

Preliminary Study of the Causes of the Nature Transformation of Joint Venture Banks during the War of Resistance Against Japan Basing on American Oriental Banking Corporation in Sichuan

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ABSTRACT. *After the Opium War in 1840, the Chinese people fell into the quagmire of foreign aggression. The masses of the people rose up to resist and finally won the great victory of the War of Resistance Against Japan. During that difficult period, Chinese business experienced various challenges such as feudal rule of Qing government, suffering from colonists, and exploitation of warlord. In order to survive, the banking industry responds immediately to information and constantly adjusts itself to adapt to historical trends. This paper takes American Oriental Banking Corporation in Sichuan as an example to analyze the process and choices of joint venture banks in social changes.*

KEYWORDS: *War of Resistance against Japan, Banking, Transformation*

In 1926, the Northern Expedition broke out, and the army was victorious and marched northward. On September 5, 1926, the British warship "Kochetev" bombarded Wan County, causing the "September 5 Tragedy". In 1927, the British and American warships bombarded Nanjing, setting off a wave of anti-imperialism among the people across the country. In February 1927, foreign residents in Sichuan were evacuated and return to their home country for the call of their government.

According to the contract, the manager of American Oriental Banking Corporation in Sichuan in charge of all affairs within the bank must be an American. Hyde, the manager of American Oriental Banking Corporation in Sichuan at this time, is also actively preparing to leave China. According to Levin's instructions, before leaving Chongqing, Hyde must seal up all the accounts, cash and documents of American Oriental Banking Corporation in Sichuan, and take away the vault keys, leaving the issued exchange certificates and depositors waiting for withdrawals to Chinese shareholders. American Oriental Banking Corporation in Sichuan was about to go bankrupt. Associate manager Kang Xinru actively ran around to ask for help,

explaining the pros and cons. Finally, Sichuan warlord Liu Xiang provided a hand. Zeng Yuqin and Zhou Jiansan organized a "new consortium" to replace the United States and become the new shareholder of American Oriental Banking Corporation in Sichuan. Afterwards, through five years of hard work, American Oriental Banking Corporation in Sichuan gradually formed a firm foothold in the Sichuan-Chongqing region, and has transformed from a Sino-US joint venture into a Chinese-owned bank. Though American Oriental Banking Corporation in Sichuan became a Chinese-owned bank in February 1927, its business content has not changed significantly. However, because of its alliance with the warlord Liu Xiang, while accepting Liu Xiang's asylum, it must also provide economic support to Liu Xiang.

In the Sichuan-Chongqing region, since Luo Peijin succeeded Cai E's position in 1916, the number of Sichuan army increased to 5 so that the demand for military pay increased, and the commissioners of all counties were ordered to allocate all taxes on military pay. In 1917, the central salt tax was borrowed for military use, which opened the way for the interception of national taxes for military. After that, various military forces directly took local taxes to military use. Sichuan Province declared its autonomy in 1921, and Liu Xiang was promoted to be the commander-in-chief and governor of Sichuan's various armies, and the Sichuan Finance Coordination Office was established. But in the second year he was forced to hand over power and the this policy has changed. Since then, the finances in Sichuan have been in chaos. As a warlord of Sichuan in 1927, Liu Xiang's power was mainly concentrated in Chongqing, whose military income mainly comes from land taxes, various duty taxes, salt taxes, special taxes and allotments, as well as various loans, advances, discounts, mortgages, public bonds, treasury bills, etc. to the Chongqing industrial and commercial community. In November 1928, the National Government promulgated the division standards of national and local revenue and expenditure, stipulating that the tax sources of Sichuan Province include 16 items including salt tax, customs duty, tobacco and alcohol tax, and stamp duty. In order to support the huge military expenditure, in addition to various taxes, Liu Xiang often dispatch military expenditures to various financial institutions and demand advancement. American Oriental Banking Corporation in Sichuan has been a Sino-US joint venture bank until 1927, and protected by the US government. Under the aegis of unequal treaties, the Chinese government has no right to interfere its business. It has its own exchange certificate with a good reputation, so it rarely accept the warlord's demand of advancement.

After American Oriental Banking Corporation in Sichuan became a Chinese-owned bank in 1927, it actively supported for Liu Xiang. Liu Hangchen, Liu Xiang's minister of wealth accumulation, learned from the Nanjing National Government's fiscal measures and issued public bonds when he could not meet Liu Xiang's needs through tax mortgages. Compared with the various bonds issued by the National Government, the bonds issued by Liu Xiang have a larger discount, shorter duration, and higher interest rates. At that time, Liu Xiang was deeply rooted in Chongqing, and the Chongqing industrial and commercial communities mortgaged the bonds they bought to the bank, so most of the public debt flow into

the bank. As a holder of a large number of bonds, in order to guarantee his own rights as much as possible, Liu Hangchen can only do his best to support Liu Xiang's rule, and finally fell into a vicious circle. For example, in 1927, American Oriental Banking Corporation in Sichuan subscribed for government bonds from the Liu Xiang Military Department for 20,000 yuan in cash, and in December 1928, Liu Xiang Army borrowed 20,000 yuan from American Oriental Banking Corporation in Sichuan, etc. On the balance sheet in 1929, the balance of bad debts was about more than 128.5 million yuan 1.

Table 1. Balance Sheet of American Oriental Banking Corporation in Sichuan in 1929 (Unit: Yuan)

Asset	Yuan	Debt	Yuan
Cash	122350	Equity	25000
Reserve for issuance of exchange certificates	844710	Foreign and outport bank deposit	95510.89
Reserve for issuing exchange certificates	79912	Bank certificates	844717.00
Foreign and outport bank deposit	171400	Issuance of redemption certificates	162410.00
Local bank deposit	170690	Remittance payable	21927.90
Loan and discount	977530	Provident Fund and Reserve Fund	45145.71
Public treasury loan	82500	Bad debt reserve	128491.55
Periodic remittance	20790	Directors monitor remuneration	2857.14
Commercial housing estate	26000	Staff remuneration	11428.57
Business appliance	3640	Dividends	50000.00
Bad debts	128490	Unpaid interest payable	5691.89
Interest receivable	13450	Surplus	69497.09
Miscellaneous	3470	Miscellaneous	3308.62
		Total	2645001.23

Source: The unpublished archives of American Oriental Banking Corporation in Sichuan in the Chongqing Archives, file number: 0296-14-8.

As a joint venture bank, before the reorganization of American Oriental Banking Corporation in Sichuan, the main large deposit customers were foreign institutional customers attracted by foreign managers. After the reorganization of American

Oriental Banking Corporation in Sichuan, its Chinese-owned bank nature has no advantage over other banks in absorbing deposits from foreign customers.

Table 2. Comparison table of deposits of American Oriental Banking Corporation in Sichuan from 1922 to 1943 (Unit: Yuan)

Year	Yuan	Change
1922	666726.75	
1923	702522.85	35796.1
1924	1204686.32	502163.47
1925	1088418.44	-116267.88
1926	1050910.47	-37507.97
1927	567830.38	-483080.09
1928	826139.80	258309.42
1929	954014.87	127875.07
1930	2145863.41	1191848.54
1931	2705908.37	560044.96
1932	2948364.44	242456.07
1934	3307491.25	359126.81
1935	5331358.24	2023866.99
1936	8961668.42	3630310.18
1937	9997633.58	1035965.16
1938	13181121.63	3183488.05
1939	26138155.72	12957034.09
1940	33981728.68	7843572.96
1941	89411155.15	55429426.47
1942	113552589.39	24141434.24
1943	298965759.2	185413169.8

Source: The unpublished archives of American Oriental Banking Corporation in Sichuan in the collection of Chongqing Archives, file number: 0296-14-8. The archives materials are limited, data of 1933 and after 1944 are missing.

From the table above, it can be seen that in the first year after the reorganization, in 1927 and 1926, the capital of American Oriental Banking Corporation in Sichuan shrank by about 36%, mainly because the amounts of deposits received in 1927 dropped by about 46%. Compared with 1927, the amount of funds increased by about 26% in 1928, basically returning to the level before the reorganization. The main reason was the substantial increase in the amount of foreign and outport bank deposit, which boosted situation of American Oriental Banking Corporation in Sichuan.

From 1927 to 1950, American Oriental Banking Corporation in Sichuan ceased business and maintained its nature as a Chinese-owned bank. During this period, American Oriental Banking Corporation in Sichuan, without the protection of foreign capital privileges, formed alliances with local warlords to develop business. With the intensified War of Resistance against Japan, the Nationalist Government moved westward, and Chongqing became the new capital during the war. The inland relocation of coastal industrial and commercial enterprises and financial institutions promoted the economic development of Chongqing on the one hand, and on the other hand, squeezed the living space of local commercial banks in Chongqing. As a local private bank, American Oriental Banking Corporation in Sichuan, regardless of the amount of capital, is far from comparable to many large banks in terms of business scale. However, due to its geographical advantage, it focused on the business of reversing foreign exchange and investing in industries in the Mainland during the War of Resistance against Japan, and it was still running after war. Although the National Government that moved inward did not suppress the business of American Oriental Banking Corporation in Sichuan, and even Kang Xinru himself was appointed as the Chairperson of the Chongqing Interim Senate, the policy caused inflation published National Government has greatly affected the strength of American Oriental Banking Corporation in Sichuan with hidden dangers to post-war business operations. After the end of the war in 1945, misjudging the domestic development trend, American Oriental Banking Corporation in Sichuan expanded its business scale, resulting in dispersed funds, and eventually the broken cash chain and shut down of the business.

In short, in order to maintain its own operations and profitability, American Oriental Banking Corporation in Sichuan switched from a joint venture bank to a Chinese-owned bank, and its main business target was also changed from foreign business to a local business. This is a microcosm of the banks in western China during the War of Resistance Against Japan. Constantly compromising and retreating in the general trend of history is a helpless choice for the banking industry that has fallen into the lquagmire of war.

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