶⁵ "Nous avons cru le moment venu de faire adopter par nos collègues des banques de Shameen un accord par lequel ils s'engagent à ne négocier les remises de soie sur l'Amérique que contre lettre de crédit transmise par une banque, et non plus seulement contre lettre de crédit en toute avisée seulement au bénéficiaire (pour notre part, nous n'acceptons d'ailleurs cette façon de procéder que pour des clients absolument sûrs !). Un accord identique est ensuite intervenu entre les banques de Hong Kong, et ces dispositions sont maintenant rigoureusement appliquées. » *Ibidem*, second half 1931, 6 February 1932.

⁶⁶ See Tse-Sio Tchong (Zheng Zixiu), *Les relations de Lyon avec Chine*, Paris, L. Rodstein, 1937. Lillian M. Li, *China's Silk Trade: Traditional Industry in the Modern World, 1842-1937*, Cambridge (Mass.), Council on East Asian Studies, Harvard University, series "Harvard East Asian Monographs, 97, xv", 1981.

houses of Lyon”⁶⁷. It benefited also from credits on goods: “The ceiling of our advance was reduced from HK\$ 1,015,000 to 965,000 on 7 January 1932, with a guarantee stabilised at 2,262 bales for HK\$ 1,452,000.”⁶⁸ The transnational firm was the main supplier of remittances to the Banque de l’Indochine branch, for half of such purchases in 1930 and an amount of about FRF 15 million; Banque de l’Indochine bought these bills of exchange cash and afterwards transferred in Europe for recovery and earned fees and moreover opportunities for FOREX operations⁶⁹. But its operations in FRF predominated and granted it with a strong leadership.

Table 5. The main sellers of remittances in FRF (companies trading from Canton to Lyon/Paris and transferring their risk to Banque de l’Indochine)

Thousands FRF	First half 1930	First half 1931	Second half 1931	First half 1932		First half 1933	Second half 1933	First half 1934	Second half 1934
Madier-Ribet	15,178	8,534	3,964	5,947	4,639	3,643	2,307	839	
Gérin-Dreverd	3,893	839	81						
J. Baud (successor to Gérin-Dreverd)				923	886	125			
Reiss-Masset	2,942	1,766	607	362	107	108			
Canton Mercantile C°	2,205							300	
T.E. Griffith	2,089	554	486	427	710	346	162	188	52
Wong Man Sang	1,916		168	218					
Varenne	960								
Wo Hing Silk Corporation	570	40					67		
Kwang Tung Silk					180	474	690	30	
Hogg	783				81				
Canton Raw Silk C°	641								
Wing Tai Loong	219	203							
J. Cassa	155								
Société commerciale asiatique	76	64	310	413	1,062	1,079	1,199	1,065	765
Canton Silk Trading C°	65								
China Overseas					30				
Canton Overseas						9			
Jardine-Matheson	48								
South China Trading C°			78			61,5			
U. Spalinger				300	163	131	232	142	
Ping-Shick				247					
J. Ferguson				62	817	342	186		
Johnson				31	49				
J. Manners					12				
Total amount	32,037	11,999	5,700	8,929	8,737	6,319	4,942	2,564	817

Source: Banque de l’Indochine archives, letters and reports, 1930, 1931, 1932 (with diversing figures along two sources), 1933, 1934

Another house, Gérin-Dreverd, was also among the important customers too, with bills on the US being traded on London⁷⁰, supplementing current advances on silks in Canton. It led the bunch of good customers, with a large credit on goods (HK\$ 275,000 against silk bales valued at 325,000)⁷¹ – before being swallowed by the crisis as soon as the end of 1930.

Although the connection with Lyon (and Paris) remained the key axis of the activities of the branch in trade banking, and despite the density of the connection with New York, Banque de l’Indochine also used London as a final destination for a bunch of remittances, even if the Canton outfit lagged far behind the Hong Kong and Shanghai strongholds for

⁶⁷ Banque de l’Indochine archives, DES 13/4, Reports from the Canton branch to the Paris headquarters, 13 July 1930.

⁶⁸ *Ibidem*, 15 January 1932.

⁶⁹ Banque de l’Indochine archives, 323 DES 36/2, Letters and reports, 14 December 1930.

⁷⁰ “Achats à Gérin-Dreverd, qui nous vendent du papier sur Londres, tiré sur lettres de crédit en contrepartie d’expéditions de soie vers l’Amérique.” *Ibidem*, 14 December 1930.

⁷¹ The advance was reduced on 29 May 1930 to HK\$ 204 000 against a pledge of 210 000. DES 13/4, Reports from the Canton branch to the Paris headquarters, 18 April 1930.

the business with the British houses and banks. Anyway it purchased remittances to its clients and recovered them in the City, to pick up there too a few fees and commissions.

	First half 1930	Second half 1930	First half 1931	Second half 1931	First half 1932	Second half 1932	First half 1933	Second half 1933	First half 1934	Second half 1934
Société commerciale asiatique	59,242	53,193	22,833	23,405	12,243	38,588	31,448	43,500	23,100	50,400
Gérin-Dreverd	29,757	1,969	5,611							
J. Cassa	22,693									
C.H. Rolfe	13,550	605								
South China Trading C°	12,904	32,996	31,278	30,170	21,025	14,313	2,975	14,520	15	6,500
General Silk Importing C°	10,000									
Carlowitz &	5,125	984								
Canton Silk Trading C°	5,000									
Jebsen	3,954					415				
T.E. Griffith	3,866									
U. Spalinger	3,431			0,487						
Madier-Ribet	3,106			6,084						
General Produce Exporting C°	2,189	425								
Melchers	1,827									
Canton Overseas Trading C°	1,685					8	65			
Hogg	1,675									
N. Hasim	1,236	199								
R. Johnson	443									
Reuter Brockelmann	77		1,000							
Reiss-Masset				3,679						
Deacon				1,705						
China Overseas Trading C°					244	1,452	705			
U. Spalinger					160					
Canton Hides								65		
H. Yong						352	2,034	1,155		
Lavadia							129			
J. Manners										4,500
Canton United Manufactures										52
Shainin									166	
Total amount	181,270	90,371	60,722	65,530	37,673	55,128	37,356	59,240	23,281	61,452

Source: Banque de l'Indochine archives, letters, reports and outcomes, 1930, 1931, 1932, 1933

Upstream, a chain of credit was woven: Madier-Ribet was itself allowing loans to local Chinese houses, gathering more and more momentum since the mid-1920s thanks to the development of some Chinese modern capitalism; they brought their silk bales to Canton, and exported them, repaying these loans afterwards. Whereas the commonplace involvement of the Banque de l'Indochine branch lied with bills of exchanges and the management of remittances, where Chinese merchants were also clients, it focused on advances on goods for them, surely to avoid taking excessive risks, despite the guarantee of the comprador for several operations.

	Amount (HK\$)	Bales	Value of the pledged bales (with the margin for security, varying along with the quality of the client)
Hing Cheong Wo	200,000	500	260,000
Gérin-Drevar	138,000	300	156,000
Wing Tai Loong	40,000	100	52,000
Wing Wo	31,500	801	41,600
Hip Hing Loong	29,060	80	41,600
Comptoir franco-chinois	28,086	50	26,000
Tin Po Lun	18,000	45	23,400
Wo Shing Hing	11,500	29	15,080
Yue Hing Cheong	11,500	30	15,600
Hogg	8,275	15	9,600
Wong Man Sang	6,000	15	7,800

Source: Banque de l'Indochine archives, 323 DES 36/2, Letters and reports, December 1930

This classical path reached a broader dimension at the start of the 1930s thanks to the growth of this type of credits to the Chinese traders⁷² – even if the size of the loans to local houses remained smaller than the operations with Madier-Ribet. But, for advances on goods and generally with the guarantee of the comprador, Chinese houses had become important clients of the branch.

	Situation at the end of 1931 (note of 8 April 1932)
Madier-Ribet	1,015,000
Kwong Kun San	145,000 (against 370 bales)
Hau Tack Cheong	76,000 (220 bales)
Wo King	40,000 (100 bales)

	at the end of 1932	at the end of 1933
Kwong Kun San	48,847	48,000
Wo King	43,759	33,000
Kwan Sing	16,282	
Kwong King		24,000
Ming Loong		21,000
Cheong Fat		15,000
Leung Cheuk Kee	6,360	6,250
Wo Lee	5,088	6,000
Total amount	48,847	153,250

Source: Banque de l'Indochine archives, 323 DES 36/2, Letters and reports, second half 1932, 1933

The Banque de l'Indochine's branch seized this window of opportunity to develop its knowledge on that field, with resolution but caution⁷³. That latter was expressed by the hardening of banking conditions, decided by the Shameen association of bankers⁷⁴ in

⁷² « Ces balles de soie n'appartiennent pas à Madier-Ribet. Elles leur sont nanties par des marchands chinois à qui ils consentent eux-mêmes des avances. Les marchands de soie chinois préfèrent le plus souvent s'adresser, pour obtenir une avance, plutôt à un marchand de soie qu'à une banque, dont la plupart [des banques], et nous en particulier, refusent de leur délivrer la soie contre lettre de garantie au moment de l'expédition. Les marchands européens qui consentent ces avances y trouvent leur avantage, d'abord dans la différence entre le taux d'intérêt qu'ils chargent à leur emprunteur et celui consenti par leurs banquiers, et aussi dans le fait qu'ils peuvent souvent acheter à meilleur compte des soies qui leur sont nanties. Ces avances [aux maisons de commerce] ne nous donnent aucune inquiétude ; nous avons veillé en effet à maintenir une marge de 30 %, et même de 35 % pour Madier-Ribet. » *Ibidem*, 15 January 1932.

⁷³ « Notre expérience du marché de la soie étant en somme fort nouvelle, nous avons consulté à ce sujet plusieurs marchands de soie et aussi le directeur de la *Chartered*, dont l'agence de Canton tire des prêts sur soie la plus grande partie de ses revenus et a en garantie actuellement 3 000 balles. » *Ibidem*, 15 January 1932.

⁷⁴ « L'association des banquiers de Shameen a décidé d'accepter à l'escompte les remises tirées sur l'Europe et relatives à des envois de soie, mais seulement soit D/P avec une marge de garantie de 25 % au minimum,

January 1932, in fact applying the drastic rules of guarantee used for the US exchanges to the French ones. And the bank urged the trading houses to get credits from their customers in Lyon themselves to finance their purchases in China instead of relying only on their bankers. Banque de l'Indochine imposed to itself such restrictive measures, even if its competitors welcomed a very few insatisfied customers, like Massey-Reiss, calling for HSBC's help for its French exchanges⁷⁵, although it remained faithful to Banque de l'Indochine for its American business⁷⁶. In fact, merchant traders used several banks to consolidate their resources or facilitate their exchanges, and to put pressure on the fees and interests⁷⁷. It even often occurred that Banque de l'Indochine managed remittances on Lyon which ended at the HSBC branch⁷⁸ there⁷⁹. Even Madier-Ribet, an excellent customer of Banque de l'Indochine, put pressure by stirring competition among its bankers. Because the Paris direction imposed a monthly ceiling of HK\$ 500,000 to the credit to that firm, it lost in 1935 a big amount of opportunities for remittances to France in favour of the British banks⁸⁰. First, the branch manager succeeded in granting further credits by lodging bales in its *godown* (or warehouse) as pledges for credits on warranted goods; second, it convinced the Paris direction to alleviate its concern to preserve a relevant division of risks and to authorized an increase of the ceiling.

Financing the silk trade (either raw silk, or waste silk scraps) remained thus a key banking activity, for exports to the US, France and also Zurich (Switzerland)⁸¹. The branch was used to purchase remittances in French francs on the Canton and mainly on the Hong Kong places (against selling USD there)⁸². Because of the crisis, a few bales destined to the US had to be reoriented towards Lyon, and the houses connected to that city had themselves to extend the maturity of the loans to customers because the sales in France met longer deadlines. The French connection remained strong for while anyway, with good clients, like Madier-Ribet, leading the bunch with an overall advance of HK\$ 1,015,000 in December 1931, down to 680,000 in July 1932. The branch was also intimate with Gérin-Drevard, which became the first client for the transfers of bill to France in the second half of 1930. But the branch also contracted with the US firm T.E. Griffith for its European

soit contre lettre de crédit de banque, ainsi que cela se pratique pour les remises en Amérique. Il est vraisemblable que les acheteurs de soie à Lyon ne se décideront pas sans répugnance à accepter ces nouvelles conditions, mais, dans les conditions actuelles du marché de Lyon, il n'est que naturel que nous nous efforcions de réduire au minimum les risques de nos clients. » *Ibidem*, 27 January 1932.

⁷⁵ « La maison Reiss-Massey, à qui nous avons refusé il y a quelques jours de fixer du change pour envoi de soie, vient d'obtenir de la maison Pila [à Lyon] une ouverture de crédit de 200 000 francs, confirmée par HSBC. » *Ibidem*, 27 January 1932.

⁷⁶ « Escompte des traites Reiss-Massey sur Brown Brothers Harriman [New York], avec contrat de change ; nous avons accepté les lettres de cette maison. » *Ibidem*, 7 April 1932.

⁷⁷ « Nous avons eu à disputer à une concurrence toujours prête à une politique de 'cours limés' des affaires qui nous paraissent d'autant plus intéressantes que les risques étaient plus réduits. Parmi nos fidèles clients, la maison Madier-Ribet et la Société commerciale asiatique nous ont donné la presque totalité de leurs affaires. » Banque de l'Indochine archives, 323 DES 36/2, Letters and reports, first half 1933.

⁷⁸ « Nous n'avons actuellement que trois remises de Reiss-Massey d'ensemble 108 321 francs afférents à trente balles de soie grège à quatre mois de vue D/P négociées le 13 janvier 1933, suivant autorisation d'escompte de la HSBC Lyon. » Banque de l'Indochine archives, DES 13/4, Reports from the Canton branch to the Paris headquarters, 3 May 1933.

⁷⁹ See Claude Fivel-Démorel, "The Hong Kong & Shanghai Bank in Lyon, 1881-1954. Busy, but too discreet", in Frank King (ed.), *Eastern Banking*, London, Athlone, 1983, pp. 467-516. Louis Gueneau, *Lyon et le commerce de la soie*, Lyon, 1932.

⁸⁰ « Ces dispositions [un accreditif revolving de 1,5 million sur trois mois, en date du 19 novembre 1932] ne nous permettent de retenir qu'une partie des affaires d'une maison qui doit normalement être le principal client de cette agence. La maison exporte 5 à 600 balles par mois, soit, aux bas cours actuels, entre 1,250 et 1,5 million. Nous pouvons en déduire que 4 à 500 000 francs de remises nous ont échappé et ont dû être portées aux banques anglaises, qui leur auront négociées sans la moindre difficulté. » Banque de l'Indochine archives, DES 13/4, Reports from the Canton branch to the Paris headquarters, 26 September 1935.

⁸¹ « Autorisation d'escompte de FRF 500,000 from Griffith on Rudolph à Zurich. » *Ibidem*, 7 June 1932.

⁸² *Ibidem*, 5 January 1933.

operations: it purchased in Canton its exchange bills to be paid in France, for instance on Ch. Rudolph or other ones in Lyon⁸³.

D. A new silk connection: Indochina involved

After the breakthrough of silk exports towards the US in the 1920s, the thirties open doors to a new connection between Guangdong and French Indochina. Whilst the colony exported huge amounts of rice to Hong Kong and South China, with a strong commitment of Banque de l'Indochine on both sides⁸⁴, a trade axis emerged, with exports of raw silk and spun yards to Tonkin (missing an actual production of silk worms), with more than 6,000 bales on the first half of 1934, resold to petty Annamite craftsmen to be woven and dyed. But, paradoxically, although it was a key bank in Indochina and had strong connections in both Hong Kong and Canton with the Chinese merchant community, it was short-circuited for the financing of such exchanges: a pool of Chinese businessmen assumed that function within its local networks and probably thanks to Chinese banks, independently from any foreign bank. Another connection was set up by French houses, but they did not use credit as they satisfied with mere transmission of bills⁸⁵.

Only through the overall effects of such exchanges could Banque de l'Indochine find some opportunities of development on both sides of the South China Sea and the Tonkin Gulf⁸⁶, as they couldn't but exert effects on the prosperity of the clients of the bank and the overall growth of the silk business. A landmark for this trend was the diversification of the French house active in Guangdong, Madier-Ribet, a key client of Banque de l'Indochine, which commenced exporting silk to Indochina, using correspondents there (Delignon in Annam, Denis in Tonkin). Whereas the majority of the silk was consumed locally, a small part was outsourced there for manufacturing before re-export to North China.

The rapid take-off of this trade (absorbing a quarter of Canton silk exports in the second half 1934) opened doors to the intervention of banks; but it was limited to mere operations of cash and bills transfers. The Banque de l'Indochine branch conquered a few positions against its competitors HSBC and Chartered Bank⁸⁷, either among the foreign traders, or among the four Chinese houses (Tchi Cheong, Yao Cheong, Kinh Ky, Ho Kwong Ky) taking part to the flows. And such exports to Indochina helped balancing the shortage of exports to Europe⁸⁸.

⁸³ *Ibidem*, 7 March 1939.

⁸⁴ See Hubert Bonin, "French banking in Hong Kong (1860s-1940s): Challenging British banks?", on the website [www.hubertbonin.com].

⁸⁵ "Les envois de soie en Indochine se font par tirages à vue sans ouverture de crédits. » Banque de l'Indochine archives, DES 13/4, Reports from the Canton branch to the Paris headquarters, 3 May 1937..

⁸⁶ "Les exportations de soie de Canton au Tonkin seront suffisamment importantes en 1934 pour apporter une contrepartie appréciable aux exportations de riz d'Indochine en Chine. 5 000 balles environ, principales en titres fermes 28/32, seront sorties en avril et mai – avril étant le dernier mois de la campagne 1933/34 et mai le premier de la campagne 1934/35. Il semble que le nombre de balles sorties depuis le début de l'année 1934 en direction de l'Indochine soit supérieur à 6 000 balles. Si nous acceptons une valeur moyenne de HK\$ 300 par balle, nous arrivons au total respectable de 1 800 000, soit, au cours de 170 environ, IC\$ 1 058 000 [...]. Un syndicat de Chinois disposant d'assez gros moyens se serait formé à Hong Kong pour financer un certain nombre d'affaires, dont l'exportation de soie vers l'Indochine. Les achats sont faits comptant à Canton par des intermédiaires inconnus, sans intervention d'aucune banque étrangère. Les affaires de soie comme les affaires de riz échappent à la Banque de l'Indochine, qui ne prend que peu de part et n'a aucun contrôle sur le mouvement commercial sino-indochinois. » *Ibidem*, 7 August 1934.

⁸⁷ *Ibidem*, 3 May 1937.

⁸⁸ "En avril-mai, des achats importants furent faits par des maisons chinoises pour l'Indochine, et près de 5 000 balles furent expédiées à destination d'Haiphong. Tous ces achats furent des titres fermes, principalement des 28/32 [bonne qualité]. La demande pour l'Indochine a absorbé complètement les deux premières récoltes [de la campagne 1933/34], estimées à 2 500 et 3 000 balles respectivement. Environ

Table 10. Expeditions of silk from the Guangdong during the export campaign of 1935/36 (HK\$)		
	To Europe	To Indochina
Madier-Ribet	3,509,000	51,000
Griffith	1,308,000	165,000

Source: Banque de l'Indochine archives, DES 13/4, Reports from the Canton branch to the Paris headquarters, 7 August 1934

Because of the overall crisis, the connections with Indochina fostered interesting contracts for the Banque de l'Indochine branch in 1937, with large exports from Canton by Madier-Ribet (to the houses Delignon and Denis Frères) or by Griffith (to SFATE and Ogliastro)⁸⁹, perhaps because the purchase power of local bourgeoisies was sustained by the insertion into the French imperial system.

4. FOREX operations as key activities

The Canton branch still broadened its classical FOREX activities, along with what we would call today “proprietary trading” to value its assets in available treasury. It could use its returns in USD to reports for 1936 show that it compensated somewhat the fluctuations of trade finance: the branch achieved several FOREX contracts with the US Lazard house, exchanging its dollars against French francs, with nine operations in July 1936 (USD 900,000/against FRF 1,6 million), four in August (for USD 400,000). It also contracted with Chase in September (USD 250,000 and FRF 4 millions), and, in October, with the French American & Banking Corporation (USD 200,000/ FRF 4,3m; then USD 100,000/FRF 2,2m), Bankers Trust (USD 100,000/FRF 2,2m; then USD 100,000/FRF 2,1m). Like the other Banque de l'Indochine outfits in China, the returns on FOREX business bolstered the overall financial stability of the Canton branch⁹⁰.

Along a different and less original path, the branch tackled commonplace FOREX operations of arbitrage linked with its import-export financing, in the name of its customers, like Gérin-Drevard) or to accompany their operations in international trade, as it had to purchase currencies to cover its counterparties for exports⁹¹. But Banque de l'Indochine also practiced day-to-day little “speculations” on the spreads between the currencies available, either the international ones, or the “Chinese” ones (HK\$, Mexican \$, etc.). Such an activity was one basis of the art of its manager because he had to self-finance the general costs of his outfit, and the gains on FOREX were of great use for that: every half-year report thus insisted on them – even if the completion of the operations itself was mutualised with the Hong Kong branch since 1931. The year 1930 ended for instance with an overall profit for the Canton branch because of good returns on arbitrages⁹². But the depreciation of the HK\$ in 1930 favoured the collection of Mexican dollars. The variation of values had negative effects (uncertainty), but offered also positive opportunities thanks to

quarante filatures travaillent [dans le Guangdong, pour ces contrats], filant toutes des titres fermes.» Banque de l'Indochine archives, 323 DES 36/2, Letters and reports, first half 1934.

⁸⁹ *Ibidem*, first half 1937, 18 October 1937.

⁹⁰ Banque de l'Indochine archives, DES 13/4, Reports from the Canton branch to the Paris headquarters, 4 August 1936.

⁹¹ « Notre marché ne travaille que dans un sens [à l'exportation], il est impossible de trouver sur place la contrepartie du papier acheté aux exportateurs ; il est donc indispensable de passer par le dollar de Hong Kong pour obtenir des couvertures. » Banque de l'Indochine archives, 323 DES 36/2, Letters and reports, 14 December 1930.

⁹² “Vous avez su mettre à profit la faiblesse de l'argent-métal qui a persisté au cours du premier semestre 1930 et obtenir des résultats intéressants. » *Ibidem*, 14 December 1930.

rapid arbitrages or penalties fixed on suspended contracts by clients reneging on their business⁹³. The instability of prices also fuelled report operations⁹⁴.

The clients of the branch bought or sold paper in USD along with their expectations, which the manager and his deputy (the sole actors in direct for these FOREX operations) called “the speculative operations of our customers: Krebs, Pinguet, Ott, Tavadia, Otto, Lasalla, South China Trading, Madier-Ribet, Chow Mow Yip, Wo Hing, Fung Kok Lam, etc., all pledged, either by securities deposited at the branch, or by HK\$ funds blocked as deposits”⁹⁵, with three contracts till pending for instance in June 1933. Such commonplace FOREX trading came to the forefront in 1934 because it fostered the operations of the branch, deprived of classical commissions and fees on commercial exchanges⁹⁶, but the volatility of markets⁹⁷ in the second half of 1934 led to a loss on the pound trading (HK\$14,620) versus profits on the other currencies (30,890), which confirmed the importance of FOREX trading in that time of commercial crisis: the fees, commissions and interests brought a mere net profit of HK\$ 26,629, against 16,270 for the arbitrages.

	Second half 1930	First half 1931		Second half 1931		First half 1933		Second half 1933	First half 1934
FOREX operations (in thousands HK\$)									
In francs	3,099	2,274		1,866		3,231		2,004	1,999
In British pounds	5,403	3,525		2,332		2,599		2,303	1,300
In USD	2,147	1,002		6,250		10,173		3,201	1,633
Total	10,648	6,801		10,449		16,003		7,507	4,932
Returns on forex (expressed through gold-operations)	225,2	133		254		222		123	166
Net return on these gold-operations	2.1176%	1.951%		2.4347%		1.3902		1.6444	3.365
<i>Reports operations</i> (in thousands HK\$)									
In Paris in £	/	\$1,1667	£103	\$6,074	£340				
In Paris in USD	312,5	\$1,667	G\$500	\$6,074	G\$1,500				
In Hong Kong in £	278	\$199	£10	\$1,716	£90				
In Hong Kong in USD	579	/	/	\$3,930	G\$1,003				
(using the Hong Kong branch of Banque de l'Indochine)									

Source: Banque de l'Indochine archives, letters, reports and outcomes, 1931

⁹³ “Vos bénéfices d’arbitrages ont été heureusement influencés par des affaires d’armes rémunératrices et par des annulations et pénalisations exceptionnellement avantageuses de contrats de change en souffrance, rendues possibles par la baisse de la devise américaines.” *Ibidem*, first half 1933, July 1933.

⁹⁴ “Il y a lieu de tenir compte des reports effectués soit à Paris ou Hong Kong (livres sterling contre USD) pour bénéficier d’un taux d’intérêt plus élevé à Londres, soit à Hong Kong pour nous procurer des fonds destinés à financer nos escomptes de remises sur l’Amérique et nos avances sur soie ou sur pièces d’argent. » *Ibidem*, second half 1931, February 1931.

⁹⁵ *Ibidem*, first half 1933.

⁹⁶ *Ibidem*, first half 1934.

⁹⁷ See Ming Chang, “Historical dimensions of the Hong Kong-Guangdong financial and monetary links: Three cases in politico-economic interactive dynamics, 1912-1935”, paper for the HKMRJ banking and monetary history conference, April 2007.

In thousands HK\$	Returns on arbitrage (in gold currencies)	Returns on arbitrage (in silver currencies)	Ratio of profit	Total amount of arbitrage operations
Second half 1929	341	9		
First half 1930	182	4		
Second half 1930	149	2		
First half 1931	152	0,6		
Second half 1931	208	2		
First half 1932	173	1		
Second half 1932	128	0,4	1.8319%	6,438
First half 1933	222	0,7	1.3902	16,003
Second half 1933	123	0,2	1.6444	7,507
First half 1934	166	0,9		
Second half 1934	19	0,4		

Source: Banque de l'Indochine archives, letters, reports and outcomes, date for each half year

5. A diversified niche

Despite the difficulties imposed by military and political issues, and by the depression, the Banque de l'Indochine branch went on putting its resources to work, along with skills, resources in capital, and opportunities.

A. The dependence on Paris allocations

Like the others branches overseas, the Canton outlet had to raise profits from the capital allocated by the headquarters, that is a three-fold amount of FRF 30 million, £ 30,000 and USD 300,000. And like every bank, it had to balance its appetite for risks and profit, and its need to respect relevant conditions offered to customers. The Paris headquarters anyway could not but entail the allocations to their branch, because the Banque de l'Indochine itself suffered from the depression. They put a halt for instance to the forward operations (*reports*) in USD, “because of the tightening of the money markets”⁹⁸.

Because of such a steady financial support, the Paris direction had to rely on trustful and competent managers of the Canton branch. It seems that its trust was gifted with success, as no one had to be recalled or dismissed, and the succession (Barrau, in 1930, Jean Juge, Jean R. Baylin; then Claude Fournier, till October 1935 the comptroller of the Shanghai branch, followed a peaceful path, and Baylin, only an interim manager in Canton, was promoted as the head of the Haiphong branch (14 October 1935).

B. The intermediation of the comprador

Another asset of the branch was classically its comprador. Its workforce was complemented by a kind of sub-bank managed by this latter. Mak Fook Cho (since 1927) had twelve employees in 1930: a deputy, two cashiers, two shroffs, an employee acting on the Chinese market, two boys, two coolies, a cook and a guard.”⁹⁹ His expenses were covered by his HK\$ 650 monthly allocation (850 since August 1930), but his very return came from the brokerages fees and commissions he earned (HK \$5,000 in 1929). In 1938, his team remained substantial with a shroff, a cashier (his nephew) and his deputy, a secretary (his step-brother), a second secretary, a go-down shroff, four coolies, a cook. “A majority of his staff is freely lodged in a house neighbouring the go-down and the offices. He pays directly his shroffs, using the \$ 750 allocated to him by the branch, whereas the

⁹⁸ Banque de l'Indochine archives, DES 13/4, Reports from the Canton branch to the Paris headquarters, 21 December 1933.

⁹⁹ *Ibidem*, 7 August 1930.

other banks (HSBC, Chartered Bank, National City) pay their shroffs by themselves [...]. His expenses reached \$ 561, and 189 remained for the comprador himself. »¹⁰⁰

The comprador provided his guarantee to the advances to Chinese houses upstream. The amount¹⁰¹ reached FRF 448,500 in May 1930, pledged by goods valued at 564,000 (eleven pending for HK\$ 167,000 in July 1932), and himself was pledged by Chinese tycoons (Chung Tang, then Lo Yuk Tong and Poon Hiu Cho, since September 1932). He guaranteed in 1931 advances on silk to Chinese merchants¹⁰², or advances on silver¹⁰³. But the branch had to put brakes on fragile Chinese prospects, because its comprador lost his two pledges, at the end of 1933 for the first, in June 1934 for the second, as Chinese businessmen cut into their risks along with the deepening of the general crisis. He could not therefore bring fresh opportunities of business; but he kept his functions as an intermediary with the market, an advisor, and because he would check the proposals of Chinese business, without being involved in them in direct¹⁰⁴. He was then replaced by Fung Cho Wan in March 1935 because his embeddedness in the business community seemed far broader, with two successive functions of comprador since 1919, in the Asia Banking Corporation (till 1924) and at the P&O Banking Corporation in Shameen, till it was closed¹⁰⁵. Banque de l'Indochine could thus rely clearly on his portfolio of skills and knowledge¹⁰⁶.

C. Diversification at stake

All in all, the activities of the Banque de l'Indochine branch reflected the diversification and the growth of the functions of Canton as an international port-city, evolving from a regional hub towards more involvement in trade overseas. Remittances of bills of exchange and their discount remained the core of the branch's life. But it also activated a few local credits (in silver assets), and multiplied advances on goods, and some little advances on securities.

¹⁰⁰ *Ibidem*, 24 February 1938.

¹⁰¹ « Malgré la situation difficile faite aux marchands de soie, nous avons amélioré [à l'intérêt de la banque] ces avances, soit en les réduisant, soit en faisant augmenter nos garanties. Toutes nos avances chinoises sont bien couvertes. » *Ibidem*, 18 July 1930.

¹⁰² « Avances de HK\$ 257 000 à divers marchands chinois, garantis par 620 balles de soie valant 387 000 avec l'aval de notre comprador. » Banque de l'Indochine archives, 323 DES 36/2, Letters and reports, second half 1931, 6 February 1932.

¹⁰³ « Avances sur matières d'argent, HK\$ 468 000, consenties par nous à des banques chinoises avec l'aval de notre comprador et garanties par des pièces d'argent de Canton neuves. » *Ibidem*, 6 February 1932.

¹⁰⁴ « Notre comprador est un homme sérieux, avisé, très prudent, et nous a donné toute satisfaction. Ses risques se sont réduits considérablement. Son rôle dans l'avenir va être beaucoup plus celui d'un caissier vérificateur que d'un comprador garantissant lui-même des opérations à long terme. » Banque de l'Indochine archives, DES 13/4, Reports from the Canton branch to the Paris headquarters, 18 May 1934. « Nous préfererions conserver Mak Foo Cho qui nous a donné des preuves d'honnêteté et de prudence, même avec une petite garantie et en qualité de caissier chinois en chef. L'expérience prouve qu'il est préférable de se fier à une honnêteté éprouvée par une longue déflation avec peu de garanties réelles que de faire des expériences accompagnées de garanties réelles, qui ne résisteront pas plus que les autres aux aventures. » Banque *Ibidem*, first half 1934.

¹⁰⁵ He had been an employee to the comprador of the Banque de l'Indochine Hong Kong branch, then the first *shroff* at the HBCS branch in Canton, before joining the Asia Banking Corporation. His guarantees consisted with several buildings owned in Hong Kong-Kowloon and four *HSBC* shares. Banque de l'Indochine archives, DES 13/4, Reports from the Canton branch to the Paris headquarters, 28 March 1935. The comprador's business was guaranteed by a HK\$ 60,000 mortgage on an estate in Kowloon valued at HK\$ 62,000; 500 shares of the Hong Kong Land Investment C^o (43,000) and a cash deposit (15,000). *Ibidem*, First half of 1931, 8 December 1931.

¹⁰⁶ « Fung Cho Wan est toujours comprador. Il me paraît honnête et prudent en affaires ; il a des relations et me renseigne convenablement. Il est moins actif pour le change que les courtiers Otto et Tavadis. » Banque de l'Indochine archives, DES 13/4, Reports from the Canton branch to the Paris headquarters, 24 February 1938.

When the crisis was intensified, the assets of the branch not only declined in volume, but the manager extended their liquidity, through deposits, to gain a nimble return in spite of the usual discount operations. And the “local” uses (in silver-valued assets) gained momentum because the international business sometimes was trimmed by the dire trans-oceanic activity. Liquidity became the motto in 1933 and afterwards, with cash available locally, in the Hong Kong branch, or in Paris; and deposits in New York grew in size, to get some better interest than in Hong Kong.

Table 13. Use of resources by the Banque de l'Indochine branch in Canton (in thousands HK\$)											
	Second half 1929	First half 1930	Second half 1930	First half 1931	Second half 1931	First half 1932	Second half 1932	First half 1933	Second half 1933	First half 1934	Second half 1934
In gold assets											
Pending remittances in FRF	/	2,968	1,442	1,077	722	412	413.5	312	288	169	74
Pending remittances in £	12,147	1,142	597	500	571	262,5	218	302	242	142	132
Pending remittances in USD	/	2,563	2,086	691	1.679,5	1,223	899	528	162	68	23
Assets by the correspondents in the US or elsewhere (USD)	108	138	57	627,5	56	55	132,5	135.5	142	70	9
Deposits (in gold value)	791			1,583	2,867	2,137	3,740	2,445			
Credit account in Paris (with a special account since 1933)				429	/	331	434	2,852	3,940	3,949	2,277
Special credit accounts at FABC New York								?	842	876	702
Total amount in gold-valued assets (the remnant of uses being in silver-valued assets in China)	13,242	6,902	4,291	5,015	6,214	4,651	6,038	5,068	4,453	5,412	5,417
Total amount of assets	15,690	9,434	6,766	6,959	8,909	8,129	9,198	9,031	7,394	7,459	7,265
Raw returns	7.654%	6.924%	6.748%	5.248%							
Advances on goods (flows)	2,890	1,494	1,700								
Their balance at the end of the half year	1,175	539	133								
Advances on securities in HK\$: balance at the end of the half year	14	31	66								
Advances on securities in FRF: balance at the end of the half year	175	246	76								

Sources: Banque de l'Indochine archives, half-yearly reports

6. The Banque de l'Indochine branch facing risks of credit and insolvency

The Banque de l'Indochine branch acted as a little bank abroad. Its size was far smaller than the Shanghai and Hong Kong outfits. It comprised of the two French managers, four Chinese or Annamite administrative employees, four boys and coolies – supplemented by the team of the comprador. As an “ambassador” of French business interests in Canton, such a frail body had to value its strategic “niche” but also to stem its appetite for risks to avoid bad debts and maintain acceptable returns. At its scale, it had to contribute to the overall balance sheet of its mother house, of which the gains resulted from piling up numerous small fees, commissions and interest charges throughout its network. It could rely on three key assets, the support from the Paris Office, its managers, and its compradors.

A. Canton trade place hurt by the overall economic crisis

At the turn of the decade, the Banque de l'Indochine branch had inherited from the twenties a few impaired credits (on six failed clients), but all of them had been amortized on its balance sheet; and even a few amounts were recovered in the 1930s thanks to the sale of piled up goods or the completion of pending bills of exchange. The sole debt still pending dated back to the period of WWI, through the financing of a real estate company (China Land). Happily, through the 1930s, despite harsher uncertainties, the modernisation of the city went on, to develop the port, to extend the street system¹⁰⁷ or to reinforce the property business. The branch even succeeded in getting rid its real estate asset: on 22 January 1932, it agreed so sell (for HK\$ 430,000, less two “fees” paid to the city authorities as graft) a plot with twenty-two houses, an ancient theatre, and some garden square to a Chinese investor (Cheng Tin Koo, from the Tai Li C^o) and could thus, after the payment in October 1932, amortise its credit on the little firm which had developed this plot¹⁰⁸ and even use the surplus to garnish its provisions account for impaired debt.

Despite such sounder and steady bases, the Banque de l'Indochine branch had to face the depressive business mood: like any business city, Canton had to face the worldwide economic depression, which hurt China through downsizing exports and unstable credit¹⁰⁹. Some French trading houses in Guangdong lost momentum, and even were on the brink of collapsing. They suffered of direct bad business in the port-city, but also of the counter-effects of the crisis in other places. Thus, when the house Duffez fell in Shanghai, it left behind bills with its signature owed to its suppliers, among whom clients of the Banque de l'Indochine's Canton branch, itself bearing the weigh of such unpaid bills for a total amount of FRF 2,205 million¹¹⁰. Last, trading houses had to impair losses on credits unpaid by their customers in France itself: several companies importing silk failed in Lyon, for instance, and could not face their debts, which led Banque de l'Indochine to call for the pledge of their supplier from Canton, but the repayment generally lagged for months. In parallel, local houses, either Chinese or foreign ones, felt the effects of the crisis because their own customers endured difficulties, and could no more assume their debts. Both events fuelled uncertainty by bankers, who struggled to recover their endangered assets. And, generally speaking, the flow of business dwindled throughout the 1930s. As an internationalised port-city, Canton was itself carried into its local depression, which hurt finally the banks and Banque de l'Indochine¹¹¹.

One event epitomised such concerns, when the comprador of one main client of the Banque de l'Indochine branch fled away in 1932 because its own customers were choked by the fall of the silk prices¹¹²: the Banque de l'Indochine branch was itself taken into the turmoil, with credits on several houses brought by the comprador – for an amount of FRF

¹⁰⁷ “Dans la cité, les ruelles infectes et noires continuent à faire place à des rues goudronnées et pourvues d'égouts, où circulent des autobus. On assiste réellement à vue d'œil à un changement considérable de la physionomie de cette cité dont le caractère ‘vieille Chine’ s'efface de jour en jour. » Banque de l'Indochine archives, 323 DES 36/2, Letters and reports, second half of 1931, June 1931.

¹⁰⁸ Banque de l'Indochine archives, DES 13/4, Reports from the Canton branch to the Paris headquarters, 25 January 1932 and 3 June 1932.

¹⁰⁹ Tomoko Shiroyama, *China During the Great Depression: Market, State, and the World Economy, 1929-1937*, Harvard East Asian monographs, 294, Cambridge, Mass., Harvard University Asia Center, 2008.

¹¹⁰ Local customers of Banque de l'Indochine in canton which were entangled in the Duffez liquidation were: Hogg & C^o (FRF 1,010), Boyer-Mazet, Gérin-Drevard, Central Produce C^o, Wong Man Sang, Canton Silk Trading (FRF 179,000), Cheong Ke. Banque de l'Indochine archives, DES 13/4, Reports from the Canton branch to the Paris headquarters, 14 January 1930.

¹¹¹ “Marasme profond qui règne sur notre place”, *Ibidem*, 21 December 1933.

¹¹² *Ibidem*, 5 May 1932.

202,000, offset by bills on exchange for 90,000 to be cashed¹¹³. Later on, in 1932, the banking place was hurt when the Canton branch of the Bank of Canton – based in Hong Kong – fell into defaults, overloaded with bad credits, despite the fact that its head was at this time the chairman of the Bankers' Guild here. Happily, the Banque de l'Indochine branch was only in commonplace relation with its fellow member.

B. The silk business stricken by the crisis

The basic activity to finance trade on silk faced stiff tensions, when the market dwindled from November 1929, stirring the fall of silk prices in Canton since the last term of the year and even the closure of several spinning plants¹¹⁴. All in all, the prices of silk begun to drift since the turn of year 1930, with a 54 per cent fall in a year. This depreciated the value of the stocks piled up by the merchant houses, which deprived the bank from healthy pledges for its advances: at the end of the year, it had to demand their reduction or supplementary guarantees¹¹⁵. The branch deplored an overall decline of 41 per cent in its assets and resources between the first half of 1929 and that of 1930; and the branch estimated the reduction of potential turnover for silk exports at HK\$ 15 millions, all the more because inventories of silk in Japan had become considerable, which weigh on the international prices¹¹⁶. The important fall of the HK\$ in the second half of 1930 could have eased the Chinese silk exports against the Japanese ones. But the devaluation of the Japanese currency relaunched the international war on prices, which choked the Chinese silk millers¹¹⁷. Inventories grew in size in the port-city, with effects on the pledges brought to the loans, thus weakening the circuit of credit¹¹⁸, all the more because, at the end of 1931, about 11,000 bales were stocked as collaterals.

¹¹³ Remittances on a few French houses were pending, on E. Bord, in Aubenas (Ardèche), on G. Deval-Cozon frères, in Lyon, themselves drawing this paper on Cotte Chavent Armandy, and Morin Murit & Douare, in Lyon (for HK\$ 87,567 or FRF 202,000). *Ibidem*, 5 May 1932.

¹¹⁴ *Ibidem*, 18 April 1930.

¹¹⁵ "Situation malsaine chez plusieurs clients, car des sur-stocks ont été constitués il y a un an, quand la soie grège cotait à New York 4,90 dollars par livre alors qu'elle vaut aujourd'hui 2,25 après une baisse de 54 %. La situation économique actuelle interdit tout espoir de revalorisation rapide et accentuée des matières premières. » Banque de l'Indochine archives, 323 DES 36/2, Letters and reports, 14 December 1930.

¹¹⁶ "La crise a été d'autant plus sensible ici qu'elle a porté sur un produit de demi-luxe, la soie, qui est le principal article d'exportation de notre région et celui qui régit notre propre activité. Elle a été aggravée par la baisse considérable de l'argent, qui a arrêté à peu près complètement les importations, mais qui n'a pu enrayer la chute des prix de la soie en monnaie locale. » Banque *Ibidem*, 14 December 1930.

¹¹⁷ "L'abandon du *gold standard* par le Japon a eu pour conséquence immédiate une baisse des prix de la soie à New York, et les prix offerts, malgré la baisse enregistrée sur le marché de Canton, ont été, pendant le dernier trimestre, presque constamment inférieurs d'au moins 5 % à ceux demandés par les filatures." *Ibidem*, second half 1931, 6 February 1932.

¹¹⁸ "La plupart des maisons de soie ont fait en 1931 de mauvaises affaires, et il semblerait qu'une seule, Madier-Ribet, ait fait des bénéfices. Les plus favorisées, ou plus exactement les plus prudentes, ont couvert leurs frais généraux, mais une infime minorité est dans ce cas. La plupart des maisons chinoises, qui sont également intéressées dans ces filatures, ont subi de lourdes pertes et elles auront beaucoup de peine à se relever. » *Ibidem*, second half 1931, 6 February 1932.

Table 14. Silk trade in Canton							
	Raw silk exported (bales of 480 cattles)		Exports of waste silk (bales of 100 cattles)		Exports of waste silk (in <i>pieuls</i>)	Raw silk exported (in <i>pieuls</i>)	
Second half 1929	33,479		28,215		54,854	54,958	1929
First half 1930	26,946		21,700		32,114	48,384	1930
Second half 1930	33,535		10,434				
First half 1931	25,657		25,996		46 056	41,650	1931
Second half 1931	20,399		15,654				
First half 1932	12,504		3,105				
May 1931-April 1932		27,129		25,489			
Second half 1932	21,094		12,134				
First half 1933	14,404/13,319		26,394				
May 1932-April 1933		28,074		13,914			
Second half 1933	15,760						
First half 1934	20,108						
May 1933-April 1934		28,641		42,825			
Second half 1934							
May 1934- December 1934		26,241		25,953			

Source: Banque de l'Indochine archives, letters, reports and outcomes, date for each half year

As soon as 1930, already fragile clients had to extend their deadline for the repayment of their debts, because they became unable to respect the scheduled timing (Servanin¹¹⁹, Cassa, Deyr, Canton Raw Silk¹²⁰, etc.). A few bills drawn on French clients by trade houses (Central Produce¹²¹, with a loss of HK\$ 24,947 for the branch; Hogg¹²², with a loss of 48,060; and *Comptoir franco-chinois*¹²³, with a loss of 13,129 – thus a total¹²⁴ of around 50,000 all at once in 1930) resulted in losses for them and the bank, and, generally, the goods pledged as collaterals had to be sold to get back some cash. A package of bad debts was estimated at HK\$ one million at the end of 1930, after provisions extended by HK\$ 120,000. The portfolio of clients had to be reduced, but a bunch of pending overdrafts weighed on the debts of Banque de l'Indochine, which blocked fresh credits but struggled to pick up back a few of them, patiently, like any banker during any crisis.

¹¹⁹ Servanin's \$30,000 overdraft (advances on bills in pounds and losses through one of its clients, *Comptoir franco-chinois*) had to be repaid in three instalments; the collateralised goods had to be sold to clear the debt.

Ibidem, 9 September & 14 December 1930. Servanin, the former manager of Madier-Ribet in Canton, had set up his own daughter-house, *Comptoir franco-chinois*.

¹²⁰ Canton Raw Silk had to be closed suddenly, following a fraudulent failure; it left behind unpaid bills, among which HK\$ 6,700 for the Banque de l'Indochine branch, with a final loss for it of 6,725, whilst City Bank would have faced a debt of 150,000 against overall liabilities of 600,000. DES 13/4, Reports from the Canton branch to the Paris headquarters, 15 November 1930.

¹²¹ "La réalisation, aujourd'hui terminée, des tirages impayés de *Central Produce Hong Kong* [une société avec des capitaux japonais] sur France (Duffez à Lyon, L. Bancilhon, à Aubenas, Cros & Pommier à Aserjac) fait ressortir une perte globale de hk\$ 22,000. Vous avez traité avec un Chinois que vous connaissiez à peine et dont vous avez appris la mort d'une circonstance fortuite. Il est très heureux que vous ayez eu affaire à un honnête homme et que vos pertes ne soient pas plus élevées. » Banque de l'Indochine archives, 323 DES 36/2, Letters and reports, 14 December 1930.

¹²² "Les tirages sur J. de Soulange, F. Duffez, F. Geoffray, escomptés par votre agence n'ont pas été honorés et la provision qui les garantissait a été absorbée », avec une perte d'exploitation de HK\$ 22 000 et une perte de change de 12,000. *Ibidem*, 14 December 1930.

¹²³ "Réalisation des marchandises afférentes aux tirages impayés sur Phocius Doulos, à Istanbul, Ipsilantis à Corfou, Apostalou à Karlovassi, et Gabriel Estève, à Barcelone. » *Ibidem*, 14 December 1930.

¹²⁴ Banque de l'Indochine archives, DES 13/4, Reports from the Canton branch to the Paris headquarters, 15 November 1930.

When the silk markets dived in Lyon and the US in February-May 1931, the instructions became drastic: maximal reduction of risks, purchase of remittances for the sole first-class houses¹²⁵, that is Madier-Ribet, Reiss-Massey¹²⁶ and T.E. Griffith. Even a big client like Gérin-Drevard was submitted to a dire situation¹²⁷ in 1930 and at the turn of 1931, then to following hazardous speculations on prices in June-July 1931, and Banque de l'Indochine had to impair a final loss¹²⁸ of HK\$ 16,000, even if it got back "good debts" (pending remittances, implemented with success over "well-off houses in Lyon" (FRF 4,5m), London (£5,400) and New York (letters of credit on banks). The association between partners Michel Drevard and Guillaume Gérin was broken, following big losses in 1930, and the repayment of its debt had to extended at medium term¹²⁹. Even if the sound assets of Gérin-Drevard were picked up by a new boss, Joseph Baud – himself associated with Chung Tang, the very guarantee of the comprador of the branch –, the failed Gérin-Drevard could not assume its liabilities because of deepening difficulties¹³⁰ in the last term of 1931, and ended liquidated. Such disappointments led to mindset of prudence turned out to be relevant as the Lyon place was strongly shattered in 1931 by the collapse of big houses, either in banking (*Veuve Guérin*, for instance a correspondent of Gérin-Drevard) or trading (May)¹³¹.

	In the second half of 1932	In the first half of 1933
Madier-Ribet	10	4
Société commerciale asiatique	5	3,75
Joseph Baud	3,5	
South Trading Company	2,5	1 by third for each
Griffith	1	
Ferguson	1	
Kuang Tung Silk Agency		0,5
Total:	25	10,5
about which:		
To France	FRF 9m	6,5
To the UK	£55,000	37,000
To the US	\$465,000	45,000
"Madier-Ribet, SCA and Baud used our branch for all of their business." Banque de l'Indochine archives, 323 DES 36/2, Letters and reports, 28 February 1933; July 1933		

The situation got tighter when the depression was aggravated, and when the prices of silk drifted downwards (from HK\$ 900 to 500 the "*pieul*"¹³² from mid-1931 to mid-1932, firstly). On the international field, the effects of the French crisis became stiffer in the mid-

¹²⁵ Banque de l'Indochine archives, 323 DES 36/2, Letters and reports, First half 1931, 3 August 1931.

¹²⁶ "Reiss-Massey est généralement considérée, avec Madier-Ribet et T.E. Griffith, comme la meilleure maison de soie de notre place et comme travaillant prudemment." *Ibidem*, First half 1931, 3 August 1931.

¹²⁷ Banque de l'Indochine archives, DES 13/4, Reports from the Canton branch to the Paris headquarters, 26 January 1931.

¹²⁸ Banque de l'Indochine archives, 323 DES 36/2, Letters and reports, Second half 1932, 12 January 1932.

¹²⁹ The old debt of the Gérin-Drevard house was for example repaid between July 1933 and February 1934, for the amounts owed to the Canton branch, even if the Hong Kong one had still a few credits to pick up. Banque de l'Indochine archives, DES 13/4, Reports from the Canton branch to the Paris headquarters, 21 February 1934.

¹³⁰ Gérin-Drevard had a huge debt towards City Bank and had to sell its silk inventory, leaving still a debt of HK\$ 125,000, supplemented by a debt of 191,000 towards Chinese merchants, whilst Banque de l'Indochine itself had to impair 16,500 on Canton – the Hong Kong branch bearing its own bad debt over Gérin-Drevard (10,055) since 1921. *Ibidem*, 5 October 1931.

¹³¹ "La mauvaise situation du marché de Lyon, caractérisée par la fermeture de maisons considérées jusqu'ici de tout repos, comme Veuve Guérin et May, n'a pas peu contribué à rendre difficile la situation de notre place" de Canton. Banque de l'Indochine archives, 323 DES 36/2, Letters and reports, second half 1931, 6 February 1932.

¹³² A China *pieul* represented about 60 kg.

1930s. Thus, when the silk house G. Deval failed in Lyon in May 1933, although Banque de l'Indochine bore no risks on it – it was a client of HSBC –, it got concerned because a few of its own customers carried risks with it, for instance Reiss-Massey: it had exported from Canton for this house about 100 bales, which staid unsold/unpaid by its agent in Lyon, with unpaid remittances of bills amounting to FRF 86,600 in Lyon¹³³. The spinning and export houses struggled to keep some doors open abroad and played on their various markets to pick up orders, between Lyon, the US or even India (in 1931 and 1932), but for lower qualities in that case, which required from the bank resiliency and reactivity to adapt the flows, changes and fees¹³⁴. A landmark for such a crisis was the fall of the amounts of bills of exchange (in francs and pounds) negotiated by the Banque de l'Indochine branch as remittances: FRF 23m in the first half of 1931, still 38m in the second half, and 16m in the first half of 1932, before a rebound to 25m in the second half (on France: 9m); and the whole year 1932 was marked by the cut into orders from Lyon¹³⁵; and the trend was confirmed¹³⁶ in 1933 and 1934, all the more because the drastic caution of the direction on that field added to the constriction of the part played by Banque de l'Indochine in the silk business in Canton¹³⁷.

Table 16. Silk exports by Canton

Export campaign	Total amount (thousand HK £)	To Europe	To the USA	To Asia (India)
1930/31	49,593	14,265	32,327	3,001
1932 bales	33,420	6,237	12,430	14,757
1931/32	27,029	5,149	9,268	12,612
1933 bales	33,325	8,292	7,218	17,815
1932/33	28,074	4,718	11,380	11,976
1933/34	28,641	6,779	6,885	14,977
1934/35				

Source: Banque de l'Indochine archives, 323 DES 36/2, letters and reports

In a nutshell, the crisis trimmed into the silk business of the branch and into its opportunities of returns, either because the value of a bale had collapsed or because of the fall of the amounts crossing the harbour. The advances on silk endured a standstill in the mid-1930s, because of the over-prudence of the branch and the comprador, and because the main firm active in Canton, Madier-Ribet, often used less expensive bankers¹³⁸. Moreover, the competition from Japan in the international market became harsher,

¹³³ Banque de l'Indochine archives, DES 13/4, Reports from the Canton branch to the Paris headquarters, 30 May 1933.

¹³⁴ «L'Amérique n'a été que rarement acheteur, pour des quantités insignifiantes et à des cours en général très inférieurs à ceux demandés par les marchands de Canton. La demande de Lyon a été également très faible et les cours sont progressivement tombés de 780 par pieul à 520 (pour la qualité 15/16), malgré tous les efforts des marchands chinois, dont les stocks avaient constitués en général sur la base de 900 par pieul et qui s'efforcent par tous les moyens de résister à la baisse. La chute des cours aurait été encore plus accentuée si Bombay n'avait pas été acheteur de quantités relativement importantes en qualité 20/22. Cela a permis à quelques filatures restées ouvertes de filer du 20/22 au lieu de 13/15 ou de 14/1. » Banque de l'Indochine archives, 323 DES 36/2, Letters and reports, first half 1932, 1st July 1932.

¹³⁵ «La demande de Lyon a été très faible au premier semestre [1932] et été presque nulle pendant le second [d'où des] stocks de fin d'année de 10,000 balles. » *Ibidem*, second half 1932, 28 February 1933.

¹³⁶ « Il est évident que notre place ne pouvait pas ne pas subir le contrecoup du marasme général. Quand elles se sont fait sentir, les demandes de Lyon ont été soudaines et semblaient refléter un optimiste brutal qui est toujours resté sans lendemain. À la maison Madier-Ribet, nous avons acheté FRF 3,643,150 de papier de soie au lieu de 4,6m au dernier semestre ; à la Société commerciale asiatique (produits divers), 1,079m contre 1,062m. » *Ibidem*, first half 1933.

¹³⁷ *Ibidem*, first half 1934.

¹³⁸ «Les avances sur soie, qui se sont toutes bien dénouées jusqu'ici, ont été très réduites par suite des causes suivantes: l'inactivité et l'atonie du marché de la soie en général (et de la soie de Canton en particulier) et la baisse concomitante des prix; prudence naturelle de notre comprador, augmentée de l'incertitude de sa situation due à la perte de ses garants ; prudence de vos agents due à la situation générale et à vos instructions. » *Ibidem*, first half 1934.

because the quality of its silk was better than the production of the Guangdong peasants, lacking of technical education¹³⁹; and the spinning mills had to close massively in 1934 (from 112 in 1929, with 70,000 female workers, to 54 in 1937) or to suspend their activity, such cutting into opportunities of trade banking. The Banque de l'Indochine branch struggled to pick up a few operations in the silk trade, but it was pushed aside for several main areas of this trade, about Indian or Japanese connections for example, whereas the European or American ones had severely dwindled¹⁴⁰.

	Total amount (thousands HK\$)	Among which: amount managed through the comprador	Bales pledged as collaterals	Average value per bale (HK\$)	
				Comprador's business	Direct business
1927	2,402	1624	4,079	233	107
1928	2,702	1,356	3,952	180	150
1929	3,737	1,909	5,810	253	231
1930	788	626	1,828	127	25
1931	1,452	437	3,322	88	188
1932	1,136	171,5	2,872	51	188
1933	347	116	1,404	50	24
1 st January 1934	118				
30 June 1934	24				
1934	0	0	0	24	44
1 st half 1935	6	6	75	2	

Source: Banque de l'Indochine archives, annex to the special note n°17, 3 September 1935

E. The import trade shattered

The very secondary result of the fall in exports from the port-city was the shock to the general trade of imports. The overall purchase power of the area had dwindled seriously; and the fall of the HK\$ in the second half of 1930 reinforced that trend. An array of opportunities of revenues was thus entailed, cutting into the potential returns of the Banque de l'Indochine branch. But the boycott of the Japanese goods from 1931 loosened the grip of the crisis, as it favoured imports from Europe, for wool yarns or else. The South Trading C^o was an active importer and used Banque de l'Indochine to finance its inventories (sometimes in the godown of the bank itself), pending the sales to Chinese distributors and merchants¹⁴¹. But these ones putt off picking up them since the outlets had durably dwindled¹⁴². Niches were anyway preserved (steel products imported by South

¹³⁹ *Ibidem*, second half 1934.

¹⁴⁰ « Si on estime à environ 32 000 balles le chiffre annuel de l'export de la soie à Canton, on peut assurer que, en 1934, la moitié au moins a été dirigée vers l'Inde et environ dix à douze mille balles, achetées directement par consortium chinois de Hong Kong, ont été envoyées au Tonkin. Voici donc en tout plus de 20 000 balles qui nous échappent. Il reste à partager entre les différentes banques environ quatre mille balles. Encore faut-il songer à la partie achetée par le Japon, qui naturellement contrôlée par les banques japonaises [...]. La compétition est devenue acharnée qu'il faut, pour pouvoir acheter [du papier commercial] de fructueuses contreparties. Or, si la *Deutsch Asiatische Bank* reçoit chaque mois HK 213,000, mensualité payée pour l'Arsenal vendu par l'Allemagne, si la Chartered Bank et HbSC se partagent des affaires comme Vickers-Armstrong et Ansaldo [armements], par contre, nous avons vu faiblir considérablement le chiffre de nos affaires d'armes [...]. Si la France persiste dans son désir d'obtenir de Nanking [le pouvoir central] des autorisations pour ses imports d'armes dans le Sud de la Chine, il y a bien peu d'espoirs de voir des affaires prospères en 1935. » *Ibidem*, second half 1934.

¹⁴¹ « Avances sur marchandises: \$40,000 à South China C^o garanties par verres, files de laine, files de coton de \$ 80 000, entreposées dans notre godown et dans ceux de la Hong Kong & Kowloon Wharf & Godown C^o à Hong Kong. » *Ibidem*, first half 1932, 1st July 1932.

¹⁴² « Les commerçants se sont trouvés incapables de prendre livraison des marchandises qu'ils avaient commandées. Les importateurs se trouvent posséder des stocks importants, particulièrement en filés de laine et de coton. » *Ibidem*, first half 1932, 1st July 1932.

Trading C°, chemicals, with credits to *Deutsche Farben Handelsgesellschaft*¹⁴³, etc) to supply the local workshops.

F. The intensification of the crisis

The mid-1930s were a sad period as the crisis deepened; during the first half of 1934, armaments sales faced a halt, advances on goods were all repaid, local advances fell back (about \$ 20 thousands at the end of the second half); and the first half of 1935 was some black hole with “an almost suspension of the silk exports to Europe or America; those to Indochina are financed by the Chinese – and with no new armaments business with the Groupe Chine”¹⁴⁴.

Second half 1932	25	
First half 1933	6,5 to 10	
Second half 1933	10	
First half 1934	4,6 to 5,5	
Second half 1934	4,5	
First half 1935	14	Madier-Ribet (7), SCA (4), Griffith (1,8)
Second half 1935	4,5	
First half 1936	7,5	Madier-Ribet (1,7), SCA (4,5)
Second half 1936	9	Madier-Ribet (3), SCA (5)

A wave of defaults shattered the business basis of the Canton branch. The more pervasive crisis eroded trade, repayments and trust, the more the customers of banks active in Guangdong were exposed to crisis of liquidity, then of solvency. The bankers tried to maintain their “relational banking” path to support their faithful clients; but they had finally to face losses. Classically, the account of provisions for impending credits had to be garnished; and a second stage was the amortisation of impaired debts, half after half, from the second one of 1930, when the first account reached HK\$ 120,000, and the first amortised losses HK\$ 53,000. A huge loss (HK\$ 451,000) had to be amortised in three instalments¹⁴⁵ from 1931. The important Chinese client Yong fled suddenly, leaving a bad debt of FRF 25,000 (paper discounted by Banque de l'Indochine, on the way to the HBSC branch in Lyon), to be provisioned¹⁴⁶, but it was mainly a debtor to Chartered Bank. A partner of the Banque de l'Indochine branch, the South China Trading C°, was among the first to collapse in October 1935. It could not repay the FOREX contracts which it had concluded with several banks: Chartered Bank (with an outstanding debt of HK\$ 32,044), Yokohama Specie Bank (7,954), Sines Bank (5,400), Bank of East Asia (2,700). The eventual loss of Banque de l'Indochine (HK\$ 5,252) resulted from “differences in FOREX contracts”, supplemented by another pending debt to the Shanghai branch (SH\$ 6 247).

Provisions on debt accounts climbed to HK\$ 740,000 in July 1931, in front of endangered assets for 1,650,000, to be compared with the total amount of the capital employed by the branch¹⁴⁷, that is HK\$ 9,700,000.

¹⁴³ La *Handelsgesellschaft* “importe des produits chimiques et met en concurrence toutes les banques.” *Ibidem*, second half 1932, 28 February 1933.

¹⁴⁴ *Ibidem*, first half 1935, 22 November 1935.

¹⁴⁵ The bad debtor was Cassa; a first instalment of 77,000 was amortised in summer 1931. *Ibidem*, 24 August 1931. Two other big debts, *Comptoirs franco-chinois* and Hogg, reached HK\$ 53,000.

¹⁴⁶ *Ibidem*, 23 April and 24 October 1934; special notes “Failure of Yong & C°”, 3 and 24 January 1934.

¹⁴⁷ *Ibidem*, First half of 1931, 3 August 1931.

Allocation by the Paris office or the Saigon branch (USD 1,444,000)	5,815,000
Deposits and creditor accounts at Banque de l'Indochine	900,000 from various clients
	57,000 from Chase
	377,000 from Bank of China
Total employed capital	9,700,000
Provisions on debtor accounts	740,000
Endangered assets (immobilisations, losses being impaired, thawed bad debts)	1,650,000
Sound pending remittances	1,975,000
Bills of exchange ("effets ACT")	300,000
Cash USD accounts at the central agency of the head office or at French & American Banking Corporation	2,000,000
Various deposits in banks in \$ or £	5,450,000
Source: Banque de l'Indochine archives, 323 DES 36/2, Letters and reports, First half of 1931, 8 December 1931	

The branch had to live against a somber background, because the commercial situation of Canton reached a critical state in 1934, even of the Kwangtung Bank supported a few houses. The overall opportunities for local credit, through the comprador, were rubbed off.

7. Reactions to the crisis

The differentiation between banks has ever relied on a better management of risks across crisis and tensions. The Banque de l'Indochine branch had therefore to prove that it was able to resist to the formidable challenges it had to face.

A. Competition and risk management

Competition was harsh in Canton (and moreover for the connections between the Hong Kong and Canton places), as each branch struggled to draw a larger part of the business fuelled by wholesale trading, and the houses did not miss stirring such a competition. No "cartel" existed then, even if the bankers tried to respect thresholds for their tariffs and interests. Despite its historical proximity with the leading firm Madier-Ribet, Banque de l'Indochine established lower ceilings to its risks with it as soon as the second half of 1930: it renounced to purchase the majority of its remittances of bills of exchange on the Lyon place, because the Paris direction had guessed that good clients were fragile, like the Lyon bank *Veuve Guérin & Fils*¹⁴⁸. And Banque de l'Indochine could only compete for about two-fifths of the remittances offered by Madier-Ribet to the bankers as the other bunch was considered as too risky. "The representative of Madier-Ribet in Canton, Laffond, had transferred almost the whole of his business to Chartered since about a year"¹⁴⁹, even if Madier-Ribet itself remained faithful to Banque de l'Indochine, conversely with its agent for its own parallel activities. Later on, in 1934, the branch admitted once more that "it

¹⁴⁸ "Malgré notre désir de retenir le maximum de remises de Madier-Ribet, qui sont certainement les meilleurs marchands de soie de la place et les plus gros exportateurs sur Lyon, nous n'avons pu acheter qu'un montant assez peu important parce que 30 % environ de leur papier est tiré D/P sur Veuve Guérin & Fils. Ce papier nous a échappé pour la plus grosse part en raison de la limite à nos achats fixés par vous. Puis il nous a échappé complètement quand, ultérieurement, vous nous avez défendu de prendre du papier D/A sur Lyon. Les autres banques de la place qui toutes prennent les effets D/A sur veuve Guérin ne l'acceptent qu'au condition qu'il leur soit remis également un montant à peu près équivalent de papier DF/P sur d'autres bonnes maisons, si bien que 60 % environ du papier de Madier-Ribet va obligatoirement à la concurrence. » *Ibidem*, second half 1930, June 1931.

¹⁴⁹ Banque de l'Indochine archives, DES 13/4, Reports from the Canton branch to the Paris headquarters, 16 November 1933.

had kept Société commerciale asiatique as its client, but our conditions (on FOREX) had rarely been enough tight against those of [our] competitors to draw Madier-Ribet¹⁵⁰.

Risk management was classically at stake, all the more because the depression ignited fragile balance sheets among several clients, bearing bad credits or confronted to extended deadlines for repayments. But all in all, Banque de l'Indochine had joined the bunch of the leaders on the place, National City Bank¹⁵¹ and the Yokohama Specie Bank¹⁵²; when that latter was boycotted from 1931, NCB and Banque de l'Indochine emerged as co-leaders on that niche, which the British banks managed only as an outpost of Hong Kong¹⁵³ and worked with the British houses, reluctant to attend Banque de l'Indochine and privileging Chartered. And the branch succeeded in tackling the whole operations of a few big firms in 1931 and 1932 (Madier-Ribet, Baud, etc.) and to enhance its competitive edge¹⁵⁴.

Table 20. Breakdown of the 16 million of negotiations of bills of exchange (in francs and pounds) by the Banque de l'Indochine Canton branch (million FRF) during the first half of 1932

Madier-Ribet	9
South China C ^o	2,5
Société commerciale asiatique	1,5
J. Baud	1
Others clients	2

Source: Banque de l'Indochine archives, 323 DES 36/2, Letters and reports, first half 1932, 27 October 1932

The appetite for risk of the branch seems to reflect the central philosophy of Banque de l'Indochine, rather cautious, ready to gauge attentively the risks – all the more because it had faced in the first half of the 1920s the pushing competition of another French bank in Asia, *Banque industrielle de Chine*, which had ended by its failure, which had cemented the culture of risk of Banque de l'Indochine throughout its operations in Asia. As soon as the crisis burst out, it put brakes on a whole range of operations. It fixed its FOREX activities, first of all, in the second half of 1930, rejecting opportunities by drawing conclusions of several contracts launched in the second half of 1929 and had ended in losses¹⁵⁵. Banque de l'Indochine also impulsed an agreement among Canton bankers to tighten the conditions of financing exports to Lyon¹⁵⁶. The amount of the advances on goods was drastically

¹⁵⁰ Banque de l'Indochine archives, 323 DES 36/2, Letters and reports, first half 1934. “La seule abstention à regretter parmi nos vendeurs de remises en francs est celle de Madier-Ribet, qui s'inscrivait à elle seule pour FRF 839,371 au premier semestre 1934 et 2,306,899 au dernier semestre 1933. Nous l'attribuons aux excellentes relations que son directeur entretient avec celui de la Chartered Bank e surtout à la diminution considérable du chiffre des affaires faites par cette firme. » *Ibidem*, second half 1934.

¹⁵¹ See Ayumu Sugawara, “American International Banking in China before World War II: Beijing, Tianjin and Guangdong branches of International Banking Corporation”, *Tohoku Management & Accounting Research Group*, 78, 2007, pp. 1-19. Peter Starr, *Citibank. A Century in Asia*, Singapore, Didier Millet & Citicorp, 2002.

¹⁵² “Nous n'avons ici que deux concurrents sérieux, la National City Bank et la Yokohama Specie Bank: la première surtout est redoutable et est toujours le meilleur acheteur” d'effets de commerce à recouvrer outre-mer. Banque de l'Indochine archives, 323 DES 36/2, Letters and reports, 14 December 1930.

¹⁵³ « Les banques japonaises ont été fortement handicapées par le boycott et n'ont à peu près rien fait au cours des derniers mois. Les banques anglaises sont des concurrents peu redoutables car elles se contentent en général de coter [les crédits avec change] suivant les cours envoyés le matin par leur siège de Hong Kong. La National City Bank reste notre concurrent le plus actif, mais les pertes importantes qu'elle a subies au cours de 1931 semblent l'avoir rendue beaucoup plus prudente. » *Ibidem*, second half 1931, 6 February 1932.

¹⁵⁴ “Vous avez avantageusement soutenu la concurrence des autres banques. Vous vous êtes assuré une part importante des négociations sur crédits de banque, et avez traité l'ensemble des affaires de Madier-Ribet, Société commerciale asiatique et South China Trading C^o. » *Ibidem*, 8 April 1932.

¹⁵⁵ “Nous avons laissé passer des affaires pour lesquelles nos concurrents faisaient des cours meilleurs que les nôtres en se basant sur des tendances du marché le plus souvent très incertaines. Le second semestre 1929 avait enregistré des profits sur une quantité importante d'opérations qui, par la suite, sont devenues litigieuses et ont laissé des pertes considérables. » *Ibidem*, Second half of 1930, June 1931.

¹⁵⁶ Les banquiers s'engagent “à ne négocier les remises de soie sur l'Europe que D/P avec une marge de garantie de 25 % ou contre lettre de crédit confirmée par une banque [...]. Cette mesure semble d'ailleurs ne

trimmed to avoid disappointments, from HK\$ 205,000 to 44,000 between 1st July 1933 and 15 February 1934: “Such deflation was rapid and proves by itself that our advances were sound”¹⁵⁷, argued the branch manager against his Paris direction¹⁵⁸.

B. Still a profitable branch?

Cruising through the various aspects of the crisis in China could have led to reefs and pitfalls. But the branch was narrowly supervised from Shanghai and Paris (with weekly letters as mini-reports, and instructions on the return), and its managers revealed themselves as somewhat as displaying enough judgement to face dangerous turmoils. The overall trade banking dried up in the mid-1930s, and the basis of the branch became fragile, relying more on operations of FOREX and armaments¹⁵⁹. Happily one mainstream activity of the Canton branch fuelled it returned, arbitrages on FOREX, either in direct or through brokers picking up operations in the port-city. They brought HK\$ 132 312 profits for the first half of 1936 for example, which allowed the body first to pay the interests charged by the Paris headquarters for the permanent line of credit granted for its business, and moreover to transfer some further cash¹⁶⁰. Throughout the decade, the managers of the branch succeeding in reaping profit, except for for the second half of 1934, because of a failure in FOREX operations in pounds.

pas rencontrer de sérieuse opposition de la part des acheteurs de Lyon, puisque plusieurs de nos clients [sur Canton] ont déjà été avisés d'ouvertures de crédit par leurs correspondants de Lyon. » *Ibidem*, second half 1931, 6 February 1932.

¹⁵⁷ *Ibidem*, second half 1933.

¹⁵⁸ “Nous sommes d’avis que, au cas où vous interdriez totalement les avances sur marchandises, il serait préférable de fermer l’agence de Canton dès que les affaires d’armes seront épuisées. » *Ibidem*, second half 1933.

¹⁵⁹ “Les bénéfices de notre agence proviennent principalement d’un solde de contrats spéculatifs sur le change américain et des bénéfices sur affaires d’armes. Ces deux sources de bénéfices sont également temporaires et malsaines. Nous estimons que le moment va venir où, après avoir contribué énergiquement à la déflation des affaires malsaines de notre place, il conviendra de rechercher prudemment, mais avec continuité, les éléments d’activité commerciale qui peuvent asseoir l’agence de Canton sur une base saine, sinon totalement exempte de risques. » *Ibidem*, second half 1933.

¹⁶⁰ Banque de l’Indochine archives, DES 13/4, Reports from the Canton branch to the Paris headquarters, 1936.

In HK\$	Average amount of use of funds	Raw returns	Net returns (after paying charges on resources: Paris and Saigon allocations, deposits, etc.)	Amortisation of impaired bad assets	Net profit (after deduction of operating costs)	Ratio of net profit (against ressources)
Second half 1929	15,690	600	390	131	218	2.778%
First half 1930	9,434	327	206	120	37	0.777%
Second half 1930				7	109	
First half 1931				/	80	
Second half 1931				60	122	3,458%
First half 1932				/	169	
Second half 1932				/	81	
First half 1933			186	/	186	
Second half 1933			100	/	100	
First half 1934			91	25	91	
Second half 1934					-11,4	
First half 1935					34,5	
Second half 1935					42 FRF 221	
First half 1936					407 FRF 1,964	
Second half 1936					482 FRF 3,206	
First half 1937					401 FRF2,750	
Second half 1937					348 FRF 3,044	
First half 1938					295 FRF 3,267	
Second half 1938					190 FRF 2,137	
First half 1939					371 FRF 213	

Source: Banque de l'Indochine archives, letters, reports and outcomes, date for each half year

In thousands HK\$	Purchase of bills of exchange (FRF) to be remitted and discounted in Europe	Purchase of bills of exchange (HK\$) to be remitted and discounted (in Europe or elsewhere)	Purchase of bills of exchange (USD) to be remitted to the US and discounted	Purchase of bills of exchange (HK\$) to be remitted to the US and discounted	Total amount of completed operations	Ratio of returns on operations	Revenues on interests and commissions	Ratio of net profit (against ressources)
Second half 1929	37,138	3,115	3,649	7,891	24,817	1.374	40	2.778%
First half 1930	32,037	3,346	1,442	4,077	19,764	0.919	21	0.777%
Second half 1930	14,343	1,795	975	671	11,818	1.262	14	
First half 1931	11,999	1,947	739	518	10,334	1.471	0,6	
Second half 1931	5,697	886	4,025	4,296	28,243	0.5258	31	
First half 1932	8,929	1,415	2,565	633	16,823	1.0288	48	
Second half 1932	8,737	1,478	673	1,983	6,438	1.8319	17	
First half 1933	0,312			0,528	9,031			
Second half 1933	0,288			0,162	7,395			
First half 1934	0,169			0,068	7,459			

Source: Banque de l'Indochine archives, letters, reports and outcomes, date for each half year

C. Banque de l'Indochine still more as a Cantonese bank

The Banque de l'Indochine branch head had to prove his very cautious skills to cross a decade rich with risks and direct military and political threats – with even more serious even than in the mid-1920, when Canton endured civil war and down-town fights, as the Sino-Japanese war extended its grip over Guandong. The successive managers had to check drastically the credit demands and follow attentively their maturation and repayment.

All in all, after a third of century of existence, the Banque de l'Indochine branch had acquired some stature on the Canton place. The competitive weigh of HBSC and Chartered Bank was less felt there than in Hong Kong, where they were hegemonic. The managers had crossed the recessions, political and military tensions, the failure of clients, with a relative success, which had opened more doors among the community of foreign and Chinese business. And the growth of the port-city itself had gathered momentum, even if it remained a “niche” in front of Shanghai and Hong Kong.

The dimension reached by Banque de l'Indochine was proven in August 1938 when the negotiations among bankers and with the authorities about the control of forex and the management of foreign currencies on the “international” side of the money centre recognized the French manager as “the representative of the Shameen banks”¹⁶¹. Whereas the big trade house Madier-Ribet was the agency of *Messageries maritimes*, the liner joining France and China, the Banque de l'Indochine branch was chosen at the agent of *Air France* there in February 1939.

Conclusion

Our conclusion will consider the evolution and the results of the Banque de l'Indochine branch in canton alongside some aspects of the classical *SWOT* matrix (strengths, weaknesses, opportunities, threats).

Facing the demand for changes

We have now to ponder the intensity of changes in the background of the activity of the Banque de l'Indochine branch in Canton, and to gauge its ability to adapt itself to these new conditions. In comparison with the 1920s, the decade of the 1930s can be perceived as offering in the same time less and more *threats*. The political and military events were less dramatic than the revolts, civil war and banditry which blocked business in the mid-1920s; all in all, public and military order was maintained by authoritative warlords, and war itself was active northwards – till the Japanese offensive of course in 1937-1938. These alleviated *threats* offered in the meanwhile *opportunities*: Banque de l'Indochine became committed to co-organise the operations of selling armaments to the local authorities and to supply them with guarantees and efficiency in the transfer of payments.

Opportunities were also available in the upsurge of credit and transfers in favour of the business of the wolfram mineral, with exports to the US. But the core activity was till the silk trade and its financing. Among *strengths*, trade finance remained a key leverage to the prosperity of the Banque de l'Indochine branch, with somewhat strong big clients; changes occurred thanks to the connections between Canton and Indochina, beyond the classical outlets in Lyon and New York. Another *strength* became the embeddedness of the branch

¹⁶¹ *Ibidem*, 8 August 1938.

in the Chinese community, mainly through its compradors, but also in direct (with important Chinese companies). A last *strong position* was to be found in market banking, as Banque de l'Indochine extended its skills in FOREX, in South-Eastern China, with the US or with Europe; and, in some half-years, FOREX commissions and spreads provided it with ample revenues. Last, such *strengths* concurred to consolidate the position of Banque de l'Indochine on the Canton place, as one of the leaders among foreign banks, with City Bank, Chartered Bank or, in 1930-1931, the Yokohama Specie Bank.

The crisis as a “stress test” for the Banque de l'Indochine branch

The clash with Japan led to the closure of the connection with the Japanese markets and firms; but the bankers were essentially confronted to harsh economic depression because of the crisis. The stages of the overall depression were rich with *threats* because of the dire situation of the American and the European markets. Beyond the errors of a few firms active in Canton, stretching their risks too far, the branch was of course submitted to the failures or difficulties of the clients of its clients, mainly in Lyon.

Its *strengths* were to be found in its several means of action. First, the reliability, honesty, and resistance of its successive compradors, and the quality of its successive seasoned managers were key tools for success. “Good management” prevailed, as the managers respected cardinal standards for risk management, masterminded with lucidity their appetite for risks, struck the right balance between supporting their faithful and big clients and avoiding to concede them overstretched loans. And it showed banking wisdom in assessing *threats* and *opportunities*, for instance in covering bad debts and provisions, in cutting into ceilings to advances, in grappling with the FOREX operations – conversely with some manager in the 1920s who had failed on several FOREX contracts. The branch was also well connected with its relays in Hong Kong and Shanghai, to get fresh operations, flows of cash, or information. Last, a strict control from the General Inspection (in Asia, from Saigon) and from the Paris headquarters put pressure on the managers, who had to justify frequently their monthly choices. Such a range of *strengths* explains that Paris had not to rescue the branch to prop up its balance sheet, despite the intensity of the depression and the silk crisis.

The Banque de l'Indochine branch and French influence in Asia

We have now to argue about the usefulness of such a branch in a business outpost in South-East China across the depression. Obviously, its very role as a banking hub to support the silk trade toward Lyon justified such a presence there and the development of its loans to big French firms taking part to the exchanges between Lyon (and London) and Guangdong. More added value was thus incorporated to the French business community, instead of relying only on British banks, even if they were stake-holders in connections between Canton and Lyon too. The French banking action there broadened directly or indirectly the French community of international interests in the trade business, maritime lines (*Messageries maritimes*) and even *Air France*. Beyond effective business, the branch was inserted into the community of knowledge which consolidated the collection of economic intelligence by French businessmen, either in Asia (the connection Canton-Hong Kong-Shanghai and the connection Canton-Saigon) or abroad (Lyon/London/New York, etc.). In that sense, the branch contributed to some forms of French “economic patriotism”. In fact, it also bolstered some French exports, mainly armaments, because the imports of sundry and general trade were often managed by British firms in Canton, through their links with the Hong Kong harbour, and even a few small German ones.

The Banque de l'Indochine branch and the life of the Canton port-city

Our last point will grapple with the issue of the connection between an off-shoot of a French bank in far Asia and the very life of a growing port-city in Guangdong. The choice of settling in that “niche” was legitimised first by the development of Canton as a regional “hub”, more and more linked to its hinterland by steamboats, railways (extended northwards), and roads. Merchants converged to the city, either on the petty market, or for “big business” (silk, staples, sundry, etc.), which bolstered the warehouses (among which Banque de l'Indochine's godowns), the harbour, and the banks. Second, connections with Hong Kong were densified, by the railway to Kowloon, by the telephone line, and by intense tramping, feeding the international maritime centre. *Opportunities* for business were largely available. The import function faced difficulties, because of the boycott of Japanese goods, and moreover because the purchase power of the province was entailed by the silk crisis. But it gained momentum thanks to the armament of imports and the banking management of their payments.

The very mission of Canton to harbour Chinese goods towards overseas markets resisted to the depression, and the port-city became more open to the Pacific exchanges and Panama (towards New York) and still more connected with Suez and Europe, Marseille to Lyon, afterwards, or London. The immaterial exchanges of the port-city with the banking centres (New York, London, Lyon and Paris, Saigon, etc.) extended their stretch and volumes. No more a “nimble economy”, the “niche market” took profit from the emergence of Guangdong and of China production and merchant houses to assert itself as an important stake-holder in the wave of modernisation, monetarisation and bankarisation of South-Western China, serving as leverage to the valuation of Banque de l'Indochine's *strengths*.

Although Canton opened doors to direct commerce with Tonkin for silk deliveries, fostering the insertion of the Asian French empire into the Chinese system in parallel with the Euro-Asian one, it also allowed Banque de l'Indochine to fuel its expansion outside Indochina and to complement the Hong Kong niche with a market and banking place which was quite different from its sister one. Canton therefore extended more and more its autonomy, in the favour of the two banking leaders there, City Bank and Banque de l'Indochine, able to compete more easily there than in Hong Kong with their British hegemonic competitors, HSBC and Chartered Bank, as they had seized the whole array of *opportunities* to broaden their *strengths*. For Banque de l'Indochine itself, it succeeded in enriching and consolidate its portfolio of skills, because it secured the stability, the solvency and the competitiveness of the branch, which resisted to the local crisis and the general depression, and confirmed that the “niche strategy” fixed to the embeddedness in the Canton port-city had been relevant.