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Review

Ghassan Moazzin: Foreign Banks and Global Finance in Modern China. Banking on the Chinese Frontier, 1870–1919

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Despite the breadth of historical research into 19th century foreign banks in China, the role played by China still holds ample potential for scrutiny. In this regard, the book *Foreign Banks and Global Finance in Modern China* offers a more complex perspective of interpreting the activities of foreign banks in modern China.

Drawing upon historical archives scattered around the world in different languages, it unfolds the history of the hitherto understudied Deutsch-Asiatische Bank (DAB) in the last two decades of the Qing dynasty and early Republican China.

If only one word were allowed to describe this book, it would be 'interdependence', for it challenges the view of China as a static subject of foreign capital inflows and foreign banks simply as imperialistic symbols. Not only qualitatively but also quantitatively, Moazzin reconstructs the interactions between foreign banks, diplomats and Chinese actors, especially the flows of capital, knowledge, and power within their networks.

Compared to British banks in China's treaty ports, the DAB was a latecomer but became the sole prominent German bank in China during the 19th century. Although German interests in China began to take shape as early as the 1870s; meanwhile, the Chinese reformers expressed willingness to have more foreign banks in China and to use foreign capital for railway construction and modernisation; the first several approaches made by German banks to the Chinese market were not very successful. Given that different German banking groups had competing plans for establishing a German bank in China, the German government was instrumental in mediating conflicts and uniting interests, which ultimately enabled thirteen German banks to form the DAB in 1889. However, **Chapter 1** rejects the overemphasis on the role of the German government and argues that the DAB's establishment was more of an effective combination of economic interests and China's needs catalysed by German political appeals.

Although the bank did not win over as many German companies in China as expected, it established a firm foothold through trade financing and regular business, especially by integrating into the Chinese banking system. **Chapter 2** portrays the DAB's management structure, personnel arrangements and, most importantly, day-to-day operations in detail. Besides trade financing and absorbing local deposits, the DAB also squeezed into China's chop loans (short-term interbank lending) system, from which foreign banks were excluded. It was made possible by compradors, who acted more like Chinese entrepreneurs with access to foreign banks (84). Based on their networks, Chinese banks (Qianzhuang) were able to borrow from foreign banks on more favourable terms and further channel the funds to Chinese businesspeople in the hinterland, and in this way, the foreign banks became integrated into the local financial market to a certain extent.

The DAB's case in Shanghai underlines that the relationship of foreign banks to the local Chinese financial sector was never a one-sided imposition of a foreign power but rather interdependent. Even in the Sino-Japanese indemnity loans, where China had no choice but to borrow from foreign banks due to the sheer sum of the indemnity, its role in the negotiations was not a passive puppet, and the interdependence between Chinese and foreign banks remained visible.

Chapter 3 delves deeper into how structural and relational powers interact by detailing the negotiations of Anglo-German indemnity loans (1896 and 1898). The defeat in the Sino-Japanese War left China with an unprecedented amount of indemnity that required imminent payment to circumvent the additional interest burden. However, no foreign financier could fully underwrite the loans of this amount. Consequently, cooperation and competition among foreign banks were inevitable. While foreign bankers had to figure out how to assess China's sovereign risk and set collaterals accordingly, the agency of Chinese officials is evident in their attempts to explore possibilities and test the extent to which they could succeed independently in foreign capital markets. Although foreign banks obtained structural power over credits, the financial structure of the 19th century was far from uniform, and Chinese actors swiftly captured the competition among foreign financiers and leveraged it to borrow foreign capital more cheaply than ever before. Nevertheless, the relational power of Chinese officials quickly reached its limits in the third indemnity loan. Confronted with political instability, time pressure, and decreasing demand for Chinese bonds in international markets, the Chinese were forced to accept higher costs and cede more control for foreign loans.

Besides the state-to-state power dynamics, **Chapter 4** sheds new light on the shifting power relations on a granular level, which is manifested in the Sino-Britain-German transnational network that was formed by state and non-state participants in the 'contact zone' (152) in Tianjin during the famous Tianjin-Pukou railway loan negotiations. In the aftermath of the Sino-Japanese War, Chinese reformers viewed railways as an ultimate solution for China's ills, and they were more open to using foreign capital, which coincided with one of the most important motivations for German bankers to establish the DAB. The negotiations spanned over a decade, from 1898 to 1908, and were mainly conducted by the so-called new transnational elites – that is, those with multilingual skills, unconventional backgrounds, and experiences abroad - and viewed by Moazzin, these Chinese, German and British negotiators as themselves products of the Sino-West interactions (168). Accompanied by a multilateral learning process and adaptation between Chinese and foreign parties, the negotiations were conducted on a relatively equal footing, and both sides reached their goals. While Chinese pragmatic reformers retained as much control as possible over the railways, foreign banks were satisfied with the popularity of Chinese bonds in Berlin and London.

As the financial interdependence between foreign financiers and the Chinese government deepened, so did their political impacts on both sides. **Chapters 5** and **Chapter 6** discuss the reach of political risk on banking operations in both international bonds and local markets from a risk-management perspective.

When the political turmoil during the 1911 revolution caused anxiety among European investors, foreign banks managed to avoid the price volatility of Chinese bonds in overseas markets through various measures. To further mitigate risks, the 'Four Power Groups consortium' built by foreign banks (197) decided to maintain neutrality by stopping lending to Yuan Shikai and the revolutionaries, arguably accelerating the formation of the new republican government. Eventually, further loans were made to keep the new government afloat, which in return undoubtedly enhanced the new government's dependence on foreign capital. The fact that only a tiny portion of the borrowed money was spent for productive purposes exacerbated the foreign banks' mistrust of China's solvency. Thus, they demanded more fiscal control, which further aggravated the divisions in Chinese society. Moazzin posits that the spiralling reliance was not perpetuated simply by foreign banks, but a deeper cause rooted in these long-term borrowing patterns is the inability of the government to implement large-scale fiscal reform.

While the political risks described in **Chapter 5** were yet manageable, **Chapter 6** depicts the detrimental impact that the political risks could have on foreign banks. The outbreak of the First World War overshadowed the fate of the DAB. The news from the European war led to a severe shock in banks' business, such as disruption in trade and losses in public trust in foreign banks. Moreover, as the DAB attempted to keep China out of the war by providing loans to the Chinese government, the Allied ultimately won over China's support by promising better financial terms. While China merely intended to suspend the business of the DAB during the war, the complete liquidation of the DAB's assets in China was eventually carried out largely urged by its rival British banks. Therefore, although foreign banks thrived on the Chinese frontier because they filled an institutional void by acting as financial intermediaries that effectively mobilised capital to meet China's needs, the interdependence between foreign banks and China could quickly lose ground as soon as the cosmopolitan atmosphere was in jeopardy due to geo-political tensions.

Overall, the case study of the DAB by Ghassan Moazzin is an indispensable piece of the jigsaw puzzle in the panorama of foreign banks in modern China before the First World War. Proactively, it revisits established views on multinational banks in modern China and provides a more balanced understanding by addressing the interdependence between foreign and indigenous actors. Based on this valuable work, future research could reveal more facets of interdependence by extending the geographic network to China's hinterland and other major commercial hubs in East Asia, involving more foreign participants and incorporating more financial activities such as note circulation.