

Money and Finance in Treaty-Port Shanghai

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Flag of Shanghai International Settlement before WWI [https://en.wikipedia.org/wiki/Shanghai_International_Settlement#/media/File:Flag_of_the_Shanghai_International_Settlement_pre-WWI.svg]



Following China's defeat by the British in the Opium War, the 1842 Treaty of Nanjing created the framework for European residence, trade, and extraterritorial privilege in the city of Shanghai. The initial British Settlement, bordering the Huangpu River and proximal to its junction with Suzhou Creek, mapped out in 1843 and later expanded, soon drew an influx of Chinese refugees fleeing the social displacements wrought by the massive Taiping Rebellion (1850-1864). This increasingly prosperous British-dominated site of mixed residence was conjoined with a smaller American Settlement in 1864, forming what was soon recognized as the International Settlement of Shanghai, governed by a board of elected foreign ratepayers known as the Shanghai Municipal Council. A smaller French Concession, established in 1849 to the immediate south of the International Settlement, remained separate and distinctively French in structure and identity. In contrast, the expatriate, largely Anglo-American governing elite of the International Settlement, who styled themselves "Shanghaiers," described their municipal jurisdiction as a foreign republic set down on Chinese soil. Symbolically anchoring this claim, a fanciful "municipal coat of arms" was emblazoned

with the motto, "Omnia Juncta in Uno," conveying the aspirational unity of an intermittently fractious collection of foreign expatriate residents from countries with consular representation in China. An initially small Japanese community expanded rapidly in Shanghai after the Russo-Japanese War in 1905. Within a decade Japanese residents of the International Settlement outnumbered the British, but in terms of power as represented on the Shanghai Municipal Council, the British would retain dominance until the era of Japanese war and occupation (1937-1945) which ultimately provoked the retrocession of the foreign settlements and the restoration of Chinese sovereignty.

Treaty-port Shanghai took shape in the late 19th century as a geographically exceptional site for international commerce and industry, with access to coastal and inland riverine shipping. As a semicolonial "contact zone" that was marked by extraterritorial foreign enclaves alongside zones of Chinese jurisdiction, the economic dynamism of the city attracted a diverse population of Chinese and foreign sojourners and settlers. Shanghai's economic centrality and its history of foreign municipal administrations contributed to Shanghai's



Ground Plan of the Foreign Settlement at Shanghai, 1855. The N-S axis is rotated so that the southern Chinese walled city appears on the left side of the map. Source: Virtual Shanghai, Document ID: 30



1904 Expanded International Settlement and French Concession. The latter was between the International Settlement and the Chinese walled city. All Chinese areas appear blank. FO 925/25197 Foreign Office: Library: Maps and Plans 1904 Map published under authority of the Municipal Council, showing the expanded International Settlement (Western, Central and Northern districts), the Chinese walled city (depicted as a blank enclosure to the south), and the French Concession between the two. <https://link.gale.com/apps/doc/QBJKPB817042969/CFER?u=asiademo&sid=bookmark-CFER&xid=82efd486&pg=1>.

now abundant and varied documentation in British, American, French, Chinese, and Japanese archival and print collections.

Two moments in the rapid expansion of the premier treaty port after its post-Opium War “opening” in 1843 are depicted in the 1855 and 1904 maps above. The European cartography characteristically emphasizes the foreign areas of the city and simply marks the old Chinese walled city with a partially-depicted round enclosure directly south of the foreign settlements. In this perspective, areas of Chinese jurisdiction beyond the bounds of the foreign settlements were typically depicted as empty territory, despite their substantial settled Chinese population.

Despite the broader landscape of domestic strife, imperialist incursion, and economic instability in China, by the early 20th century Shanghai had become such a hub of global finance that the Hong Kong and Shanghai Bank (which had opened in Shanghai in 1865) registered the city’s financial growth with a magnificent new headquarters on Shanghai’s Bund in 1923 (see photograph below). In the opulent new building, massive columns of

Sienna marble supported a Venetian mosaic dome; the marble service counter measured 300 feet. Not to be outdone, the Yokohama Specie Bank, established in Shanghai since 1893 to handle the bulk of Japan’s China trade, opened new headquarters in 1924, with hulking square columns of English marble and bronze tableaux depicting ancient Egypt, samurai tradition, and Taiwan aboriginal peoples (marking Japan’s status as a colonial power). By this time the Japanese population comprised the majority of Shanghai’s 23,000 foreign residents, most of whom resided in the International Settlement. The resident Chinese population vastly outnumbered the expatriate foreigners.¹

The monumental implantation of foreign banks powered intense Chinese economic nationalism that stimulated the professionalization and growth of modern Chinese banks, in addition to, but also as distinguished from, older and still dynamic Chinese moneyshops (qianzhuang, also known as “traditional” or “native banks”). Tissues of financial connections linked all of these institutions, their disparate forms of currency and credit, and the global and local markets they served as they collectively facilitated the

1 Christian Henriot, “Little Japan in Shanghai: An insulated Community, 1875-1945,” in Robert Bickers and Christian Henriot, eds., *New Frontiers: Imperialism’s New Communities in East Asia, 1842-1952*.”

business ventures that built and sustained the city.

Once lauded as “the key to modern China,” treaty-port Shanghai’s economic growth continues to fascinate historians. The vanguard growth of Shanghai’s financial sector in an era of imperialist encroachment and political turmoil has emerged as an historical puzzle. Treaty-port Shanghai’s development as China’s commercial and financial powerhouse offers abundant historical material for the examination



Hong Kong and Shanghai Bank Building on Shanghai Bund, exterior view, 1923
(Source: Virtual Shanghai)

of colonialism and capitalism, in concert with the development of national institutions and international law. As a site for imperial rivalries and the coexistence of partial Chinese authority alongside European and Japanese colonial and settler governance, Shanghai’s abundant documentary trail in Chinese, Japanese, European and US archives facilitates research into the connections among colonialism, commercial growth, and economic nationalism.

Some of the considerable interest and complexity of money and finance in the premier commercial treaty-port of Shanghai may be conveyed by a few details from early twentieth-century British records of the Shanghai International Settlement. These glimpses of correspondence among foreign firms, lawyers, judges, diplomatic staff, and their Chinese official and non-official counterparts reveal the challenges and complications of managing currency and finance in this semicolonial contact zone, a space that was riven by multiple and fragmented jurisdictions.

A first example is taken from the 1910 Shanghai financial crisis that followed exuberant speculative investment in dubious British Malayan rubber plantations. In this episode, Shanghai investors purchased shares through the Shanghai Stock Exchange in the Anglo-American dominated International Settlement. This institution was a largely unregulated expatriate concern that was formalized in 1905 with registration in the British colony of Hong Kong. The majority of the rubber investors were Chinese. A massive drop in the value of mortgaged shares that had secured loans between Chinese and Western banking institutions devastated the liquidity and credit of the deeply interdependent Chinese and foreign banking institutions that financed trade and commerce in the city. A translated letter from the Chinese Ministry of Foreign Affairs quoted a summary by the Viceroy of Nanjing who memorialized the Chinese emperor on the delicate Sino-Foreign solution that had been orchestrated among British and Chinese officials, banking institutions, and other interested parties to relieve the market:

Three native banks at Shanghai, the Cheng Yuan, Chao K’ang and Ch’ien Yü have all failed together and the money market is shaken. The Shanghai Taotai [Circuit Intendant] has drawn up and arranged measures for paying off the sums owed to foreign merchants. The foreign merchants should lend Tls. 3,500,000 in ready money to the Shanghai Taotai who will place this sum on deposit with some substantial Shanghai merchants to be repaid after five years. ...Shanghai being the centre of the native and foreign trade, Chinese and foreigners in their dealings with each other place their chief

reliance in there being proper confidence as the pivot of their trade and it is therefore essential to take measures to restore confidence. I am therefore instructing the Taotai to devise at once with the foreign merchants at Shanghai detailed and satisfactory regulations.²

The British consular officials who transmitted this communication blamed “the speculations of one Chinese banker” for nearly dislocating the trade of the entire city. They presented the situation as a catastrophe-in-the-making that had been narrowly averted by the responsible actions of the foreign banking community. Despite the difference in perspective, the diverse voices contained in the documentary file on the crisis attest to the entangled financial web of the city and the numerous local, domestic, and international interests that shuddered at the hint of disruption to the peculiarly-structured but normally effective Sino-foreign banking system that facilitated business transactions between foreign and Chinese.

A second example, this one offering a more individual or grassroots view of quotidian currency usage in the city, is drawn from a 1914 criminal case of “felonious stealing,” reported in the Police Magistrates’ Notebooks. Here the Police Magistrate of the International Settlement recorded a claim from the Sikh watchman Bachan Singh. Singh, a British colonial subject, was employed in a Shanghai Japanese firm. Among the items he reported stolen were two \$10 (British) Chartered Bank notes, four \$10 Japanese bank notes, and \$20 silver in Mexican dollars.³

These varied forms of paper and metallic currency were but a tiny subset of the numerous, multinational, and often hybrid forms of valid currency that circulated in China’s pre-eminent commercial metropolis. The Chinese moneyshops routinely and

profitably managed the tasks of business transacted among multiple domestic and cash currencies, adjusting their business to the requirements and opportunities created by foreign trade. By serving as essential commercial brokers between foreign businessmen and Chinese dealers, and by financing trade between Shanghai and inland China, the moneyshops “profited from an intense symbiosis with the foreign business circles,”⁴ while foreign banks commonly handled business requiring foreign currency exchange. People like Singh necessarily carried multiple currencies, in cash and notes, for convenient differential usage, depending on the business at hand.⁵ The variety of Shanghai currency, its differential metallic bases, and its multinational character presented particular challenges and opportunities for trade, finance, domestic economic development, speculative ventures, and for the scope and politics of economic imperialism.

The political sensitivity of notes and currency, particularly the question of impending Japanese currency regulations in Shandong—where Japan was in the process of assuming control of German colonial territory after the First World War—is highlighted by a third example from the archives. This is a confidential memorandum drawn up by the Agent of the Hong Kong and Shanghai Banking Corporation and transmitted to Consular officials by the British Chamber of Commerce in Shanghai in a communication dated January 15, 1919, voicing racial concerns against the granting of a concession in Qingdao to Japan (“from the point of view of a white man’s trade in China, it would be absolutely disastrous”), and calling attention “to the financial side of Japanese control.”⁶ The memorandum reads:

The Yokohama Specie Bank issue their own notes, which call for ‘Dollars, local currency.’... It was soon evident however that these ‘local currency’ dollar notes would not be redeemed

2 FO 371/873/34649 “Financial Crisis at Shanghai” (1910). <https://link.gale.com/apps/doc/MRFSTY900326998/CFER?u=asiademo&sid=bookmark-CFER&xid=43775a8f&pg=39>.

3 FO 1092/222: Criminal Cases. Police Magistrates’ Notebooks. No. 66. Entry dated October 11, 1914. <https://link.gale.com/apps/doc/OTLMOZ074289720/CFER?u=asiademo&sid=bookmark-CFER&xid=c7438492&pg=162>.

4 Heike Holbig, “Competitive Cooperation: A Preliminary Analysis of Shanghai Monetary Policies, 1908-10 (unpublished ms. courtesy of author); see also Niv Horesh, “The Bund and Beyond: Rethinking the Sino-Foreign Financial Grid in Pre-War Shanghai,” *The China Review* 7:1 (Spring 2007).

5 On the immense variety of gold, silver, and copper currencies in China, see Eduard Kann, *The Currencies of China* (Shanghai: Kelly and Walsh, 1926).

6 FO 371/3694/F16000/10/19 “Japanese Domination in Shantung,” Document dated January 15, 1919 and enclosures. <https://link.gale.com/apps/doc/NHJKCD874456676/CFER?u=asiademo&sid=bookmark-CFER&xid=719c9ced&pg=33>.

with any Chinese or Mexican dollars and it was subsequently intimated that they represented Silver Yen as in Manchuria. This is the Silver Yen coin that was formerly current in Japan before the introduction of their Gold currency and not being accepted as a current coin anywhere in North China...its intrinsic value can therefore only be regarded from a melting point of view...A further control of the finance of the province by the Japanese is by the introduction of Japanese Gold Yen notes. [Thus Japanese control] means not only control of wharves and communications but also financial control of the whole trade to the practical exclusion of all other nationals on anything like equal terms... which must ultimately have a serious effect on the trade of other countries at all other ports of North China.⁷

The several excerpts presented here from documents available in the Gale digitized collection of British records of Shanghai's International Settlement— *China and the Modern World: Records of Shanghai and the International Settlement*— thus offer glimpses into the policies and perceptions of a complex and multinational set of actors who were caught up in the entangled politics of domestic and international finance in Shanghai and the treaty-port circulations of goods, information, and diplomacy to which the city was tied. As the final example above suggests, the British Consular files speak, unsurprisingly, to British perspectives, concerns, and prejudices. By means of the documentary trails they preserve, readers of these files may nonetheless grasp the concerns of Chinese, Japanese, French and other interlocutors, whose communications are frequently included, at least in translation, within the documentary files.

⁷ FO 371/3694/F16000/10/19 "Japanese Domination in Shantung," Document dated January 15, 1919 and enclosures. <https://link.gale.com/apps/doc/NHJKCD874456676/CFER?u=asiademo&sid=bookmark-CFER&xid=719c9ced&pg=38>.

