

# Relations Between the Yokohama Specie Bank and Chinese Merchants in 1930s Kobe: Preliminary Thoughts<sup>†</sup>

Takeshi Nishimura<sup>††</sup>

## Introduction

Japanese foreign trade was started by European and American general trading companies just after Japan had opened its ports at the end of the Edo period and before the start of the Meiji period. In this paper, we focus particularly on Kobe and examine the Chinese compradors, who had close relationships with Chinese trading firms; these firms followed a unique path of development, wherein they had either a mutual dependency on, or antagonistic relationships, with the European trading companies. The compradors discussed herein are all narrowly defined, and do not include merchants that performed the function of compradors, or those doing similar tasks<sup>1)</sup>.

Recent years have seen noteworthy studies on expatriate Chinese in Kobe, including those on the activities of compradors; one of them was based on an approach from economic history. Detailed empirical analyses have been conducted in the studies by Naoto Kagotani and Kazuko Furuta; further, there are numerous primary sources of that time that include studies on the role of expatriate Chinese in the port of Kobe, and the formation of economic networks

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<sup>††</sup> Kansai University, Faculty of Economics

1) There are numerous prior studies that cover the role of the comprador. Exceptional studies conducted during and after the second world war include research by Tadashi Negishi, as well as that by Naosaku Uchida and Shukei Go (Negishi 1948; Uchida 1949; Go 1944). Recently, Eiichi Motono published a detailed empirical study on the roles assumed by the English-speaking Chinese in Hong Kong and Shanghai. Research has progressed gone beyond the focus on compradors in the relationship between the Chinese and Western merchants during the nineteenth century (Motono 2004). Internationally, many acclaimed studies have been published on the role assumed by the comprador, particularly from a business history perspective (Yen-p'ing Hao 1971; Wang 1993; Chan 2001; Cox, Huang Biao, and Metcalfe 2003; Smith 2016; Wilson and Yang 2016).

between Shanghai and Kobe for cotton imports at the start of the Meiji period. Other studies have analysed the expatriate Chinese in Kobe from the perspectives of Japanese-Chinese relations and the policies of the then Chinese government on general affairs; still others have argued from the perspective of the period over which expatriate Chinese came to Kobe—primarily the perspective of limits placed on Chinese labourers in Japan. These studies have examined the historical role of expatriate Chinese in Kobe in every field. As has already been mentioned, this paper focuses on the activities of expatriate Chinese in Kobe, and particularly those of compradors.

It is known that expatriate Chinese in Kobe settled there and formed an expatriate society while blending in with the local community, as is expressed in the phrase ‘settle down and take root (落地生根)’. This resulted in the expatriate Chinese acquiring a certain status in the economic circles of Kobe between the world wars, and the building of a close economic relationships between Japanese and Western firms; because of this, the role of expatriate Chinese as compradors became even more important as they strengthened economic ties between themselves and traders in East and Southeast Asia. In this paper, we narrow our focus to the 1930s, when economic relations between Kobe, on the one hand, and East and Southeast Asia, on the other, became stronger.

The compradors themselves were employed by many Japanese firms and Western trading companies, each pursuing a different line of business. Among these businesses, compradors played a major role in banks, which had a particularly significant overall presence in business. Thus, we focus our study on merchants that developed as compradors of banks, particularly of the Yokohama Specie Bank, which played a central role in foreign trade financing in 1930s Japan.

Much research has already been done on the Yokohama Specie Bank, including its role in economic expansion during the interwar years; during the second world war as a government bank; its role in procuring wartime funds locally; and its role as a foreign exchange bank with the development of Japanese trade, including raw silk exports, with foreign countries from the Meiji period onwards to the start of the Showa period, among many others. However, there has been little research on the role of the Yokohama Specie Bank in Kobe; in particular, there seem to be no studies on 1930s Kobe. Thus, many questions remain as to how Chinese merchants acted as compradors in the Yokohama Specie Bank at the time. Using the few figures left behind by the Kobe branch of the bank, this paper provides, to a certain extent, empirical clarity on these questions.

## **Section 1 An Overview of Expatriate Chinese in Kobe**

Expatriate Chinese merchants are said to have built a base in Kobe, alongside western merchants, directly after Japan opened its ports at the end of the Edo period. There are no exact numbers, but according to a survey conducted by the

Hyogo Prefectural Office in December 1869 (the 2nd year of the Meiji period), there were approximately 300 individuals that had come to Kobe as Westerners' employees, and who were operating their own businesses. Later, the number of Chinese living in Kobe increased, and except for the unavoidable repatriation of almost half of the Chinese population in Kobe during the Sino-Japanese War, the number of Chinese expatriates in Kobe kept growing between the Meiji and Taisho periods. According to available data, 516 Chinese lived in Kobe in 1880; this number continued to increase and touched 1,004 in 1894; 1,831 in 1912; and 5,140 in 1924 (Kanda 1938 p.138 and 145)<sup>2)</sup>.

In addition, according to a 1936 survey, approximately 60 stores (the survey calls them "Chinese stores") were operated by expatriate Chinese, with about 45 of those stores conducting a certain amount of trade. The maximum number of employees in a store was 14 and these stores together employed approximately 500 people (Okazaki 1936 p.2). While this is the headcount of Chinese merchants in major stores, and only serves as a representative figure, we can surmise from it that Chinese merchants had secured a certain standing within Kobe's economic circles. While there was a short-term decrease from the number at the start of the Meiji period, the Chinese population in Kobe followed a growing trend; this increase was likely owing to the status they enjoyed in Kobe business circles.

Further, in terms of the business operations of Chinese merchants, few conducted businesses in small-sized stores in the middle of the Meiji period, while many were involved in housekeeping work or trade as employees of Western or wealthy Chinese merchants. Afterwards, with an increase in Chinese merchants, the number of stores and business firms gradually increased<sup>3)</sup>. As a result, by 1936, the size of Chinese businesses had grown large, and according to a survey by the Yokohama Specie Bank, the largest of them had capital of 300,000 yen, with regular businesses having capital of somewhere between 50,000 and 100,000 yen. According to another report, many businesses in Kobe operated by the Chinese had been in business for 40–50 years, with Yù Zhēnxiáng, a native of Guangdong, having worked as a manager since 1899. Businesses had capital ranging from 10,000 to around 1,000,000, with an average of about 100,000 yen. As with the Yokohama Specie Bank, the report noted an improvement of the position of the Chinese in Kobe. Thus, many of these expatriate Chinese were highly trusted merchants, and they generally worked as commission agents (Okazaki

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2) As of 1883, women made up 22.5% of the total Chinese population living in Kobe. This figure grew to 40.0% in 1893. We observe that this period marked a transition in the social structure of the Chinese community in Kobe; from migrant workers, they became permanent residents. Additionally, we observe that males primarily immigrated to Kobe at a young age (25 years or younger). We infer that these settlers brought their wives or families over from their hometown/homeland once they became financially independent (Suwaki 1998 p.64).

3) Suwaki found that these immigrants had settled into various occupations by the early Meiji period; these included operating pig slaughterhouses, running restaurants, and patrolling the community (Suwaki 1998 p.64)

1936 p.2)<sup>4)</sup>.

## Section 2 A History of the Expatriate Chinese in Kobe

According to Kanda, the history of economic activity among the expatriate Chinese in Kobe can generally be divided into four stages. The first extended from the opening of Japan's ports at the end of the Edo period to 1877; the second was from 1878 to 1889; the third was from 1890 to the end of the Meiji period (1911); and the fourth comprised the post-Meiji period. While the first period witnessed a small number of businesses operated by the Chinese merchants, such businesses were generally small and few in number. The second period, which started with the founding of a Qing consulate in 1878, saw powerful Chinese merchants come to Tokyo to grow their businesses, and the third period saw expanding trade between Kobe and China and Hong Kong; however, the drop in the status of compradors of Western trading firms owing to the Sino-Japanese war was followed by an expansion in imports and exports, particularly among Japanese trading firms, in the fourth period. Directly after this period, the ocean shipping industry came to be dominated by Japanese firms, such as Nippon Yusen. In the fourth period, Chinese trading in Kobe was battered by a campaign against Japanese currency. However, from World War I onwards, the number of Chinese individuals coming to Kobe to operate non-trade businesses increased, and the status of Chinese individuals in Kobe's economic circles continued to grow (Kanda 1938 pp.131-150)<sup>5)</sup>.

Expatriate Chinese played a large role in overseas trading in Kobe as soon as the ports opened. In particular, almost all Chinese trade transactions were handled by Chinese merchants<sup>6)</sup>. Specifically, Chinese merchants had a particu-

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4) Chinese merchants based in Kobe were mainly from the Guangdong, Fujian, and Zhejiang provinces. Among these, Guangdong accounted for the largest share of merchants. These Chinese merchants created groups based on their hometown (member association/society: 公所) and built close relationships in various contexts that went beyond economic activities. Specifically, the Guangdong society was the most influential, having 39 members in 1936 (4-5 pending applications) (Okazaki 1936 p.2)

5) Pu Lan suggests that a more appropriate categorisation of Kanda's method would be possible by using both the Sino-Japanese and Russo-Japanese Wars as boundaries to classify three time periods (the foundational period, the golden age, and the period of decline). He describes the foundational period as that extending from Japan's re-establishment of foreign trade (1854) until the Sino-Japanese War; the golden age was the period from the Sino-Japanese War until the Russo-Japanese War; and the period of decline was the period from the Russo-Japanese War until World War II (Pu Lan 1966 p.4-6).

6) Japanese merchants who entered the Shanghai and Hong Kong markets in the late 19th century were unable to compete with Chinese merchants. Studies also indicate that Chinese merchants monopolised the China-Japan trade in all sectors, except for coal and copper. A prior report by the British Foreign Ministry in Kobe shows that the Chinese maintained close relationships with each other through blood and regional bonds. Additionally, the Chinese were successful because of their unity and cooperation in financing one another's

larly large role in the exports of copper and Japanese tallow produced in Kyushu and northern Shikoku<sup>7)</sup>. Further, exports of marine products from Kobe, such as sea cucumber and abalone, were pioneered by Chinese merchants, with similar efforts seen among Chinese merchants based on the Korean peninsula around the same time (Ishikawa 2016 chap.2). Chinese merchants had monopolised the trade of marine products in East Asia during the middle to latter half of the 19th century.

From the descriptions of *Kobe Kaiko 30-nenshi*, we can surmise that Chinese merchants had a monopoly on the Chinese trade in Kobe from the start of the Meiji period (Murata 1898 pp.352-353). In addition, the composition of Chinese trade at that time included copper, marine products, Japanese tallow, agar, and camphor as the exports; the imports were sugar, raw cotton, and ginned cotton. This seems to show that primary products were exported to China, while light industrial products were imported from there. Afterwards, in the mid-Meiji period, the percentage of matches, cotton knitted goods, silk fabrics, and other light industrial goods bound for China grew, along with that of raw cotton imported from China. The raw cotton imports dropped dramatically after tariffs on raw cotton imports from India were scrapped; later, imports of soybeans and soybean meal rose, maintaining the trend of export and import growth between Kobe and China.

In addition, trade between Kobe and Southeast and South Asia also began with Chinese merchants. According to *Kobe Kaiko 30-nenshi*, when many Chinese merchants returned home owing to the Sino-Japanese War, the attempt to revive the commercial rights between Kobe, Southeast Asia, and South Asia in the hands of Japanese merchants was used but had failed. As is clear from this failure, the mid-Meiji period was dominated by the Chinese merchants (Murata 1898 p.354).

Afterwards, when a Sino-Japanese Trade Treaty was concluded in 1896 at the end of the Sino-Japanese War, there was a fundamental change in the composition of exports and imports in the Japanese-Chinese trade. Prior to the Sino-Japanese War, primary products were a major component of exports and imports; after the war, exports of cotton products as an industrial product grew dramatically, even as imports of primary products remained unchanged. The growth of cotton exports from Kobe owing to the rapid development of the modern textile industry in the Osaka-Kobe region was a reason for this. In addition, growing role

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projects and helping out (Suwaki 1998 p.69).

7) With respect to copper exports, Japanese and German merchants gained market share during the latter half of the Meiji era, leading to a loss in market share for Chinese merchants. In particular, German merchants accounted for 60.6% of the copper exported from Kobe in 1911, and Japanese merchants accounted for 32.4%, so there was a duopoly (Nishimura 2014 p.1304). Despite the large impact of the fall in copper exports to China, it is clear that the role of Chinese merchants in copper exports diminished greatly. We believe this topic should be addressed in the future and should take into consideration the research on the Sumitomo Corporation, which operated the Besshi copper mine in Ehime Prefecture.

of Kobe as the point of origin for regular shipping routes to China after the Sino-Japanese War seems to be a reason for the increase in export of cotton from Kobe. Accordingly, the base of many Chinese merchants shifted from Kawaguchi, the treaty port in Osaka, to Kobe, and the expatriate Chinese community in Kobe grew. In addition, the lack of detailed figures that show the share of the Chinese merchants in Kobe's overall trade at the time makes it difficult to identify the actual size of their businesses; in the case of powerful Chinese merchants that moved from Osaka, the trade of individuals from Fujian was mostly with Southeast Asia and South Asia, and that of individuals from Guangdong was primarily with Hong Kong. The trend was the same for Chinese merchants in Kobe, and resulted in their playing a major role in trade from Hong Kong to Southeast Asia and South Asia<sup>8)</sup>.

After the Russo-Japanese War, the proportion of trade with Northeast and North China grew dramatically as Japan moved formally into mainland China. With the increase in shipping routes, where Osaka was the origin for trade with Northeast and North China, the status of Osaka in the Chinese trade rose rapidly. In conjunction with this, the role of the Japan-China trade by Chinese merchants based in Kobe declined. This was not only because of the rapid strengthening of economic ties between Osaka and China, but also the aggressive expansion of Japanese general trading firms and shipping firms to mainland China with the support of the Yokohama Specie Bank and the Bank of Taiwan; they chose to handle the transactions that had previously depended on Chinese merchants themselves.

Even so, the proportion of Chinese merchants in the overseas trade in Kobe was still large. For example, in 1930, Chinese merchants were responsible for approximately 53% of the total exports from Kobe to China (excluding North China and Northeast China), Hong Kong, Southeast Asia, and South Asia. This came to a halt as the disruption caused by the Sino-Japanese War of 1937 became apparent, and the proportion dropped to approximately 12% in 1938. The beginning of the Pacific War strengthened trade controls, forcing a shrinkage in the independent commerce of Chinese merchants.

### **Section 3 The Work of Compradors Supporting Banking in Kobe**

The Yokohama Specie Bank and the Bank of Taiwan are examples of banks that employed compradors before the outbreak of the Pacific War. In 1937, the comprador for the Bank of Taiwan was a Lǐ Huīting, while compradors for the

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8) If we narrow the pool of Chinese merchants to those from Hakka-speaking provincial areas, we observe that the Dutch East Indies accounted for the largest proportion of trade with Kobe during the period extending from the early 20th century to the Second World War (Chin 2016 p.72-76).

Yokohama Specie Bank were Wáng Chóngshān and Bào Yījūn. As for compradors for the Hong Kong and Shanghai Banking Corporation (hereafter, 'HSBC'), which had a central role in foreign trade financing, along with the Yokohama Specie Bank and the Bank of Taiwan from the start of the Meiji period, the father and son duo of Lán Zhuōfēng and Bāqún carried out the duties from the mid-Meiji period to the Pacific War. Other than Wáng Chóngshān, who was from Fujian, all the above mentioned, compradors were from Guangdong.

Much of the foreign trade by Chinese merchants based in Kobe used payment via documentary drafts; thus, from the standpoint of foreign exchange banks, trustworthy Chinese intermediaries were required to secure the safety of transactions; this made the compradors indispensable. Compradors in Kobe banking were primarily responsible for cash accounting, besides endorsing and guaranteeing documentary drafts of Chinese merchant. Thus, while banks not involved in foreign exchange transactions, despite having a presence in Kobe, did not have compradors. The ratio of each type of work in the banks differed according to how each bank grew its business throughout Asia; in general, compradors of U.K.-based foreign exchange banks (included in U.K.' colonies -based foreign exchange banks), such as HSBC, had a relatively heavier involvement as intermediaries in the work between Chinese merchants in the Strait Settlements or Hong Kong, or that between Chinese merchants in the East Indies, which was governed by the Netherlands. In the case of Hong Kong-bound exports, most were paid through remittances, so cash accounting was the primary work of the U.K.-based foreign exchange banks. In contrast to Dutch foreign exchange banks, the Yokohama Specie Bank and the Bank of Taiwan were mainly involved in endorsement and guarantees. In the case of the Yokohama Specie Bank, both Wáng Chóngshān and Bào Yījūn ignored cash accounting, and involved themselves only in the endorsements and guarantees of drafts.

At one time, according to Negishi, the bank comprador worked on: 1) introducing businesses profitable to the bank; 2) guaranteeing the soundness of transactions that were profitable for the bank; 3) finance administration, and ensuring there were no issues with their work; and 4) gathering of information to ensure bank profit, or that an activity would not lead to a loss (Pu Lan 1966 pp.14-15). When citing these examples, we should keep in mind the compradors in Western financial institutions that expanded into Chinese banking; however, unlike the situation in mainland China, there was no need in Japan to incur costs to confirm the trustworthiness of the currencies and banknotes in circulation. Thus, the main work of bank compradors in Kobe was limited to either managing cash accounting or endorsing and guaranteeing exchange drafts drawn by Chinese merchants.

In the business transactions between the Chinese merchants in Kobe and those in Hong Kong or other locations in Southeast Asia or East Asia, most payments were made with documentary bills of exchange with D/A (Documents against

Acceptance) terms<sup>9)</sup>. In addition, payments to Japanese producers or distributors for exports from Kobe were primarily in cash, and most Chinese merchants cashed the documentary bills of exchange at the branches of the export destinations or at the foreign exchange banks of their trading party. To keep the risk as low as possible, the transactions were often routed through compradors that guaranteed the documentary bills of exchange.

In the case of HSBC, compradors reported to it the daily exchange rates announced by the Yokohama Specie Bank, and, accordingly set their own rates. HSBC compradors bought notes from the Chinese merchants with whom they did business on the information of the daily exchange rates; further, they endorsed and guaranteed them before submitting them to the bank. Depending on the note's amount, they collected guarantee fees from both the bank and the Chinese merchants according to a set rate<sup>10)</sup>. Compradors that bought notes in this manner gave them to the banks, who paid guarantee fees in a lump sum at the end of the month. In addition to facilitating primary trade exchanges in the form of documentary bills of exchange and clean bills of exchange between the world wars, HSBC made remittances by telegraph and mail. Of the documentary bills of exchange handled by both HSBC and the Yokohama Specie Bank, most were by Kobe compradors for exports from Kobe to Hong Kong or Southeast Asia. Thus, the primary work done by compradors in Kobe was endorsing and guaranteeing documentary bills of exchange drawn by Chinese merchants based in Kobe (Pu Lan 1966 pp.18-20).

In addition to endorsing and guaranteeing notes, managing cash accounting was another important task performed by compradors. Outside of the Yokohama Specie Bank and the Bank of Taiwan, compradors were responsible for this function. Compradors were given space to do their work in the branch offices of banks in Kobe, and the compradors themselves hired trustworthy Chinese workers to do the cash accounting. Individuals hired by compradors were called 'shroffs', and HSBC had ten of them. HSBC also directly hired Chinese workers not employed by the compradors; the bank's Kobe branch had many such employees. The actual work for HSBC compradors included transferring cash to the Bank of Japan's Kobe branch; collecting notes that had come to term; accepting cash within the bank, managing keys to the vault; and working on all aspects of cash collection and expenditures. By comparison, in the Yokohama Specie Bank, which did not

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9) The characteristics of trades between Kobe-based Chinese merchants and Chinese merchants based in Southeast Asia or South Asia (including Hong Kong) will be described later.

10) On the surface, it appeared that the bank did not question the credit risk of the bills of exchange brought in by the Chinese merchants. It appeared as though Chinese merchants were directly requesting the comprador for endorsements. However, Chinese merchants were directly requesting the comprador for personal endorsements, and then bringing their endorsed bills to the bank. The guarantee charge paid by the bank was deemed as the endorsement fee.



entrust cash accounting to the compradors, the offices of compradors were outside the Kobe branch, and individuals hired in those offices had no involvement in the bank's operations (Pu Lan 1966 pp.14-17).

Comprador remuneration comprised a fixed salary from the bank, along with a variable component based on the amount of endorsements and guarantees of notes. For the fixed salary, compradors negotiated with the bank based on the wages of shroffs employed by compradors and the remuneration account for a small portion of their earnings. Given this, it is thought that banks employed directly not only individual compradors, but also about half their shroffs, and entrusted them with bank work. The fees tied to the amount of endorsements and guaranteeing of notes differed according to the amount guaranteed by the bank and types of customers; further, there were differences across banks.

Taking HSBC as an example, we find that the guarantee fee for documentary bills of exchange was 0.125% of the face value; however, the fees are said to have varied from 0.0625% to 0.25% of the face value. The large variation was owing to the different levels of trustworthiness of the Chinese merchants drawing notes, and fluctuations in the global economy. The bank did not pay a guarantee fee for clean bills of exchange; and its fees were set at a high rate of 0.5% of face value because the bank and compradors were not interested in dealing with them. Compradors received 0.125% of the face value as a guarantee fee from the bank for remittances; because compradors at the Yokohama Specie Bank were not involved in cash accounting work, they could only get income from the endorsement and guarantee of notes. Compradors of both banks generally demanded a marginal deposit from the importer when payments on documentary bills of exchange with D/A terms that they had guaranteed were past their due date<sup>11</sup>. Banks also generally requested a marginal deposit, primarily on the recommendation of the comprador (Pu Lan 1966 pp.17-18). This action, in itself, did not provide income to the comprador, but it was important in the sense that it lowered their risk. It was important for the bank because it ensured additional income.

Based on the work done by compradors in foreign exchange banks in Kobe, we shall focus particularly on the Yokohama Specie Bank; in the next section, we discuss the 1930s — a period having some primary data sources.

## **Section 4 The Yokohama Specie Bank and Compradors in Kobe**

As mentioned earlier, the business carried out by Chinese merchants in Kobe can be characterised as that of commission agents involved in trade that was

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11) Here, a margin deposit refers to the security deposit made directly to the bank at a value corresponding to the bill. Chinese merchants, who brought in documentary bills, faced a delay in payments and had to maintain a line of credit.

based on buying from overseas and acting as sales agents. According to *Kakyo no Kenkyu*, when Chinese merchants in Kobe took on the work of purchasing overseas goods, they quickly placed orders with distributors or producers; when a sale was made, they received a 2% commission on the F.O.B. price from the distributors or producers, besides taking 1% of the F.O.B. price from the overseas purchasing company (Kikakuin 1939 chap.9) In response to various demands from overseas firms, the Chinese merchants took on responsibility as middlemen, and themselves bore the associated costs. Because Chinese merchants had built trade relationships as the foundation for interpersonal relationships based fundamentally on geographical or familial relationships, there was a need to avoid even short-term loss of trust in a transaction. Thus, when Chinese merchants in Kobe acted as middlemen for overseas Chinese merchants, the few documentary transactions were mainly done with D/P (Documents against Payment) term notes, and the remaining with letters of credit. For example, when Chinese merchants based in Kobe exported products to Southeast Asia, they purchased products from Japan with yens, and, at the point of export, paid in the local currency, guilders, or Strait dollars. To do so, they converted assets in the local currency to yen at the foreign exchange bank with which they did business; they added this amount to their account with that bank. When using a documentary bill of exchange as the means of settlement in a transaction, they asked a comprador with whom the Chinese merchants did business in Kobe for an endorsement; next, either the comprador took the endorsed documentary bill of exchange to the foreign exchange bank, or the Chinese merchants themselves took it to their bank, which, in turn, sent the bill to a foreign exchange bank for settlement. In the latter half of the 1930s, using transactional banks as intermediaries became more common than asking compradors for endorsements; thus, transactions based on trust in individual compradors decreased, even in trade with Chinese merchants based in Kobe.

Even so, the role of compradors in the various foreign exchange banks in 1930s trade in Kobe was relatively large. From the standpoint of foreign exchange banks in particular, having compradors as intermediaries was very important for lowering risk. Negishi once explained the role of compradors in foreign exchange banks as 'being completely liable to banks for contracts not being executed, causing damage to banks'. Thus, when foreign exchange banks entered into agreements to hire compradors, there was a need to explicitly detail comprador assets. Some transactions exceeded the total value of comprador assets; thus, while comprador transactions were not dependent on the size of their assets, one failed transaction could lead to insolvency. Hence, the work of compradors carried an exceedingly high risk. On the other hand, compradors were given a significant amount of trust by Chinese merchants in Kobe, as well as by the foreign exchange banks, and being a comprador was likely very useful for expanding one's own business because of the practical work they did. Below, we further our examination with a focus on Wáng Chóngshān, who worked as a comprador for the

Yokohama Specie Bank in the late 1930s.

Wáng Chóngshān followed his father, Wáng Jìngxiáng, to become a comprador for the Yokohama Specie Bank in 1922<sup>12)</sup>. Shortly after becoming a comprador, he took over for the work of Bào Yìjūn, who had been doing the work of Wáng's father<sup>13)</sup>. Guarantee amounts that were being paid since the time of Wáng Jìngxiáng were set, though separate marginal deposits were also demanded based on the amount of the transaction and special circumstances. In addition, as already noted earlier, when endorsed notes became unexercisable, compradores were required to submit additional collateral. For the Yokohama Specie Bank, the role of compradores, simply put, was to avoid risk that banks, with their internal knowledge, and by charging fees on transactions where profits were expected, found difficult to assume. The comprador, in contrast, was able to get substantial profit by taking on risk that the Yokohama Specie Bank did not want to take. Both parties were necessary for foreign trade in Kobe. In addition to compradores, there were exchange businesses that were responsible for the financing of Chinese merchants in Kobe; however, the role of these organisations was limited to the exchange of foreign currency<sup>14)</sup>, and the transactions of Chinese merchants were done through banks that had a base in Kobe (Pu Lan 1966 pp.20-21).

Looking at the area of origin of Chinese merchants with bases in Kobe, one finds that most were from Guangdong. Further, when trading with Hong Kong, there were many cases of bills of exchange not being used for cotton or silk from Kobe in particular; this was because the postal environment between Hong Kong and Kobe improved steadily, and cargo acceptance became easier with import destinations' sustained acceptance bills of lading for short periods. Of course, exporting products other than cotton and silk to Hong Kong required a documen-

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12) Jing-shiang Wang was born on Kinmon Island in Fujian province. He took over the family business, a trading company called Fusinhow established by his father, Ming-yu Wang, on Kinmen Island. Jing-shiang Wang successfully ran the business by building close relationships with family members and relatives, as well as with his employees and other companies from the same province. Bo-lin Wang, the son of Chong-shan Wang, wrote a paper summarising the life histories of three generations of the Wang family; it included those of Ming-yu Wang, Jing-shiang Wang, and Chong-shan Wang (Wang 1990).

13) Fusinhow was primarily active in the import of soybeans and soybean meal from North China, and also traded with Southeast Asia. In 1909, Wang was appointed as the comprador of the Kobe branch of the Yokohama Specie Bank. He hired Yijun Bao as the manager to carry out the day-to-day transactions. Yijun Bao was previously the comprador of the Yokohama branch of the Chartered Bank of India, Australia, and China, but left for Kobe following his resignation; he was hired there by Jing-shiang Wang as a manager. Although Jing-shiang Wang was assigned the role of comprador for the Kobe branch of the Yokohama Specie Bank, he was not fully acquainted with the banking business. Thus, it was Yijun Bao who undertook the tasks of the comprador. During the opening of the Southeast Asia branch of the Yokohama Specie Bank, Yijun Bao travelled to the branch and contributed to the logistics involved in establishing it.

14) Some money-changing businesses in Kobe offered discounted bills and check cashing, but the details are unknown (Kanda 1938 p.277).

tary bill of exchange.

In the latter half of the 1930s, Chinese merchants in Kobe did business primarily with the Kobe Bank, the Jugo Bank, the Yasuda Bank, and the Nomura Bank; many bills of exchange handled by Chinese merchants were taken to these banks. Further, we have already noted that these bills were purchased from the merchants by the Yokohama Specie Bank. In addition, because the Yokohama Specie Bank itself did not buy notes directly on the endorsements and guarantees of compradors, most documentary bills of exchange of Chinese merchants in Kobe came to be handled by it. Outside of the Yokohama Specie Bank, other foreign exchange banks employed compradors and carried out a similar service; however, because many of them tended to avoid yen-based capital management so the handling of documentary bills of exchange was concentrated in the Yokohama Specie Bank. As has already been noted, many documentary bills of exchange drawn by Chinese merchants had D/A terms, and most had payment dates of 45 days after listing. These banks charged fees or guarantee fees of 0.375 yen per 100 yen when purchasing notes, and, in many cases, merchants drawing the bills added the fees to the initial payment amount (Kanda 1938 p.276).

## **Section 5 Wáng Chóngshān and the Yokohama Specie Bank**

We have already mentioned that Wáng Jìngxiáng began working as a comprador at the Yokohama Specie Bank alongside Bào Yījūn in 1909. Because there are almost no primary materials that describe the type of work he actually did, we have no way to analyse his work in detail. The Hyogo Museum of History at Himeji in Hyogo prefecture was handed Wáng's Jìngxiáng private documents; however, because there is nothing among them related to his work as a comprador in the Yokohama Specie Bank, it is difficult to directly ascertain the details of his work. In addition, most of the primary material from the Yokohama Specie Bank was destroyed by the Great Kanto Earthquake in 1923 and the bombings during the Pacific War, leaving behind almost no documents on Wáng's work at the bank. It is currently difficult to research Wáng's activities using primary sources. Fortunately, there are some primary sources of the Yokohama Specie Bank that were sealed off from the 1930s to the end of the second world war; these include reports related to the bank's Kobe branch in the latter half of the 1930s. These are stored in the archives of the library of the faculty of the economics of the University of Tokyo. Some of these documents are published as microfilms by Maruzen, and this paper references documents related to the Yokohama Specie Bank on microfilm.

There are very few mentions of Wáng Jìngxiáng in the primary sources from the Yokohama Specie Bank. Among them is a report dated April 30, 1919 from the manager of the Kobe branch to the main office; it lists transaction amounts. According to this report, Wáng endorsed and guaranteed notes worth 2.5 million

yen; of this, 1.1 million yen was for exports to Java, and the remaining amount was for exports to Manila. The manager was concerned that, while exports to Singapore were relatively stable, notes for Java exports included some that were faulty; this led the manager to express mistrust towards Wáng, who had endorsed and guaranteed them. The manager actually argued for a gradual reduction in the percentage of transactions handled by Wáng.

After Wáng Jìngxiáng died in 1922 and the comprador work at the Yokohama Specie Bank was handed over, the notes of Chinese merchants endorsed and guaranteed by Wáng Chóngshān, as of September 30, 1926, included notes worth: 17,765 yen with D/P terms, and 1,678,796 yen with D/A terms, giving a total amount of 1,696,561 yen. Additional collateral for these was 93,860 yen, and in many transactions the Yokohama Specie Bank demanded a marginal deposit from Wáng Chóngshān. Of the transactions from the previous year, the highest amounts were 16,788 yen for notes with D/P terms, and 2,119,597 yen for notes with D/A terms; notes with clean terms (i.e. those with no bill of lading) were 987 yen, giving a total of 2,137,375 yen. The report from the Kobe branch manager to the home office in 1926 pointed out that these figures were lower than those in the Wáng Jìngxiáng era. Without figures, it is difficult to determine whether this reduction was because of transactions of a lower amounts or a reduced role for Wáng Chóngshān in the purchase of notes drawn by Chinese merchants; however, it is certain that the Yokohama Specie Bank diversified its means of settlement with the Chinese merchants engaged in overseas trade in Kobe.

However, we note that no point of concern related to the notes endorsed and guaranteed by Wáng Chóngshān can be found in the 1926 report. As a backdrop to the fall in amounts transacted by Wáng Chóngshān, one should consider the aggressive purchase of notes from Chinese merchants by the Bank of Taiwan and other foreign exchange banks; specifically, the De Javasche Bank, Deutsch-Asiatische Bank, and HSBC had garnered approximately 20% of Chinese merchants notes that were previously handled by the Yokohama Specie Bank. In addition, an inspection section manager named Ono (Ono is his family name. His first name is not written in this manuscript), who inspected the Kobe branch's operations, had already stated his private opinion to the home office that notes purchased with the endorsement and guarantee of Wáng Chóngshān should be capped at million yen; however, he points out that this would reduce the transaction amounts.

In the mid-1930s, the amounts of notes purchased by banks began to match the those purchased after endorsement and guarantee by Wáng Chóngshān (see Table 1). The aforementioned banks (including the post-merger banks), along with Sumitomo Bank, endorsed notes most frequently, and the transaction amounts of the *zaibatsu* banks, such as Mitsui Bank and Mitsubishi Bank, with the Yokohama Specie Bank was small.

In addition, many Chinese merchants that wanted the Yokohama Specie Bank to settle the notes operated large fix deposits there. If there were some issues with

the notes they took to the bank, such accounts could serve as collateral for the bank; further, the accounts also acted as interest-paying collateral if interest-bearing notes<sup>15)</sup> were drawn. This shows that the Yokohama Specie Bank was diversifying its risk and not depending entirely on Wáng Chóngshān. Of course, it also means that the Chinese merchants had gained the trust of the Yokohama Specie Bank after opening accounts there.

It goes without saying that Wáng Chóngshān and Bào Yījūn also had fix deposit accounts, and these compradors had separately pledged real estate and personal guarantee deposits. Wáng Chóngshān actually paid 52,000 yen as a personal guarantee, and Bào Yījūn also had real estate worth an appraised value of 29,969 yen pledged to the Yokoyama Specie Bank. In addition to these deposits, the Yokohama Specie Bank financed a large sum for the Fùxīng-hào; this resulted in the bank and Wáng Chóngshān forging close ties.

Next, we shall examine the remitters by region. When we first view the percentage of foreign trade in Kobe in the latter part of the 1930s, we see that trade with the U.S. and British India was large; this was followed by a relatively smaller amount of trade with Southeast Asia. The balance of interest-bearing notes endorsed and guaranteed by Wáng Chóngshān, at the end of December 1940, showed that among notes with D/A terms, notes for Batavia-bound exports were worth 662,231 yen; those related to Surabaya trade were worth 275,208 yen; and Samarang had notes worth 72,497 yen. These three cities in the Dutch East Indies accounted 98.3% of the overall notes and occupied the top three spots among cities. Among notes with D/P terms, Hong Kong-bound exports were worth 56,775 yen, and those related to Tianjin were worth 37,122 yen, accounting for 45.2% and 29.6%, respectively, of the total. As we have already noted, a factor in this was the stable postal environment between Hong Kong and Kobe, and perhaps the same could be said for that between Tianjin and Kobe (see Table 2).

Moreover, Table 3 shows the destination countries for the export-related notes taken to the Yokohama Specie Bank, as well as the Chinese merchants that drew the notes. This table shows that the notes endorsed and guaranteed by Wáng Chóngshān included those for Dérénhé (434,500 yen), Dōngnán Gōngsī (632,470), and Huádōng Gōngsī (273,100 yen), these were the top three and, between them, accounted for 63.1% of notes endorsed and guaranteed by Wáng Chóngshān. Of these, with the exception of notes worth 2,217 yen from Dōngnán Gōngsī, most (82.9%) were for the Dutch East Indies and had D/A terms (the total amounts of notes from these four merchants endorsed and guaranteed by Wáng Chóngshān was 1,570,347 yen). Based on this, we can infer that notes purchased by the Yokohama Specie Bank and endorsed and guaranteed by Wáng Chóngshān were

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15) In addition to the face value of a bill, some types of bills pay the interest earned during the period between the issue and maturity dates. This is applicable only to bills of exchange payable at sight or a fixed time after the sight. The bill of exchange must specify the interest terms and the interest rate.

tied to the Dutch East Indies. In examining why such a regional skew occurred, Chén Láixìng has pointed out the role of the network of geographical and familial ties among Chinese merchants based in Kobe (Chin 2016 pp.72–76).

To reiterate, most of the Wáng Chóngshān-endorsed and guaranteed notes were for trade with Hong Kong and Tianjin, where the postal environment was safe, and had D/P terms; those for most of the other regions had D/A terms. Among these, Wáng Chóngshān was most involved in transactions with D/A term notes for export to the Dutch East Indies, where he had a network. No relationship can be found between this and the management policies of the Yokohama Specie Bank, and, in the end, it came down to the individual judgment of Wáng. So, why did the Yokohama Specie Bank allow this bias in the handling of notes? The answer lies in the long-term trust-based relationships between Wáng and the Chinese community in Kobe. Additionally, the value of notes brought from other banks increased; this perhaps made the Yokohama Specie Bank wary of harming its relationship by expressing opinions on the work done by Wáng.

## Future Topics

Chinese merchants played a significant role in the overseas trade in Kobe from the Meiji period onwards. In particular, from the start to the middle of the Meiji period, Japanese merchants could not compete with their Chinese counterparts. Compared with the opening of the Yokohama port to the West, the end of the Edo period and the opening of ports can be considered as an opening to Asia. This resulted in Chinese merchants visiting Kobe at an early date; steadily expanding their businesses; and contributing to the growth of Kobe in a way unlike that in Yokohama. For the Osaka-Kobe region, which had developed modern industries, such as textiles, Kobe was a port for importing cotton and other raw materials, and developed as a port exporting silk and cotton fabrics, as well as other miscellaneous items. Chinese merchants played a central role in this development.

As foreign trade expanded, Kobe was also forced to strengthen ties with East Asia, Southeast Asia, and South Asia; to do so, it relied on the knowhow of Chinese merchants and their close-knit trade relationships. General trading companies emerged in Japan to compete with the knowhow and networks of Chinese merchants; even so, it was difficult to completely shake off their dependence on the Chinese merchants' networks prior to the Pacific War. Although the Japanese companies succeeded in expanding trade with Asia without relying on Chinese merchants, the Chinese merchant knowhow and networks posed a stiff challenge. This is best seen in the example of the compradors, and the Yokohama Specie Bank is a striking example of the need to rely on highly trustworthy merchants, such as Wáng Chóngshān, in the Chinese community of Kobe. However, there has not been a satisfactory empirical analysis of the role of these compradors.

This paper is an attempt to identify the extent of the role of Chinese compra-

dors in Kobe; it does so by analysing descriptions and figures related to Wáng Chóngshān in the primary sources of the Yokohama Specie Bank. However, there has not been a sufficient exploration of the activities of a number of: other Japanese banks operating in Kobe; shipping companies, such as Nippon Yusen; foreign exchange banks from overseas; and trading companies who also employed compradors. How Chinese merchants actually worked as compradors is a topic left for a future study; clarification on this topic can help in identifying how the network of Chinese merchants that traded throughout Asia, and foreign exchange banks, such as HSBC and the Yokohama Specie Bank, formed relationships; in other words, it would throw light on the state of trade financing that supported trade in Asia. An empirical analysis of compradors can provide many insights regarding concrete business relationships between Western and Chinese merchants; these have not been fully explored in the economic history of modern Asia.

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Table 1  
The Purchased Amount of Chinese Merchants' Bills endorsed  
by Wáng Chóngshān and Banks (Yen)

	1934.6	1934.12	1935.6	1935.12
Bills endorsed and guaranteed by Wáng Chóngshān	6,516,924	7,337,681	5,947,815	6,495,984
Bills endorsed by Banks	10,851,452	9,187,421	7,151,724	7,066,735
TOTAL	17,368,376	16,525,102	13,099,539	13,562,719

(source) Microfilms of the Yokohama Specie Bank Archives

Table 2  
The Client Ledger Balance of Interest-Bearing Notes Guaranteed  
by Wáng Chóngshān (Yen) 31st December 1940

Destination	Amount	Breakdown		
		D/P	D/A	CLEAN
HONG KONG	74,035	56,775	17,260	0
TIENTSIN	46,231	37,122	0	9,109
BATAVIA	673,128	10,894	662,231	0
SEMARANG	72,497	0	72,497	0
SURABAYA	294,089	18,880	275,208	0
OTHERS	1,818	1,818	0	0
TOTAL	1,161,798	125,489	1,027,196	9,109

(source) Microfilms of the Yokohama Specie Bank Archives

Table 3  
Balance of Chinese Bills Negotiated (Drawers) Kobe Branch (30th June 1935) (Yen)

	TOTAL AMOUNT	MANILA		SINGAPORE		SURABAYA		BATAVIA		SEMARANG		HONGKONG		BANGKOK		OTHER		Wáng Chóngshān		Banks	
		D/A	D/P	D/A	CLEAN	D/P	D/A	D/A	D/A	D/A	D/P	D/A	D/A	D/A	D/A	D/A	D/A	D/A	Endorsement and Guaranteed	Endorsement	
廣○生	49,362			7,350			12,560	29,436										49,346		0	
Jiàn dōngxìng	40,505	37,077					3,428											40,505		0	
三○洋行	152,805		1,955	67,450	83,400																
○○○	24,033			7,326			3,443	498									12,765		1,955	150,850	
Dérénhé	649,350			65,400			174,550	318,100	48,400									13,453		10,579	
Dongnán Gōngsī	632,470			67,255		2,217	231,166	7,151	5,628						42,900			434,550		24,800	
Huádōng Gōngsī	585,750						36,000	240,800	64,150						319,052			632,470		0	
Yōu chāng Gōngsī	159,330						1,750	68,117	1,163						244,800			273,100		312,650	
Xin duān xìng	365,337	191,318					174,018								27,400			78,180		81,150	
Dào lì Gōngsī	33,114					2,503	7,570	6,670			15,933	436						193,323	33,114	0	
Yixing Yanji	69,322	68,937													385			35,036		34,286	
Minghì Gōngsī	146,157			45,890											100,267				0	146,157	
○○○	40,000														40,000					7,500	32,500
○○ Gōngsī	252,137						37,440	135,216	3,960						75,521			230,227		21,910	
Zhì hé Gōngsī	165,921	137,498					7,548											102,922		62,998	

(source) Microfilms of the Yokohama Specie Bank Archives, no.128, 266-268.  
(Note) If the character is not legible, it is written in Japanese or symbol (○).