



Introduction

This book is about the activities of foreign banks in China between the late nineteenth century and the end of the First World War. During this period, foreign banks were major players in Chinese finance. They financed the rapidly growing international trade of China, cooperated closely with Chinese banks and provided the Chinese state with capital that allowed China to pay for wars, fund industrialization projects and maintain political stability. In *Foreign Banks and Global Finance in Modern China*, I try to answer the question of how foreign banks rose to such prominence in China and what role they played in facilitating China's financial integration into the global economy. Most importantly, I show that the interaction between foreign banks and Chinese officials and entrepreneurs led to the rapid internationalization of Chinese finance, both in terms of the banking sector of the China coast and in Chinese public finance, during the last two decades of the Qing dynasty and the first years of the Chinese republic. Although I contend that foreign banks as intermediary institutions played an important part in this process of internationalization, the evidence presented in the following chapters will also make clear the important role of Chinese actors and agency for the operations of foreign banks in China.

In studying the history of foreign banking in modern China, this book particularly follows the history of the Deutsch-Asiatische Bank (Dehua Yinhang 德華銀行, DAB), a leading German bank operating in China during the last two decades of the Qing dynasty and the early years of the republican period. The DAB's history in many ways exemplifies the activities and development of foreign banks operating in modern China throughout this period. After its establishment as a private joint-stock bank in 1889 in Shanghai, the DAB became both the most important German bank in China and one of the most important international financial institutions operating in East Asia. When the DAB started to operate in China during the 1890s, Chinese foreign trade was growing rapidly and the bank became involved in the financing of foreign trade. It also maintained important business relations with Chinese banks and attracted deposits from foreign and Chinese customers. After China's crushing defeat in the First Sino-Japanese War, Chinese officials became more open to the use of foreign capital and the DAB started to play

an important role in floating loans for the Chinese government on the German capital market. By 1914, the DAB connected most of China's major economic hubs with Germany and had also extended its branch network to East and Southeast Asia to facilitate its business in China. Eventually, however, the bank fell victim to the turmoil of the First World War, when it was liquidated by the Chinese government.

The history of the DAB, from its opening in Shanghai in 1890 to its eventual demise during the First World War, takes us through the period in modern China's history when foreign banks rose to a position of unprecedented significance both for the Chinese state and the local Chinese banking sector on the China coast. Between the 1890s, when China's foreign trade started to grow at a previously unmatched rate, and the First World War that saw the end of this rapid growth in trade and the rise of modern Chinese banks, foreign banks played a unique role in the banking sector of the China coast by financing foreign trade and supplying both Chinese banks and the Chinese state with capital. The DAB's history therefore constitutes a useful case-study for understanding the rise of international banking in China at the turn of the twentieth century.

In many ways, *Foreign Banks and Global Finance in Modern China* builds on recent scholarship by scholars outside the field of Chinese history. Scholars of global history have highlighted the important role the integration of international financial markets and global flows of capital played during the first era of modern globalization in the nineteenth and early twentieth centuries.¹ At the same time, business historians like Geoffrey Jones have emphasized the decisive impact modern multinational banks had on the creation of the first global economy between the early nineteenth century and the First World War by supplying the financial infrastructure that facilitated the unprecedented global economic integration during this period.² Financial historians have also stressed that international banks provided the infrastructure for international payments, capital flows and trade for the first era of globalization during the nineteenth and early twentieth centuries, and have emphasized the importance

¹ Osterhammel, *Transformation of the World*, pp. 730–44; O'Rourke and Williamson, *History and Globalization*, pp. 207–46. For a discussion of the differences between modern globalization and earlier phases of globalization, see Bayly, *Birth of the Modern World*, pp. 23–85.

² See Jones, *Multinationals and Global Capitalism*, pp. 19–20, 109, 113–14, 144 and 285; and Jones, ed., *Banks as Multinationals*. The first global economy mainly differed from earlier global economic interaction because of the unprecedented global economic integration it saw and the new technologies of transportation and communication that made large-scale global trade and capital flows possible. These processes accelerated during the second half of the nineteenth century and declined after 1914. See Jones, *Multinationals and Global Capitalism*, pp. 18–19; Jones, *Entrepreneurship and Multinationals*, pp. 2–5; Jones, 'Globalization', pp. 143–7; Obstfeld and Taylor, *Global Capital Markets*, pp. 23–5; Findlay and O'Rourke, 'Commodity Market Integration', pp. 13–64.

of this infrastructure and the services of these banks for the rapid growth and integration of the global economy, including in Asia.³

However, if we look at China and the activities of foreign banks in the modern Chinese economy, we find that the specific role these foreign banks in China and their interaction with Chinese actors played in the internationalization of Chinese finance and China's financial connections to the global economy until today remain understudied. This lack of historical research into the activities of foreign banks in modern China can be explained by three factors. First, and most importantly, views that see foreign banks as part of foreign imperialism in China still loom large in the historiography of late Qing and republican China, generating an often simplistic picture of the activities of foreign banks. Second, many of the records relevant to the activities of foreign bankers in China are written in different languages and scattered across different archives, and have often only recently become available to historians. This has made it difficult for historians to engage with the history of foreign banks in modern China beyond a superficial level. Third, the China-centred approach that long dominated Western scholarship of China has tended to lead Western historians of China to shift their focus away from foreign influences on China's modern history.⁴

Only in recent years have historians of China started to use a more global perspective to engage with China's modern history. William Kirby has argued that during the republican period 'nothing mattered more' than China's foreign relations, which became 'all penetrating, all permeating, all prevailing . . . forcing their way into every part of Chinese society'. Kirby sees the first Chinese republic as the start of a process of internationalization that is still ongoing in China today.⁵ Hans van de Ven has argued that China witnessed its own 'onrush of modern globalization' during the late nineteenth and early twentieth centuries.⁶ He has challenged historians to recognize the perspective of 'globalization . . . as an opportunity to bring back the foreign as a significant factor in modern Chinese history' that allows us to focus on 'networks, interactions, mutual exploitations, and rupture' instead of simplistic 'binary dichotomies between China and the West'.⁷ R. Bin Wong, Kenneth Pomeranz and others have also urged historians to break away from Eurocentric interpretations of China's economic development and to take the 'Chinese experience' into serious account when analysing the evolution of economic globalization.⁸ Yet, despite these

³ See Nishimura, Suzuki and Akagawa, 'Jobun', pp. i–xiii; and Nishimura, Michie and Suzuki, 'Introduction', pp. 1–12.

⁴ See Cohen, *Discovering History in China*.

⁵ Kirby, 'Internationalization of China', pp. 433–58.

⁶ Van de Ven, 'Modern Globalization', pp. 167–94.

⁷ Van de Ven, 'Globalizing Chinese History', p. 1.

⁸ Quote from Wong, *China Transformed*, p. 10; Pomeranz, *The Great Divergence*; Blue and Brook, 'Introduction', pp. 1–9.

efforts of historians to understand the economic aspects of the first era of modern globalization and place the history of modern China in a global context, we still know very little about how China was financially integrated into the first global economy during this era.

This book aims to shed light on this question through an exploration of the role foreign, and particularly German, bankers played in the process of modern economic globalization in China during the late nineteenth and early twentieth centuries. While this book primarily follows the activities of foreign bankers in late Qing and early republican China, it situates the role the DAB and other foreign banks played during this period within the context of the longer development of China's public finance and Chinese credit markets. It specifically focusses on the interaction between foreign bankers and Chinese actors within the Chinese political and economic sphere. This book thereby aims to paint a more nuanced picture of the history of foreign banks in modern China than before that both highlights the role played by Chinese agency and stresses the importance of cooperation, conflict and shifting relations of power between foreign and Chinese actors. Ultimately, I argue that the DAB and other foreign banks acted as intermediary institutions that financially connected the Chinese economy to Western economies and facilitated its financial integration into the first global economy.

Foreign Banks and the Paradigm of Imperialism

As I have pointed out already, arguably the most important reason why our understanding of the history of foreign banking in China is relatively limited is that much of the previous scholarship on foreign banks in modern China has looked at them mainly as part of foreign imperialism. The origin of historical discourses that interpret foreign banks in modern China mainly in these terms can be traced back to the republican period and the rise of Chinese nationalism.⁹ Chinese bankers like Chen Guangfu 陳光甫 criticized foreign banks as being part of the 'foreign economic invasion' of China and for absorbing Chinese capital and not caring about the development of Chinese industries.¹⁰ Ma Yinchu 馬寅初, one of the most important Chinese economists of the republican period, accused foreign banks of having seized China's economic rights by 'absorbing the private savings of the people... safeguarding the government's tax revenue ...[and] managing foreign remittances' in China.¹¹ Popular opinion also turned against foreign banks, with newspapers

⁹ On the rise of Chinese nationalism during the Republican period, see Zarrow, *China in War*, pp. 145–247.

¹⁰ Chen Guangfu, 'Chen xiansheng zai Zhongguo Yinhang zhi yanjiuhui yanjiang: Zhanshi yingzhihou yinhangjie zhi xinshiming', February 1932, in Shanghai Commercial and Savings Bank, *Chen Guangfu Xiansheng*, p. 87.

¹¹ Ma Yinchu, 'Zhongguo jingji gaizao', 1935, *MYCQJ*, vol. 8, pp. 130–1.

criticizing Chinese customers' belief in the trustworthiness and stability of foreign banks and accusing foreign banks of being harmful to Chinese sovereignty and China's economy.¹²

After 1949, criticism of foreign banks in terms of the imperialist domination of China reached new heights. Starting from the 1960s, financial historians in China like Hong Jianguan 洪葭管 categorized foreign banks as 'an important means for carrying out imperialism's brutal domination over China'.¹³ During the 1990s and 2000s Wang Jingyu 汪敬虞 published several articles that investigated the role of foreign banks in modern China, largely based on research into articles from newspapers, a limited number of Chinese published primary sources and Western secondary literature. While these were more detailed, nuanced studies that pointed out that foreign banks did introduce some financial innovations into China and spurred on the development of Chinese capitalism, Wang maintained that foreign banks were mainly 'important tools for the economic invasion of China' by the West.¹⁴ Even the most recent Chinese studies on foreign banking in China follow these views. While they are at times more balanced, start to see foreign banks as part of Chinese finance and admit that foreign banks at times cooperated with Chinese actors and provided an institutional model for modern Chinese banks, they generally continue to see foreign banks as 'the tools and main medium used by imperialism for seeking profits in China'. Moreover, these recent studies largely continue to rely on a limited array of sources and thus also fail to break much new ground in terms of the activities of foreign banks.¹⁵ Besides the insistence on seeing foreign banks as manifestations of foreign imperialism, a further common problem of Chinese-language scholarship on foreign banking in modern China is that it does not use foreign archival sources, which makes it difficult to develop a nuanced picture of the activities of foreign officials, diplomats, bankers or any other foreign actors.

¹² Xiao, 'Guoren ji yinggai bian xinli', *Shenbao* (11 June 1935); Wang, 'Zai Hua waiguo yinhang gaishu', *Dagongbao (Jingji Zhoubao)* (7 August 1935).

¹³ Hong, 'Cong Huifeng yinhang', p. 35. Also see his other articles collected in Hong, *Zai jinrong shiyuan dili manbu*.

¹⁴ For the quote see Wang, '19 shiji moye waiguo zai Hua', p. 63. For a collection of these articles see Wang, *Waiguo ziben zai jindai Zhongguo*. Also see Wang, *Jindai Zhongguo ziben zhuyi*. For another study on foreign banking in modern China from this period that is based on a very limited number of primary sources and follows the paradigm of imperialism, see Heilongjiang jinrong lishi bianxie zu, *Hua E daosheng yinhang*.

¹⁵ Quote from Jiang and Jiang, *Jindai Zhongguo waishang yinhang*, p. 344. Also see Guo, *Jindai Riben yinhang zai hua*; Wu, *Huifeng yinhang*; Song, *Jindai Shanghai waishang yinhang*. In Taiwan, scholars like Wang Yejian 王業鍵 have largely followed historians in mainland China in their view of foreign banks as 'tools of the imperialist countries for extending their political and economic power'. See Wang, 'Zhongguo jindai huobi', pp. 234–5.

Generally, Chinese-language literature on foreign banks frequently implicitly or explicitly blurs the line between such banks as independent financial institutions and Western governments, thereby suggesting that foreign banks essentially acted in accordance with and as a component of these governments' imperialist policies. If one tries to sum up the criticism that the work of historians like Hong Jiaguan, Wang Jingyu and much of the other Chinese-language scholarship commonly puts forward against foreign banks, one can identify three main areas of criticism: first, foreign banks are criticized for their involvement in raising loans for the Chinese government. These loans are said to have been detrimental to China because of their supposedly unfair and harmful loan conditions, such as high interest rates and a low issue price for the issued bonds. At the same time, the involvement of foreign banks in these loans is seen as part of their home governments' policy of furthering their control over China. Moreover, railway loans provided to the Chinese government by the banks are criticized as paving the way for foreign governments to establish spheres of influence in China.¹⁶ Chinese historians working on the history of China's foreign debt have generally agreed with this view.¹⁷ Second, foreign banks are viewed as dominating China's international remittances and the management of foreign exchange rates and controlling China's trade finance and the banking sector of the treaty ports. In their interaction with Chinese financial institutions, they are largely seen as having occupied the dominant and superior position. Third, foreign banks and their activities are seen as part of the incursion of foreign capital into China that inhibited the normal development of the Chinese economy. While foreign capital spurred on the development of Chinese capitalism, it also suppressed the normal development of capitalism in China and is seen as inevitably being in competition and confrontation with Chinese capital.¹⁸

There is relatively little Western-language scholarship that specifically deals with foreign financial institutions in modern China. Frank King's history of the Hongkong and Shanghai Banking Corporation (HSBC) arguably still remains the most influential study on the history of a foreign financial institution in China.¹⁹ As a commissioned institutional history, it mainly focusses on and meticulously and comprehensively depicts the activities of the HSBC in China, but – partly because of its almost exclusive reliance on Western sources – neglects both the Chinese side of the history of the bank and the impact that interaction between the foreign bankers and Chinese elites had on China's financial internationalization. More specialist studies deal with the

¹⁶ For this argument also see Mi, *Diguo zhuyi*.

¹⁷ Xu et al., *Qingdai waizhai shilun*; Xu et al., *Cong bainian quru*, 4 vols; Ma, *Waizhai yu wan Qing zhengju*; Ma, *Wan Qing waizhai shi*.

¹⁸ On this aspect also see Xu and Wu, *Zhongguo ziben zhuyi*, pp. 16–21.

¹⁹ King, *History of the Hongkong and Shanghai Banking Corporation*, 4 vols.

relationship between foreign bankers in China and their home governments.²⁰ Several smaller studies that touch upon the activities of foreign banks in China exist, but they remain too narrow either by just focussing on a very specific aspect of foreign banking or by only employing a very limited number of primary sources. Generally, these studies also still see foreign banks in modern China as ‘colonial and imperial banks’.²¹ German banking in modern China remains understudied and mainly limited to a commissioned institutional history,²² the study of financial imperialism²³ and narrow technical scholarship that fails to advance any broader arguments about foreign banking in modern China.²⁴ Moreover, non-Chinese-language studies of foreign banks in modern China also mostly do not make use of Chinese primary sources, so that such studies are not able to adequately reconstruct the motivations, decisions and actions of Chinese actors.

Thus, most of the existing literature on foreign banks in modern China either follows the imperialism paradigm that sees banks as part of the imperialist domination of China or tacitly accepts or does not properly challenge this view when writing about the institutional history or specific aspects of foreign

²⁰ McLean, ‘British Banking’; Dayer, *Bankers and Diplomats*. Neither of these studies draws on Chinese sources and both are limited to a Western perspective, providing very little insight into the interaction between Western bankers and Chinese elites.

²¹ Quote from Bonin, ‘Introduction – Issues Regarding Asian Imperial Banking’, p. 2. Also see, for example, Crisp, ‘The Russo-Chinese Bank’, pp. 197–212; and Quedstedt, *The Russo-Chinese Bank*.

²² See Müller-Jabusch, *Deutsch-Asiatische Bank*. This commissioned history of the DAB published in 1940 is the only major monograph that exclusively deals with the history of the DAB. The author’s analysis is limited to an overview of the bank’s history and mainly praises the activities of the German bankers without critically engaging with them.

²³ See Barth, *Imperialismen*. Writing mainly from a political history perspective, Barth also covers the DAB to some extent in his monograph on the connection between German overseas banks and German imperialism during the period from 1870 to 1914. Barth shows that there existed differences in the motivation and goals for overseas expansion between the German government and German bankers and demonstrates that the latter were willing to cooperate with non-German banks irrespective of European political developments. Yet, because of his insistence on seeing the activities of the bankers as financial imperialism and as his study is only based on Western sources, he fails to adequately account for Chinese agency and generally sees the activities of German bankers in a negative light.

²⁴ Akagawa, ‘German Banks in East Asia’, pp. 1–20. This article is based on a very limited number of sources from the Historical Archive of Deutsche Bank. It mainly focusses on the capital flows between different branches of the DAB in 1906. Largely based on the same limited group of primary sources and existing secondary literature but also lacking the use of Chinese primary sources, Akagawa also published a longer book chapter in Japanese that provides a mostly descriptive overview of some of the history, business areas and development and financial technicalities of German banking in Asia. See Akagawa, ‘Doitsu ginkō’, pp. 999–1209. Similar to the journal article, this book chapter does not advance a broader argument about the activities of foreign bankers in modern China.

banks. In the absence of broader works on the history of foreign banks in modern China that go beyond this paradigm and employ a wide range of both Chinese and Western primary sources, most of the existing scholarship neglects Sino-foreign interaction and Chinese agency when explaining the activities of foreign bankers. As a consequence, our understanding of foreign banking in modern China largely remains stuck in a victimization narrative that mainly emphasizes exploitation and confrontation and fails to properly account for other kinds of interaction between foreign bankers and Chinese actors, such as cooperation based on common benefits, competition and changing power relations. This narrative also fails to explain the wider implications of China's financial internationalization.

In recent years, some historians have started to correct this one-sided view of the imperialism paradigm on foreign banks in China. Leading a group of historians studying international banking in Asia, Nishimura Shizuya 西村閑也, Suzuki Toshio 鈴木俊夫 and Akagawa Motoaki 赤川元章 have argued against the use of ideologically and negatively charged terms like 'colonial banks' for describing the operations of international banks. Instead, terminology like 'international banks' that more accurately reflects the operations of these banks should be used.²⁵ While the main focus of the research of this group of historians is on international banking in Asia in general – in particular the specific technicalities of trade finance, international remittances and the internal operations of international banks – and not the role these banks played in their host economies, they acknowledge that historians of international banking have to 'recognise the existence of long-established banking traditions and payments networks outside Europe and areas of European settlement' and investigate the interaction of foreign bankers with these local structures if they wish to properly study the activities of international banks, including in Asia.²⁶

Studies more specifically focussed on foreign banking in China have also begun to challenge the imperialism paradigm. In his study of the loan business between foreign and Chinese banks in Shanghai and Hankou before 1914,

²⁵ Nishimura, Suzuki and Akagawa, 'Jobun', pp. x–xii. Most likely because of their focus on the international monetary mechanism, the authors prefer the term 'international bank'. However, in the case of China, I find that the term 'foreign bank' is most straightforward and useful.

²⁶ Nishimura, Michie and Suzuki, 'Introduction', pp. 1–2. The group of historians discussed in this paragraph originated in a Japanese research seminar on international banking founded by Nishimura Shizuya and Suzuki Toshio, which led to the two edited volumes whose introductions are referenced in this paragraph. See Nishimura, Ranald and Suzuki, *The Origins of International Banking in Asia*; and Nishimura, Suzuki and Akagawa, *Kokusai ginkō to Ajia*. For a very recent excellent English-language work that builds on the work of this group of historians and focuses on the technicalities of trade finance between Asia and Europe and the related hedging of exchange risks, see Schiltz, *Accounting for the Fall of Silver*.

Nishimura Shizuya suggested that power relationships between these banks were much less one-sided than previously thought and proposed that foreign and Chinese banks depended on each other to effectively finance China's foreign trade.²⁷ Niv Horesh's recent revisionist work on the currency issuance of British banks in China shows that the bank notes issued by these banks were not detrimental to China's economic development but rather limited in their impact on the Chinese economy and only responded to Chinese demands for stable paper currency in the absence of a central government that could meet this need.²⁸

Foreign Banks on the Chinese Frontier

This book builds on these revisionist studies and hopes to contribute to the more balanced understanding of foreign banks in modern China they have started to put forward by following the history of the DAB during the late Qing and early republican period, and by combining both Western and Chinese sources. However, *Foreign Banks and Global Finance in Modern China* goes a step further and proposes a new conceptual framework for transcending simplistic or stereotypical interpretations of the history of foreign banking in modern China. It introduces the concept of the 'frontier bank' to depict the varied activities and interactions of foreign banks on the China coast, explain the position they occupied in late Qing and early republican China and highlight the important role the DAB and other foreign banks played in financially integrating China into the first global economy through processes of conflict, cooperation and competition with both Chinese and foreign actors.²⁹

Scholars have for some time drawn attention to the frontier as a space of global interaction and exchange. Some have described the frontier as a 'contact zone', which they see as 'a space in which peoples geographically and historically separated come into contact with each other and establish ongoing relations'.³⁰ Others have conceptualized the frontier as a 'middle ground',

²⁷ Nishimura, 'Chop Loans', pp. 109–32.

²⁸ Horesh, *Shanghai's Bund*. Horesh also points out the impact of Chinese agency on British bank note issuance, but does so only with a focus on Chinese nationalism and anti-foreign bank sentiments and policies in the 1920s and 1930s. See pp. 13, 130, 151–2.

²⁹ My understanding and conceptualization of the 'frontier bank' is informed by studies of investment and businesses operating in frontier regions of nineteenth-century North America. See, for example, Erickson, *Banking in Frontier Iowa*, Kerr, *Scottish Capital* and Gallaher, 'First Bank in Iowa' (in the latter article the term 'frontier bank' appears in the American context). For an example of a frontier institution in nineteenth- and twentieth-century China that 'operated with considerable independence in the frontier zone between weak Chinese regimes and overstretched European empires', see van de Ven, *Breaking with the Past*, especially pp. 4–5 (quotation on p. 4).

³⁰ Pratt, *Imperial Eyes*, quote on p. 6.

a space that lies at the intersection of different empires, cultures and populations, where foreigners and indigenous people meet, power relations are complex and interdependence leads to cooperation, exchanges and accommodation.³¹ In the Chinese context, Christian Henriot and Robert Bickers have argued that following the creation of the treaty system in the 1840s, East Asia became a 'wild frontier zone'. In China, '[f]ar from sharply demarcating a new frontier between Qing and foreign, the treaty system in fact led to the creation of new grey areas of contested sovereignty and control'. Within this system, 'entrepreneurial Chinese . . . saw how advantageous the new system could be to those who were well placed to make use of it'. It was a 'system [that] was founded on collaboration, and on agency'. Indeed, rather than only serving foreign interests, in this frontier region 'a clear distinction between aggressor and exploited can hardly be effectively identified, because of the wholesale interpenetration of interests, because of the multiplicity of actors operating under the shadow of any one state, and because of the way in which the treaty system actually worked in practice'. On the Chinese frontier, foreign power overlapped and interacted with and could be limited by local Chinese power. Importantly, Henriot and Bickers call for an 'internationalis[ation] and denationalis[ation]' of the history of the treaty ports and point out that 'the treaty system, broadly defined, effectively replaced the state as the defining organisational framework for East Asia's international relations, and the treaty system and its citizens were international'.³²

The DAB, other foreign banks and their Chinese interlocutors operated on this frontier in the economic hubs of China's treaty port economy along the China coast.³³ I use the term frontier bank to describe foreign banks to highlight both the complex nature of the environment they operated in and the fact that these banks exemplified much of the ambiguity of the frontier on China's coast. They were foreign institutions connected to their home economies, but also formed an important part of the Chinese economy. They were chiefly managed by foreigners, but very much depended on their Chinese staff, partners and

³¹ White, *The Middle Ground*.

³² Henriot and Bickers, 'Introduction', pp. 1–11. On the necessity for economic cooperation in the treaty port of Shanghai and the significant economic advantages Chinese actors could derive from Sino-foreign interaction, also see Bergère, *Shanghai: China's Gateway*, pp. 4–5.

³³ On the treaty port economy, see So, 'Modern China's Treaty Port Economy', pp. 1–27. I follow So's understanding that modern China's treaty port economy extended not only to China's treaty ports and their hinterland, but also included other economic centres along the China coast such as Beijing, Hong Kong and Jinan that were not treaty ports but provided a similar 'politically and legally stable environment'. Unless otherwise stated, in this book the 'banking sector' refers to the banking sector of the Chinese treaty port economy. In China, the activities of foreign banks were limited to this treaty port economy centered on the China coast. For an overview of the locations of foreign banks in China that illustrates this, see, for example, Bell and Woodhead, *The China Year Book, 1912*, p. 302. On foreign residence in China more generally, see Allen and Donnithorne, *Western Enterprise*, pp. 14, 265. On the special case of Beijing, see Nield, *Places*, pp. 186–7.

Chinese institution in order to interact with the Chinese economy. Their branch networks spanned both their home economies and the treaty port economy of the Chinese frontier and thus connected the two. They were truly international institutions that operated at the intersection of different empires, financial and commercial networks and capital and commodity flows on the Chinese frontier. The concept of the frontier bank allows for an understanding of foreign banks in modern China that accounts for these institutional ambiguities.

The frontier region offered the DAB and other foreign banks many business opportunities, but also imposed its own specific set of limitations on these banks' operations. It was on the China coast that the motivations, interests and visions of German bankers, investors and diplomats met with the realities of the China market. The distance between Germany and China, the vast and mostly unknown expanse that lay beyond the frontier and the limited knowledge that existed about China in Germany opened up a grand space for imagination of huge markets and possibilities for profits in China. As a frontier bank, the DAB often had to act as a mediator between these visions – including their own directors in Germany – and the realities and limitations of operating a foreign bank and investing in China.

At the same time, operating on the edges of the Chinese economy meant that the DAB as a frontier bank was always subject to both the spatial limitations of the economic hubs it operated in and to the institutional barriers erected by Chinese merchants and bankers and the Chinese state. As a consequence, it often depended on entering into strategic cooperation with Western and Chinese governments, officials, diplomats, bankers and businesspeople to operate its business in the banking sector of China's coast and to gain the opportunity of providing loans to the Chinese central or provincial governments. Finally, conceptualizing the DAB as a frontier bank can help explain the role the bank fulfilled while operating in a frontier region where flows of capital and commodities, different forms of currencies, law and institutions, and the interests of different empires converged. Together with other foreign banks, the DAB played a crucial role in using its global network of branches and correspondent banks to facilitate the flow of capital and commodities that passed through the frontier region.

Being situated at such a converging point of capital and commodities provided foreign banks with manifold opportunities for business and profit. At the same time, operating at the frontier, the DAB often had to mediate among different interest groups and could easily become subject to conflicts, whether tensions between Western powers in China or the struggles of different factions of the Chinese court or public. From the frontier region of the China coast the bank's business extended into many different areas of Chinese politics and finance and connected China to the wider world. At the same time, the frontier's specific limitations also always compelled the bank to build up networks of cooperation with foreign and Chinese actors to operate its business. Nevertheless, I argue that, despite the limitations, it was their position as

frontier banks operating on China's frontier that allowed the DAB and other foreign banks to act as intermediary institutions that financially connected China, both in terms of the banking sector and public finance, to the global economy.

With regards to interactions and power relations between foreign and Chinese actors in the financial sphere of the Chinese frontier, a further important characteristic of the frontier that this book will shed light on was that shifts in the political or economic constellations on the frontier could open up or close spaces of Chinese agency and change the power dynamics on the Chinese coast. While I highlight the importance of Chinese agency and the complexities and changing nature of power relations between Chinese and foreign actors, I also show that timing and contingency could be key in determining these power relations and the space for Chinese agency. For example, while growing financial internationalization and relative political stability during the last years of the Qing dynasty allowed Chinese officials to win increasingly favourable terms for foreign loans from foreign banks, this ability was diminished after 1911 because of the fall of the Qing dynasty and the ensuing political instability in China.

When following the activities of foreign banks on the Chinese frontier in the late nineteenth and early twentieth centuries, *Foreign Banks and Global Finance in Modern China* focusses on the themes of financial internationalization, transnational networks, the conflict between nationalism and economic globalization, and risk. The first and most important theme of this book is what I call the financial internationalization of China. Drawing on William Kirby's theme of internationalization in the republican period, I argue that during the time between the 1890s and the First World War, Chinese finance went through an unprecedented phase of rapid internationalization.³⁴ Within this timespan, the frontier of the China coast was the main stage for China's accelerated engagement with foreign banks, capital and capital markets. Before the 1890s, a limited number of mainly British foreign banks had entered China and China's foreign trade had only grown at a steady pace. In contrast, the two and a half decades before the First World War saw an unprecedented influx of foreign banks and foreign capital from different countries into the banking sector of China's treaty port economy, accompanied by a rapid growth in China's foreign trade with different countries facilitated by these foreign banks. As a result, foreign banks and capital came to play an important role in the Chinese banking sector, for example in inter-bank lending or the financing of China's foreign trade. Moreover, these developments resulted in hitherto unseen growth in the amount and diversity of transnational capital flows between China and other economies and the cheapening of credit in the banking sector. During the same period, both the Chinese central government

³⁴ Kirby, 'The Internationalization of China'.

and provincial governments increasingly relied on using foreign capital. Since the 1850s, China had occasionally resorted to foreign borrowing from mainly British sources. However, after the Sino-Japanese War of 1894/5, indemnity payments and the high cost of the Qing's reform efforts led to a dramatic increase in the amount of Chinese foreign borrowing and engagement with foreign capital markets. This was accompanied by increasing competition of foreign financiers in the Chinese loan business and a greater diversity of the sources of Chinese foreign borrowing, which allowed China to borrow large sums of money on favourable terms, so that foreign borrowing became an important part of Chinese public finance.

The result was that by 1914 the Chinese frontier had become a space for the confluence of international capital flows and global financial connections. Both the banking sector of China's coastal areas and Chinese public finance were so closely connected to international flows of capital and capital markets that it had become part of the international financial system, and occurrences like financial crises or wars in other parts of the world profoundly influenced Chinese finance. I argue that it was the rapid inflow of foreign banks into the Chinese treaty port economy during the last two decades of the Qing dynasty and the first years of the new Chinese republic, together with the unprecedented growth of China's foreign trade and engagement with foreign capital markets during this period, that caused the full-fledged internationalization of Chinese finance. While we will see that foreign banks and their activities on the Chinese frontier were central to this process of financial internationalization, *Foreign Banks and Global Finance in Modern China* also shows how Chinese bankers and officials grew increasingly familiar with and managed to exploit these international financial connections, whether by integrating foreign banks into existing banking networks and tapping sources of foreign capital or by efficiently using and at times even manipulating foreign investors. More broadly, by shedding light on China's growing global financial entanglements during the late nineteenth and early twentieth centuries, this book also reveals the crucial role international finance played at important junctures of modern Chinese history, such as the 1911 revolution or the First World War. As will become clear in the following chapters, 'following the money' can provide us with a fresh perspective on key events in modern Chinese history.³⁵

A second theme that I pursue in this book is that of transnational networks. The history of the DAB and other foreign banks involves both physical and social transnational networks. Physical networks like the global branch

³⁵ Here I follow Austin Dean's recent work on modern Chinese currency reform, which makes a similar point about the importance of 'following the money' and looking at modern Chinese history from a financial perspective: Dean, *China and the End*, pp. 1–8, 185.

network of the DAB and the bank's connection to the branch networks of the major German banks provided the financial infrastructure that made capital flows between Germany and China possible. Social networks that involved foreign and Chinese officials, diplomats, bankers and merchants were equally important for German bankers operating in China. German bankers involved in China relied on social networks to attain information, establish business contacts and facilitate their banking operation, whether in the local banking sector or in the realm of international finance. This book sees transnational networks mainly as 'instrumental', meaning networks that are created and maintained by different parties not because of some intrinsic value of building a network but because all sides derive certain clear-cut benefits and advantages from it. This does not mean that transnational networks did not create or build upon amicable feelings, but this book mainly sees common benefits, objectives and interests among the participants as the basis for transnational networks.³⁶

Economic profits often stood at the centre of these networks, and the objectifying effect of money made it easier for foreign and Chinese actors to identify common benefits and achieve common objectives through cooperation and compromise.³⁷ Therefore, Sino-foreign cooperation was often easier to achieve in the economic than in the political realm, where it was more difficult to overcome differences in political interests, culture and ritual. Such Sino-foreign networks held together by the cooperative creation of profits can be traced back to the Canton System of the early nineteenth century.³⁸ As I argue, by connecting and integrating different Chinese and foreign institutions, practices and elites, transnational networks were a crucial element of modern Sino-foreign economic interactions on the Chinese frontier and played an important role both in the operation of foreign banks and in China's financial internationalization at the turn of the twentieth century, and in modern globalization in late Qing and early republican China more generally.³⁹

The third theme that appears in the following chapters is the relationship between nationalism and economic globalization in the late nineteenth and early twentieth centuries. Attentive to recent criticisms of writing history

³⁶ My conceptualization of transnational networks, including the distinction between physical and social networks, the understanding of 'instrumental' networks and the role of networks in 'controlling conflict and fostering cooperation', builds on Casson, *Entrepreneurship*, pp. 115–49.

³⁷ On the objectifying effect of money, see Simmel, *Die Philosophie des Geldes*; on cooperation based on common benefits, see Axelrod, *Evolution of Cooperation*.

³⁸ See Wong, *Global Trade in the Nineteenth Century*.

³⁹ On the importance of transnational networks for modern globalization, also see van de Ven, 'Robert Hart and Gustav Detring', pp. 631–62. For an account that stresses the importance of transnational networks – made up of both foreign and Chinese actors, who bridged what he calls the 'Chinese/foreign divide' – for the functioning of the key treaty port of Shanghai, see Wasserstrom, 'Cosmopolitan Connections'.

from a global perspective,⁴⁰ this book not only pays attention to the growing financial connections between the Chinese and other economies, but also notes the conflicts that these growing connections could engender between the proponents and beneficiaries of globalization and their nationalist detractors. In the case of the German bankers, this was most prominently reflected in their relationship to the German government. The German government supported the establishment of a German bank in China that unified German banking interests primarily to strengthen the independence of German commerce from British banks. German bankers, by contrast, were more interested in the general profitability of the bank's business in China and not willing to support German commerce for purely national reasons. Thus, the bankers' prioritization of economic profit before national interests meant that the relationship between the German government and the DAB was marked as much by conflict as it was by cooperation. On the Chinese side, the conflict between national interests and economic globalization manifested itself in the relationship between Chinese officials and foreign banks and capital. While cooperation with foreign banks and the use of cheap foreign capital that came with it was often welcomed by and of great benefit to Chinese reformers who wanted to finance China's modernization, it also meant that these officials became targets of criticism from conservative officials and increasingly vocal Chinese nationalists. Thus, this book shows that economic globalization did not only foster transnational cooperation and interdependence but could also fuel tension and conflict between, on the one hand, transnational elites open to using the new opportunities globalization provided and, on the other, more sceptical national institutions and interest groups. As we will see, the Chinese frontier often became the space where these tensions manifested themselves.

The last theme that appears in the following chapters is that of risk.⁴¹ This is not surprising given that banks continuously have to take on and deal with risks, such as risk of illiquidity or loan loss, and 'their business is unimaginable without risks'.⁴² This was even more so the case given that the DAB and other foreign banks in China operated in a foreign country.⁴³ While the activities of foreign banks in late nineteenth- and early twentieth-century China have often been explained as being largely driven by the imperialist policies of their home

⁴⁰ Jeremy Adelman has argued that global historians need to pay more attention to disintegration, conflict and other negative consequences of globalization. See Adelman, 'What Is Global History Now?'. For a critique of Adelman, and Adelman's reply to the critique, see Drayton and Motadel, 'Discussion: The Futures of Global History', pp. 1–21.

⁴¹ For a good introduction to the significance of risk as a theme in business history, see Scranton and Fridenson, *Reimagining Business History*, pp. 222–6.

⁴² Schönhärl, 'Introduction', p. 3.

⁴³ On the general riskiness of modern multinational banking, see Jones, *British Multinational Banking*, pp. 61–2, 388.

governments, this book contends that the management of risk can be a more useful perspective for analysing and comprehending the actions of foreign banks and foreign financiers operating on the Chinese frontier. While not the sole driving force behind their actions, this book reveals that the management and minimization of risk was often an important element in the decision-making of foreign bankers.

As the book shows, there were primarily three forms of risk that played a role in the decisions of the bankers and the operations of the DAB as a foreign bank on the Chinese frontier. First, the risk of operating a foreign bank as a multinational company in a foreign and new market with different business practices, institutions and currencies was often at the centre of the German bankers' decision-making. As we will see, because of this risk, the DAB opted for a risk-averse approach in the running of its business, which, while curtailing its profits to a certain extent, eventually proved successful. Second, when negotiating and floating loans for the Chinese government, the assessment of China's sovereign risk and its integration into the international system of sovereign borrowing became crucial in determining on what terms the bankers were willing to float Chinese loans. Finally, with the collapse of the Qing dynasty and the outbreak of the First World War, managing the increasing political risk of operating a foreign bank and investing in China became a significant challenge for the bankers. Foreign financiers managed the instability and increased political risk that followed the fall of the Qing by making demands for more foreign supervision of Chinese public finance. However, in the case of the First World War, the German bankers proved unable to contain the political risk connected to the outbreak of the war, and China's entry into the war eventually led to the end of the DAB's operations in China.

China and Economic Globalization

Foreign Banks and Global Finance in Modern China also addresses wider issues within modern Chinese economic and business history and the history of modern economic globalization.

Previous debates among historians regarding the role of foreign businesses and investment in the modern Chinese economy mainly revolved around the question of whether the foreign presence helped the development of the Chinese economy or was part of foreign imperialism and hindered Chinese economic development.⁴⁴ These debates remained largely inconclusive and the scholars involved were later criticized for trying to generalize and reach too

⁴⁴ For positive assessments of foreign businesses and investment, see Hou, *Foreign Investment*, and Dernberger, 'The Role of the Foreigner', pp. 19–47. For an example of a more negative assessment see Esherick, 'Harvard on China', pp. 9–16.

broad and absolute conclusions.⁴⁵ More recent studies on Sino-foreign economic relations have more specifically dealt with the impact of foreign trade on the Chinese economy. Hao Yanping and Robert Gardella have shown that Chinese merchants and manufacturers were very adept at cooperating with foreign merchants and adjusting to China's increased integration with the world economy.⁴⁶ Lin Man-houng followed their lead and discussed the interplay of China's domestic economy with the modern world economy, showing that the rapid economic development in China's treaty ports also created increased demand for products from the wider Chinese economy.⁴⁷ However, despite the fact that we have recently witnessed a 'mini-explosion' in English-language scholarship on the history of modern Chinese banking, we still know very little about the role foreign banks played in the Chinese economy and the impact they had on both Chinese public finance and banking.⁴⁸

This book aims to address this historiographical omission and explore the connections between foreign banks and China's public finance and the domestic banking sector in China's treaty ports by examining the mutual interactions between foreign bankers and different Chinese actors and institutions. Contributing to the work of scholars like Gardella and Lin, I show that Chinese financial and business networks and Chinese officials were able to integrate foreign banks and the access to foreign capital these banks provided into existing Chinese structures of commerce and public finance. Following the work of Brett Sheehan,⁴⁹ the book argues that absolute judgement about the beneficial or detrimental effects of the foreign influence on China's modern economy are unlikely to do justice to the multi-faceted nature of the operations of German bankers, their interaction with Chinese actors and more generally the impact of the foreign presence on China's economic development. Therefore, rather than providing an absolute verdict on the influence of the foreign presence on China's economy, this book aims to provide a study of foreign banking in modern China that broadens our view of the activities of foreign banks by showing that cooperation was as much part of the interaction of foreign banks with Chinese actors as was conflict, and that even exploitation was more often mutual than one-sided. Thereby, it hopes to contribute to a more nuanced understanding of the role foreign banks and foreign influence more generally played in the history of China's modern economy.

⁴⁵ Cochran, *Big Business*, pp. 4–6; Wright, 'Imperialism and the Chinese Economy', pp. 36–45.

⁴⁶ Hao, *Commercial Revolution*; Gardella, *Harvesting Mountains*.

⁴⁷ Lin, 'China's "Dual Economy"', pp. 179–97.

⁴⁸ Sheehan, 'The History of Chinese Money', pp. 1–2. Sheehan mainly refers to Sheehan, *Trust in Troubled Times*; Cheng, *Banking in Modern China*; and Ji, *A History of Modern Shanghai Banking*.

⁴⁹ Sheehan, *Industrial Eden*, pp. 5–6.

Contextualizing the role of the DAB and other foreign financial institutions within the long-term development of Chinese public finance and China's credit markets can also contribute to our understanding of the reasons for the Great Divergence in economic development between Western Europe and East Asia.⁵⁰ Building on the recent work of Loren Brandt, Ma Debin, Thomas Rawski and He Wenkai, I suggest that institutional differences between China and Western Europe were most likely an important factor in the origins and persistence of the Great Divergence.⁵¹ This book shows that through the role they played in Chinese public finance and the Chinese banking sector, foreign banks were an important factor in the Chinese economy from the second half of the nineteenth century, when, in the aftermath of the two opium wars and China's forced opening to the West, China's foreign commercial relations increased and Chinese reformers began their efforts to industrialize China, to the 1920s, when modern Chinese banks started to emerge in great numbers. I argue that the main reason why foreign banks could rise to such prominence during this period was that they filled an 'institutional void' – a common feature of emerging markets – in this case left vacant by the absence of effective globally operating modern Chinese banking institutions.⁵² Moreover, foreign banks operated in the special institutional environment of the treaty ports and

⁵⁰ The now classic study on the topic, which, however, dismisses institutional factors, is Pomeranz, *Great Divergence*. For an overview of the debate, see Parthasarathi and Pomeranz, 'The Great Divergence Debate', pp. 19–37.

⁵¹ Brandt, Ma and Rawski, 'From Divergence to Convergence', pp. 45–123. On the connection between the Great Divergence and the development of Chinese financial institutions, see Ma, 'The Rise of a Financial Revolution'. In his comparative study of the success and failure of the institutional development of modern public finance in England, Japan and China, Wenkai He also, if only briefly, connects institutional differences in the development of fiscal institutions to the Great Divergence. However, he does so from the perspective of state capacity and not economic growth and development. See He, *Paths toward the Modern Fiscal State*, p. 22. More specifically in relation to bank note issuance by British banks, Horesh also draws attention to the importance of institutions for economic growth. See Horesh, *Shanghai's Bund*, chapters 1 and 2. Cheng's study of modern Chinese banking briefly and somewhat superficially points out that existing financial institutions in China before the rise of modern Chinese banks were insufficient for modern economic development, for example because of the small capitalization of some of these institutions. See Cheng, *Banking in Modern China*, pp. 22–3.

⁵² On such 'institutional voids' as a common feature of the business history of emerging markets, see Austin, Dávila and Jones, 'The Alternative Business History', pp. 537–69. The term goes back to Khanna and Palepu, 'Why Focused Strategies May Be Wrong', pp. 41–51. Some of the literature on institutional voids has been criticized for neglecting local institutional arrangements and implying an inherent superiority of Western institutions. See Mair, Marti and Ventresca, 'Building Inclusive Markets in Rural Bangladesh: How Intermediaries Work Institutional Voids', *Academy of Management Journal* 55, No. 4 (2012): 819–50 (who see institutional voids as 'analytical spaces at the interface of several [existing local] institutional spheres' and stress the importance of local contexts) and Bothello, Nason and Schnyder, 'Institutional Voids and Organization Studies',

not within the institutional framework of the Chinese economy. Therefore, their activities and the Chinese demand for their services can also help us identify larger institutional imperfections in the Chinese economy, such as insufficient property rights and the lack of a functioning market for public debt, which hindered China's industrialization and contributed to the persistence of the Great Divergence during the nineteenth and twentieth centuries. Thus, studying the history of foreign banking in late nineteenth- and early twentieth-century China might help us answer larger questions about the role institutional insufficiencies in the development of Chinese financial institutions and the Chinese economy more broadly played in the origin and persistence of the Great Divergence.

Finally, this study also engages with larger questions about economic globalization and the first global economy of the nineteenth and early twentieth century. First, the case of the DAB contributes to our understanding of the role multinational enterprises played as 'facilitators of globalization' in the nineteenth and early twentieth centuries, especially in the financial realm, but also reveals how multinational enterprises had to adapt their business practices and institutional structures after entering a foreign emerging market like China.⁵³ Moreover, narratives still continue to dominate that describe the first global economy as a Western-dominated 'gentleman's club' of global capitalism, which some countries like Germany were allowed to join and to which others like China failed to gain entry because of their supposed rejection of global economic integration and lack of economic development along Western lines.⁵⁴ These views have increasingly been discredited as Eurocentric by global historians.⁵⁵ Still, the question remains – especially for the financial sphere – how two economies as different as those of China and Germany became part of the same global economy and were integrated into the web of global capital flows of the late nineteenth and early twentieth centuries.

This book argues that Western financial institutions and tools of public finance and credit played an important role in this process. However, it also shows that China's integration into the global web of capital flows and the making of the first global economy was always a process of negotiation

pp. 1499–512 (who focus on possible biases inherent in the use of the concept of institutional void). However, as Austin, Davila and Jones state, '[t]he term "void" should not . . . be taken to mean total absence' or to 'imply that countries simply needed to import Western institutions to achieve successful economic modernization'. As I point out in this Introduction and as will become clear in the following chapters, I highlight the importance of interaction with Chinese institutions for foreign banks and stress that foreign banks need to be contextualized within the long-term development of Chinese fiscal and financial institutions.

⁵³ Geoffrey Jones uses this term for the role of multinational businesses in the first global economy; see Jones, *Entrepreneurship and Multinationals*, p. 4.

⁵⁴ Frieden, *Global Capitalism*, pp. 54–5.

⁵⁵ Wong, *China Transformed*; Frank, *ReOrient*.

between indigenous and foreign actors, markets and institutions, and not a one-way imposition of Western capitalism. While the history of German banking in China is only a small episode in the history of the first era of modern globalization, the question of how different financial institutions, networks, business practices and currencies could be negotiated across two very different economies was not unique to Sino-foreign financial relations. It also existed in many other places across the world where the financial infrastructure that made the integration of the first global economy possible emerged. Therefore, this study also stands as an example that contributes to our wider understanding of the history of economic globalization in the nineteenth and early twentieth centuries.

Chapter Summary

In the first chapter of this book I provide the background for the establishment of the DAB. By tracing the growing willingness of Chinese reformers and entrepreneurs to use foreign capital from the 1850s to the 1880s, I show that by 1885 there existed sufficient support in China for cooperation with foreign financial institutions. This new openness did not go unnoticed in Germany, where bankers since the 1870s had been interested in expanding their business into China. I follow the attempts of German bankers during the 1880s to get involved in the Chinese loan business and discuss differing opinions among German bankers and diplomats about the feasibility and profitability of establishing a German bank in China. While some reservations about the profitability of such a bank existed among German bankers, the strong support of the German government for such an institution and the realization that business with China was only possible through a branch network there eventually led to the founding of the DAB in 1889.

In Chapter 2, I first map out the business structure of the DAB. I then turn to the first decade of the DAB's activities in China's banking sector and explain the regular day-to-day business of the bank, with a focus on its business in financing China's foreign trade. I describe the difficulties the DAB encountered when trying to compete with and win over both German and other foreign customers from more established foreign banks like the HSBC. The chapter then discusses the connections the DAB established with Chinese bankers on the Chinese frontier. Using the case-study of China's financial centre Shanghai, I show that, despite what has often been claimed by scholars, foreign banks did not control and dominate the banking sector of China's treaty ports. In contrast, Chinese bankers and businesspeople integrated foreign banks into their own networks and thereby managed to generate large profits. The chapter then turns to a discussion of the development of the DAB's business during the early years of its operations, before concluding by discussing the acceleration of China's financial internationalization during the 1890s.

In Chapter 3, I turn my attention to the Anglo-German loans of 1896 and 1898, which were part of the indemnity loans China raised in Europe to pay for the Japanese indemnity after the Sino-Japanese War of 1894/5. I show that these loans were an important juncture in the internationalization of China's public finance and its integration into the international system of sovereign borrowing. Increasing competition among foreign financiers meant that, contrary to the assessment and expectations of the foreign bankers, China could now borrow foreign capital more cheaply than ever before. At the same time, once the previously used foreign-supervised Customs revenues were no longer available as a loan security, foreign bankers had to find new ways of evaluating China as a sovereign borrower, and eventually China was compelled to yield to the expectations of the bankers and bond markets when contracting the final indemnity loan. More broadly, the indemnity loans were not only the largest loans China had contracted so far and increased the importance of foreign capital for Chinese public finance. They also showed Chinese officials how easy it was to borrow large sums of money on foreign capital markets, thereby creating the basis for the accelerated foreign borrowing seen during the last decade of the Qing dynasty.

Chapter 4 traces the involvement of German bankers in modern Chinese railway finance. The chapter mainly focusses on the Tianjin-Pukou railway loans of 1908 and 1910, which were the most important railway loans the DAB was involved in. I use the case-study of the Tianjin-Pukou railway loan negotiations between 1898 and 1910, in particular the negotiations between foreign and Chinese negotiators in the contact zone of Tianjin, to discuss the significance of local intermediaries and transnational networks on the Chinese frontier for Chinese railway loan negotiations. Because of cooperation in transnational networks, a fading readiness of Western governments to get involved in loan negotiations after the turn of the century, the continued interest of foreign bankers in investing in China and a lack of understanding of Chinese finance by foreign financiers, Chinese negotiators were able to win increasingly favourable loan conditions during the last years of the Qing dynasty. As a result, the international bond market became a cheap and effective way of raising money for efforts in economic development in areas such as railway construction. The skill of Chinese negotiators in using the information asymmetry between foreign bankers, who knew very little about Chinese public finance, and Chinese negotiators, who by now had developed a good understanding of foreign capital markets, and the continued determination of foreign bankers to invest in China did not only mean that China could continue to increase its foreign borrowing at favourable terms and without foreign control, but it also led to many loans having insufficient guarantees.

In Chapter 5, I explore the 1911 revolution from the perspective of international finance. The chapter follows the German bankers' involvement in Chinese national politics during the 1911 revolution and its aftermath. By 1911

indemnity payments and excessive Chinese borrowing had rapidly increased the Qing government's financial burden. Therefore, the stance that foreign bankers took during and after the revolution from the beginning proved decisive for the ability of different factions to win power and stabilize the finances of the state. I argue that the decision of German and other foreign bankers to first remain neutral during the revolution and then support Yuan Shikai was an important factor shaping the course and outcome of the revolution with Yuan emerging victorious after the fall of the Qing dynasty. While the chapter shows that the Reorganisation Loan of 1913, which was floated by a consortium of foreign bankers for Yuan's new republican government, kept the new government afloat, it also demonstrates that the fall of the Qing and the ensuing political instability and increased political risk meant that China was no longer able to borrow at favourable conditions and had to agree to an extension of foreign control over Chinese public finance. Eventually, China had to pay the price for its increasing reliance on foreign debt during the preceding decades and the new republican government continued China's dependence on foreign debt.

Chapter 6 explores the fate of the DAB during the First World War, the breakdown of economic globalization in China and the involvement of China in Allied economic warfare. I first review the DAB's business and the internationalization of the banking sector of the treaty ports during the decade preceding the outbreak of war. I then follow the attempts of German bankers to maintain their business and keep China out of the war before China's declaration of war against Germany in 1917. The chapter shows that China's financial internationalization had developed to such a degree by 1914 that the outbreak of the war in Europe had a profoundly negative effect on the banking sector in China's treaty port economy and on Chinese public finance. The war in Europe also caused an unprecedented Chinese loss of confidence in foreign banks and financial centres like Shanghai for the first time witnessed runs on foreign banks that were alleviated only through support from Chinese banks. The end of cooperation among foreign banks meant that the Chinese state had to look to Japan for financial support, which came to dominate Chinese foreign borrowing during the war. While the German bankers at first tried to use the provision of loans to China to keep the Chinese government out of the war, they were eventually outbid by the Allies. China's entry into the war then sealed the fate of the DAB. The Chinese government initially only intended to stop the business of the bank for the duration of the war, but it eventually had to yield to Allied pressure to fully liquidate the bank, which not only dealt a decisive blow to the DAB but also damaged German commerce in China more generally.

Like elsewhere in the world, in China the First World War marked the end of a period of rapid global financial integration that had taken off in China in the 1890s. By 1914, Chinese finance had become internationalized and well

connected to the global capital flows that were the basis of the first global economy. In the following chapters, I aim to demonstrate that German and other foreign bankers played a key role in making China's financial internationalization possible. I argue that foreign banks in China were not simply another form of imperialism but acted as intermediary institutions on the China coast and nodes within the emerging global network of capital flows and connected China with Western financial markets. They thereby supplied the financial infrastructure that made it possible for modern economic globalization to occur in China during the late nineteenth and early twentieth centuries. At the same time, I stress that interaction with Chinese actors and Chinese agency were always crucial to the operations of the DAB and other foreign banks. It is only through an understanding of this interaction that we can comprehend the growing interdependence between financial markets in China and Europe and China's engagement with international financial markets and capital flows during the first global economy of the nineteenth and early twentieth centuries.