BANKING, MONEY AND INTERNATIONAL FINANCE

Colonial and Imperial Banking History

Edited by
Hubert Bonin and Nuno Valério

ROUTLEDGE

Colonial and Imperial Banking History

This book sheds new light on the role played by European banks in the economic colonization of much of the globe. Based on previously unused archival material, it examines the origins and development of imperial banking systems. Contributors utilize new developments and methodology in business history to explore a broad range of countries including Cuba, Brazil, Portugal, South Africa and Algeria.

The central topic of interest in this book is the institutional history of central, issuing and rediscounting banks. While much attention has been paid to the British, Dutch and French banks and financial institutions, this book is unique in its focus on colonial and overseas banking. Using a range of case studies, this volume highlights both the immense variety and the cohesion that defined colonial banking practices.

This book will be of interest to researchers concerned with international finance and banking and economic history.

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Part I

Overall issues

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1 Issues about European colonial banking

Varieties of cultures, models and histories

Hubert Bonin and Nuno Valério

One might suppose that banking history has come to a turning point. The accumulation of case studies has for many years offered the opportunity to understand the specific role of banks in long-term economic development. In recent times, the business history approach – both methodological and theoretical – has added new elements for a more specific evaluation of the Chandlerian paradigm – the couple 'strategy' and 'structure' – in this sector. There are many reasons to appreciate the effort that has been made to adapt a methodology, and a sort of *Weltanschauung* (some kind of a world-wide system), conceived for big industrial companies to financial institutions. However, some areas of banking history still need improvement, and that is the case for banks active in overseas territories either under European influence or still undergoing the move to development. This explains why this book chose to confront various histories on a geographical field (Africa, Latin America and the Caribbean, with a few in Asia) but also on a thematic field: colonial and imperial banking.

The book is the result of a workshop conducted as part of the World Economic History Association (WEHA) Congress held at the University of Stellenbosch, South Africa, in August 2012. It was chaired jointly by Professor Hubert Bonin (Sciences Po Bordeaux and GREThA-Bordeaux University, France), Professor Nuno Valério (Universidade de Lisboa, Portugal) and Professor Kazuhiko Yago (Waseda University, Japan). The theme of the workshop was *Imperial Banking: Imperial strategies of exporting finance modernisation (19th–20th centuries)*. This book is the second volume of the proceedings of this workshop; the first one was published by Pickering & Chatto in December 2014, earmarked to *Asian Imperial Banking History*. This one contains the papers presented at the workshop which were earmarked to colonial and imperial banking outside Asia, even though some chapters include Asia into their comparative and conceptual developments. But, although the original project was presented first as a workshop at the International Economic History Conference in South Africa, it has not of course kept the structure or the characteristics of the conference proceedings; the re-elaboration has been deep and very rigorous. All the chapters are largely the result of very fresh and recent research in many archives.

Targeting colonial, imperial or overseas banking history

The central topic analyzed in our book is part of the institutional history of central, issuing and rediscounting banks, as their role and initiative are strongly connected with the activities of the local banking sub-system in colonial areas. Indeed, we recognize that the topic is not original in general, because there are many remarkable books and articles about important British, Dutch or French banks and financial institutions that built their fortunes in the colonies, as an articulation of the national banking system in the motherland. But our collective publication strongly complements the legacy of the overall historiography about colonial and overseas banking. The original elements are the variety and the cohesion of the different case studies highlighted in the different chapters. The geographical extension of the book adds yet another element. Most of the continents are considered, and not only the most studied – Asia or South America. One of the predominant ideas is to enlarge the concept of 'imperial banks' to any relevant financial institution of Western Europe working in both colonies and parts of the different overseas empires, and even in independent entities like South Africa. The chapters evaluate not only the interaction – and its varieties in time and space – between the colonial or imperial banks and their financial background in Europe but also their specific performance, and such assessments are due to the deep archival research conducted by all the contributors to this book. This approach, given the long-term perspective in the collection of articles, enriches our understanding of colonial and banking histories and permits, at least in some cases, a consideration of the banking activities in the years following the end of the colonial period as well.

By the time European powers had imposed political control over most of Africa, the Pacific islands and a significant part of Asia, banking systems were already well established and formed a relevant part of the economic life of these colonizing powers.[1] Along with the somewhat raw forms of 'imperialism' and colonialism (army, police, customs, tax collection, mining exploitation, economy of plantation), the imperial banking system was also connected with softer forms of imperialism and colonialism, what may be called 'gentlemanly capitalism'.[2] It was only natural that banks became important instruments of economic exploration in the colonized territories. This book examines the origins and development of such 'imperial' banking systems and, where it occurred, their continuation after decolonization.

In that context, the qualification of 'imperial' is drawn for the phrase 'colonial empires', as it became usual to talk about imperial cultures and imperial economies to characterize histories about the colonial empires. It draws lessons from the recent breakthroughs in the knowledge of the 'imperial economic systems' and provides fodder for comparative ways of grappling with issues that contribute to the main theme established for the WEHA Congress: *Exploring the Roots of Development*.[3] But our conclusive chapter will dedicate its arguments to the very topics of the differentiation between imperial, colonial and transnational banking, indeed! Thus, colonial territories as 'imperial areas' were involved;

that is, the economies of port cities and trading hubs within dependent countries (for the overall book) or independent countries (South Africa after WWII). 'Colonial' or 'imperial' overseas strategies, practices and skills linked all these countries, where port cities formed key hubs for the deployment of banking institutions, together.

Recent developments in methodology, archive retrieval and approaching problematics have opened new ways for tackling the history of the banking business. Our book applies these methods to the specialized field of colonial and overseas territories; it draws lessons from the recent breakthroughs in the knowledge of the 'imperial economic systems' and fuels comparative ways of grappling with such issues, as well as the wider issues of 'international banking'.[4] It then highlights points of differentiation between them as they both belong, in a fashion, to multinational or transnational firms.[5] One important element of novelty might be that the chapters offer new paths thanks to case studies where risk management and creditworthiness have been deeply gauged, and where network analysis and the human resources factor have been taken into account, with clear evidence of the building of human resources constituencies around teams of expatriates, members of diasporas, and native business and political elites. The human factor is considered a key element also in evaluating the capabilities to respond with the highest skills and competences to very complex tasks in everyday banking activities, mainly when crises were to be faced. All these elements also contribute to a profile of some of the most relevant elements depicting the specific corporate culture of these banks and financial institutions, their specificity and their difference compared to the homeland banks.

At the same time, the 'varieties' of overseas capitalism demand specific approaches depending on area and territory; the differences between various models of overseas banking depend on the political and economic background of these overseas territories and the status of the institutions themselves (based overseas or in the metropolis, connected with the state or more independent), etc. Each participant thus provides his or her own definition and overview of what constituted 'overseas banks'. Some of the key points will be scrutinized in the following sections.

The geographical span of the enquiry covers several continents. A traditional approach deals with the bilateral links between Western Europe and the areas involved in colonial banking, trade, commodities and maritime flows; that is, for this book, the Caribbean islands, North Africa, sub-Saharan Africa and southern Africa. The contribution of the banking sector to 'imperialism' in this unequal relationship is to be gauged, therefore.

Institutional business history and overseas banking strategies

Extensive studies on the imperial deployment of European banks have appeared in several collective works, in particular *Banks as Multinationals*.[6] The interaction between European and Asian trading hubs goes back to imperial and colonial times,[7] with banking power given as much importance as overseas politics and commerce,[8] to the extent that one talked of 'paradise lost'.[9] Major banking institutions sprang up as part of this 'imperial' deployment, whether in the territories controlled by the Ottoman Empire[10] or within Japan's commercial hegemony.[11] Examined in another book (*Imperial Banking History*), Asia saw on its side the emergence of big 'imperial' banks from Western Europe,[12] Russia and Japan, which positioned themselves at the heart of the information, commercial paper and currency networks.[13] Though Asia had both official and 'informal'[14] empires, the 'imperial' bank was a very real entity, whatever the status of the territory it was active in.

We propose to study the institutional history of central, issuing and rediscounting banks as the cornerstone of the local banking subsystems overseas – and the case of Algeria is brought out. We assess, with the help of monographs and archives, the founding, maturing and performance of local banking systems overseas. We outline the strategies adopted by metropolitan private and public institutions or specific colonial bodies. We also highlight and compare the variety of connections between 'metropolitan' or 'mainland' territories and their overseas outlets. Case studies are confronted within the somewhat classical 'colonial' deployments (British, French, Dutch, etc.).

Skills portfolios constitute the centrepiece of the following chapters. The differentiation and convergence between the overseas banking services and the metropolitan banking and financial sectors will be outlined. The specificities of foreign banking practices will be determined: risk management, assessment of creditworthiness, collateralizing and pledges, etc. We will identify the techniques used to preserve the durability of businesses as well as their corporate culture. Finally, we shall trace the building of human resources from teams of expatriates, the diaspora and local elites.

Corporate banking was the catalyst for enhancing the convergence between metropolitan business forces active abroad and the banking sector within a 'consolidated' economic system in each imperial area. Banking in colonial port cities is to be seen as an original 'variety of capitalism' – it integrated connections between the colony and the metropolis, on one hand, and between the colony and the rest of the world, on the other. The connections between the metropolitan financial market and overseas banking have been analyzed with regard to investment banking, underwriting, etc. The integration of banking into the development of 'modernized' areas and overseas economic pockets and its contribution to the emergence of local forms of capitalist business and social groups will be outlined.

The collapse of several markets for metropolitan and foreign companies active overseas, along with the geo-economic rebuilding of the world frames for production and exchanges and the evolution of the relations with native entrepreneurs and with customers, could also be a centrepiece of 'imperial banking'. No stability at all predominated, either under the impulse of competition or because of the changes of the local productive systems – not to mention the disappearance or the resurgence of a market economy in the countries choosing the path of a centralized economy (for instance in China or in Vietnam and, to some extent, in India).

Geographical paths for colonial banking

Banking did not play any role in the first period of European colonization in America and the Far East between the sixteenth century and the early nineteenth century. However, by the early nineteenth century, banking had progressed sufficiently to become an important instrument of European colonial endeavours. There is no room to engage in a lengthy discussion here of the origins of banking systems or the roots of European imperialism. In spite of that, some aspects of the framework provided by these structures must be considered in order to examine whether it is possible to distinguish between different types of ‘imperial’ or ‘colonial’ banking in different European colonial powers.[15]

The Netherlands and Great Britain may be credited with the earliest development of banking systems. As both nations were already significant colonial powers in the early nineteenth century, it should come as no surprise that they created the earliest European colonial banks, during the first half of the nineteenth century. The fourth section deals with early Dutch and British colonial banks. France, Spain and Portugal were the other main European colonial powers at the beginning of the nineteenth century. At the time, these countries lacked banking systems that were as developed as those of the Netherlands and Great Britain, and the Iberian powers ended up losing most of their colonial possessions between 1810 and 1830. This explains why they only began to establish colonial banks by the mid-nineteenth century. These French, Spanish and Portuguese colonial banks of the mid-nineteenth century were somewhat different from the early Dutch and British ones. The fifth section deals with French, Spanish and Portuguese colonial banks of the mid-nineteenth century.

The progress of European ‘imperialism’ between the 1860s and 1880s inevitably led to further developments in the form of new types of banks designed specifically for colonial business, especially in Great Britain, France and Germany. The sixth section deals with this generation of British, French and German colonial banks that appeared in the second half of the nineteenth century. The late nineteenth century witnessed what became known as the scramble for Africa (and also the Pacific islands and Asian territories). Of course, this called for the formation of a new wave of colonial banks. The seventh and eighth sections deal with the colonial banks established in the late nineteenth century and early twentieth century. A few additional colonial banks were created during the interwar period, either as the consequence of the establishment of new colonies (especially under the League of Nations’ regime of mandates) or as a result of the increased sophistication of economic life in the old colonies: the ninth section deals therefore with the main colonial banks established in the interwar period. The last sections provide an overview of this elementary survey of European colonial banks.

The early Dutch and British colonial banks

The first generation of European colonial banks comprised one Dutch bank, Bank of Java [*De Javasche Bank*], created in 1828 for the Dutch East Indies, which included at the time Java and parts of some neighbouring Indonesian islands (hence the name of the bank). It later came to include most of the Indonesian archipelago and western New Guinea, the exceptions being northern Borneo (British) and East Timor (Portuguese). This corresponds to present-day Indonesia. The British colonial empire was, on its side, equipped with several British ‘chartered banks’: Bank of Australasia, created in 1835 for Australia and New Zealand, and Colonial Bank, created in 1837 for the British West Indies and British Guiana. The British West Indies included the Bahamas, Barbados, Jamaica (with the Turks and Caicos Islands and the Cayman Islands as dependencies), Trinidad and Tobago, the Windward Islands (Grenada, Saint Lucia, Saint Vincent and the Grenadines, and Dominica), the Leeward Islands (Antigua, Barbuda, the British Virgin Islands, Montserrat, Saint Kitts, Nevis and Anguilla) and British Honduras (present-day Belize); British Guiana corresponded to present-day Guyana. Also established as levers to ‘colonial banking’ were the so-called presidency banks chartered by the British East India Company for different regions of British India during the first half of the nineteenth century – Bank of Calcutta, created in 1806 and renamed Bank of Bengal in 1809; Bank of Bombay, created in 1840; and Bank of Madras, created in 1843.

These banks were based on a solid British and Dutch experience that had already materialized into well-developed banking systems, including a proto-central bank, respectively Bank of England and Bank of the Netherlands [*De Nederlandsche Bank*]. The new colonial banks displayed a number of similarities with these proto-central banks: they were joint-stock banks performing issuing and commercial operations; and they were promoted by the government to provide short-term financing for public and private agents in a given territory. They enjoyed a rather successful evolution, although somewhat divergent in terms of their relationships with their respective governments. Bank of Java remained within the orbit of the Dutch government, later becoming the issuing bank of Indonesia in 1949 and being transformed into Bank Indonesia after its nationalization in 1953.[16]

The British ‘chartered banks’ drifted away from the orbit of the British government and, during the second half of the nineteenth century, gradually became similar to the freestanding banks mentioned later in the chapter. Colonial Bank ended up being acquired by the Barclays group and merged with Anglo-Egyptian Bank and National Bank of South Africa to form Barclays Bank (Dominion, Colonial and Overseas – DCO) in 1925.[17] National Bank of South Africa belonged to the local bank type mentioned later. It was created in 1888 as National Bank of the South African Republic [*De Nationale Bank der Zuid-Afrikaansche Republiek*] (Transvaal). It later absorbed several other local banks: in 1910, National Bank of the Orange River Colony, created in 1877 as National Bank of the Orange Free State [*De Nationale Bank van den Oranje Vrystaat*]; in 1912, Bank of Africa, created in 1879 to take over the operations in the Cape Colony of Indian Oriental Bank, which in 1873 had absorbed Eastern Province Bank, the second oldest local bank of the Cape Colony, created in 1838; and in 1914, Natal Bank, the oldest local bank of the Natal Colony, created in 1854. Bank of Australasia eventually merged in 1951 with Union Bank of Australia, a local bank created in 1837, to form today's ANZ Bank.[18] The Indian presidency banks merged in 1921 to form Imperial Bank of India, which was acquired in 1955 by the proto-central bank, Reserve Bank of India, created in 1935, to form a government-owned bank called State Bank of India.[19]

During the same period, the development of European societies overseas provided the basis for the formation of local banks in several British colonies. The earliest cases were those of Bank of Montreal, created in 1817 in Canada, which still survives today as one of the largest Canadian banks; the already-mentioned Union Bank of Australia, created in 1837 in Australia, which merged with the Bank of Australasia to form today's ANZ Bank; and Cape of Good Hope Bank, created in 1837 in South Africa (Cape Colony), which was absorbed in 2003 by Nedcor Bank. The latter has its roots in Dutch Bank and Credit Union for South Africa [*Nederlandsche Bank en Credietvereeniging voor Zuid-Afrika*], a free-standing Dutch bank created in 1888 to do business in the then independent South African Boer Republic (Transvaal).[20] A last institution was Union Bank, created in 1839 in India (Bengal), which collapsed in 1848. The first successful local bank in India was Allahabad Bank, created in 1865. Many other local banks were created in the following decades.

Other colonial empires did not experience the formation of banks during the first half of the nineteenth century, at least not successful ones. An interesting example of a failed experiment of this nature was the first Bank of Brazil [*Banco do Brasil*], a mixed case of a government-promoted bank and a local bank, created in 1809 by the Portuguese government when it was established in Rio de Janeiro after fleeing from the French occupation of the continental part of Portugal. This first Bank of Brazil was a long way from fulfilling the expectations of the Portuguese government, and it had to be liquidated two decades later by the government of Brazil, by then already an independent country.[21]

French, Spanish and Portuguese colonial banks of the mid-nineteenth century

By the mid-nineteenth century, the French, Spanish and Portuguese colonial empires had acquired their earliest successful colonial banks. These banks were of quite different types. Most French colonial banks of the first generation were created in the wake of the abolition of slavery in the French colonies in 1848. This was the case with *Banque de la Guadeloupe*, *Banque de la Martinique*, *Banque de la Guyane*, *Banque de La Réunion* and *Banque du Sénégal*.[22] The initial capital of these banks was formed from money deducted from the indemnities that the decree of 27 April 1848 paid to the former slave owners: it was made mandatory for one-eighth of all indemnities over 1,000 francs (corresponding to two slaves) to be paid in the form of shares in the equity of these banks, according to the Law of 11 July 1851 (Law of 1 July 1854, in the case of *Banque de la Guyane*). Thus, the former slave owners (mainly plantation owners) of each territory were forced to become shareholders of an organization that was supposed to provide them with credit for developing their businesses on a new footing.

For that purpose, these banks combined the operations of issuing, commercial, mortgage and agricultural investment banks. Each bank was supposed to operate only in the colony that gave it its name, as well as having its head office in the territory of that colony. As the would-be shareholders had not accepted their status voluntarily, the French government had to provide the initial impulse and exercised a great deal of control over the process. As was to be expected, the troubled economic evolution of each colony in the short term resulted in a great number of problems for each bank over the following decades, but in the end they managed to survive and to fulfil the role assigned to them in their initial design.

These banks remained within the direct orbit of the French government until the post-WWII years. In 1944 the government decided to put an end to the role of the *Banque de la Guadeloupe*, *Banque de la Martinique*, *Banque de la Guyane* and *Banque de La Réunion* as issuing banks, making this the task of the Central Fund of Overseas France [*Caisse centrale de la France d'Outre-Mer*]. Over the course of the following decade, these four banks became part of the *Crédit lyonnais* group. *Banque du Sénégal* had a different evolution. Another bank created in the 1850s in order to operate in a French colony was *Banque d'Algérie*. This was quite different from the banks that had been created for the plantation colonies, since its design was based on the model of *Banque de France*. Notice that Algeria was conceived as a settlement colony, although the European settlers always remained a minority among the Arab-Berber population. The ultimate consequence of this contradiction was the protracted war of independence between 1954 and 1962. Thus, it was simultaneously the sole banknote issuer in the territory and a commercial bank, without any interest in long-term operations. It remained faithful to this model throughout most of its evolution, in spite of some experiments with long-term credit in the late nineteenth century. It was only natural that it should eventually become a central bank, a transformation that took place after Algeria was granted independence in 1962.[23]

The Spanish colonial banks of the mid-nineteenth century belonged to the mixed government-promoted local bank type already mentioned in the case of the first Bank of Brazil. *Banco Español Filipino* was created in 1851, and *Banco Español de La Habana* was created in 1856. Both were issuing and commercial banks designed to foster the financial and economic development of the colony where they were established. *Banco Español Filipino* was rather successful, and its activity even survived the end of Spanish rule in 1898. During the period of American rule, it was renamed Bank of the Philippine Islands in 1912 and remained an issuing bank until the establishment of Central Bank of the Philippines [*Bangko Sentral ng Pilipinas*] in 1949. Nowadays, it is one of the country's main universal banks.[24] *Banco Español de La Habana* tended to become overly dependent on the Spanish government in Cuba because of the role it played in financing the government during the first nationalist revolt of 1868–1878. It changed its name to *Banco Español de la Isla de Cuba* in 1881, but did not change its links to the government, which increased during the second nationalist revolt beginning in 1895. As a result, it collapsed when Cuba fell to the United States of

America in 1898. A third Spanish colonial bank, *Banco Español de Puerto Rico*, was established in 1888, also operating as an issuing and commercial bank. It was able to avoid the pitfall of government dependence that destroyed the Cuban bank and survived, like the Philippine one, into the period of American rule as Bank of Puerto Rico.[25]

The Portuguese *Banco Nacional Ultramarino* was designed to perform the same operations as the French colonial banks of the plantation colonies. However, it had several quite distinctive features. Its creation in 1864 was the result of a joint venture between an entrepreneur (Francisco Chamiço) and the Portuguese government. It was formed as one single bank for the whole Portuguese colonial empire, not as a specific bank for each colony. At the time, the Portuguese colonial empire comprised six colonies: Cape Verde (including the coast of Guinea, which later became a separate colony), São Tomé and Príncipe, Angola, Mozambique, India and Macao (including East Timor, which later became a separate colony). And the bank combined its colonial role with its operations as an ordinary commercial bank in Portugal proper. This last detail proved crucial. On the one hand, it was positive, because it allowed the bank to more easily overcome the ups and downs resulting from the evolution of the colonial economy over the short term, which caused so many problems for the French and Spanish imperial banks. However, on the other hand, it absorbed most of the resources of the bank, giving rise to frequent critical appraisals of its activity, which was described as not really being that of a colonial bank.

British colonial and imperial banks: the varieties of models

Besides the case of HSBC itself, which will be considered in the conclusive chapter of the book, a second generation of British colonial banks was created during the third quarter of the nineteenth century. They were no longer government-promoted banks designed to operate in a given territory. They were commercial banks, created by private entrepreneurs in order to develop their business in colonial territories. This often meant that banks ended up performing both issuing operations and investment operations, in order to complement their core commercial business.

Chartered Bank of India, Australia & China, created in 1851, may be considered a transitional case. It was chartered by the British government, as its name implies, but it was formed at the initiative of a private entrepreneur (James Wilson), and, although it eventually became an issuing bank in Hong Kong and Shanghai, its core business was that of a commercial bank in India and China. After WWII, in 1957, it bought Eastern Bank, establishing its presence in the Middle East. Eastern Bank was a freestanding bank created in 1909, which had a network covering India, the Middle East and Malaysia, although this was somewhat weakened by the nationalization of its operations in Iraq (1964) and South Yemen (1969).

Standard Bank of Africa, created in 1862; Anglo-Egyptian Bank, created in 1864; and Hong Kong & Shanghai Banking Corporation, created in 1865, are the most important examples from this group of freestanding banks. Standard Bank of Africa, formed at the initiative of John Paterson, began its business in South Africa, but later expanded into the British colonies of southern, Central and East Africa. In 1879, it absorbed London and South African Bank, a similar freestanding bank created in 1861, and in 1920 it acquired African Banking Corporation, created in 1890 (see the eighth section). After WWII, it bought Bank of British West Africa, also created in 1890 (ibid.), establishing its presence in the British colonies of West Africa too. In 1969, Chartered Bank of India, Australia & China and Standard Bank of Africa merged, giving birth to the present-day Standard Chartered Bank.[26]

Egypt was then in the ambiguous situation of being an Ottoman province that was independent for all practical purposes – a situation further complicated from 1882 onwards by its becoming an informal British protectorate, which became formal (together with the severing of its ties to the Sublime Porte) in 1914. The British protectorate was formally ceased in 1922, but remained in practice until the immediate post-WWII years. Anglo-Egyptian Bank, formed as a joint venture of several London private bankers, had its first branch in Alexandria, but later extended its activity not only to Egypt in general, but also to other British Mediterranean possessions – Cyprus in 1878, Malta in 1881, Gibraltar in 1888, the British colony of Sudan on the eve of WWI and the newly created British mandate of Palestine immediately after WWI. In 1921, Barclays Bank acquired control of Anglo-Egyptian Bank, which merged with Colonial Bank and National Bank of South Africa to form Barclays Bank (DCO) in 1925. Parts of the former network of Anglo-Egyptian Bank were nationalized in the post-colonial era and gave birth to national banks. This was the case in 1956 with the Egyptian operations, which became Bank of Alexandria, and in 1970 with the Sudanese operations, which became Bank of Khartoum.

Challenging British colonial and imperial supremacy

Determined to restrain the hegemony of British thalassocracy, French banks were trying to get a share of the Far East business. The forerunner was *Comptoir d'escompte de Paris*, which opened branches in Shanghai and Calcutta in 1860 and expanded its overseas network during the following decades to Bombay, Hong Kong, Yokohama, Alexandria, Melbourne and Sydney, besides opening branches in French territories such as La Réunion and Saigon.[27] The expansion of the French colonial empire into Indochina from the 1860s onwards led to the formation in 1875 of *Banque de l'Indochine*, a consortium of several large French banks (the main ones being the Paribas [*Banque de Paris et des Pays-Bas*], and later on *Société générale*), created for the purpose of doing banking business in the East. This bank adopted a similar design to that of the second generation of British colonial banks. Its activity stretched from the French colonies of East Africa (French Somalia, present-day Djibouti) to the Pacific islands (French New Caledonia, French Polynesia and the Anglo-French Condominium of the New Hebrides, present-day Vanuatu), but it remained largely centred in the region that gave the bank its name, where the French colonies included

Vietnam, Laos and Cambodia, and in the newly opened ports along the Chinese coast.[28]

The profitability of the trade that was taking place in these new ports along the Chinese coast also attracted banking organizations from other Western European countries. The most important case was that of Germany. *Deutsche Bank* opened branches in Shanghai and Yokohama in 1872, but had to close them down three years later, because of the losses that it had incurred in the silver trade. In 1889, the German Asian Bank [*Deutsch-Asiatische Bank*] was created as a consortium of several large German banks (the main ones being *Disconto-Gesellschaft* and *Deutsche Bank*).[29] This organization, whose design was based on the model of *Banque de l'Indochine*, was a successful one, in spite of inevitable setbacks in the wake of the German defeats in the two world wars; it remained a separate branch of *Deutsche Bank* until 1988.

Colonial banks in the late nineteenth century and the early twentieth century

The partition of Africa and the Pacific islands, and the control of some further territories in Asia in the late nineteenth and early twentieth centuries, introduced new demands for colonial banking activity. Initially, these demands were partly met by the parallel banking activities of chartered companies involved in the process, such as the British South Africa Company in Zambezia, or the International African Association [*Association internationale africaine*] in the Zaïre basin. The British South Africa Company was created by Cecil Rhodes to administer the territories of the Zambezi basin, which he had succeeded in adding to the British colonial empire and which later became known as Rhodesia (present-day Zambia – formerly Northern Rhodesia – and Zimbabwe, formerly Southern Rhodesia). The International African Association was a formally nongovernment organization set up by King Léopold II of Belgium to explore and develop the African continent. Its Belgian branch came to administer a significant part of the Zaïre basin, which eventually became the so-called Congo Free State, a formally sovereign state personally owned by King Léopold II of Belgium. Its bankruptcy for all practical purposes forced Belgium to take over the Congo Free State as the Belgian Congo on the death of Léopold in 1908. However, the solution adopted necessarily involved both expanding the former colonial banks and creating new colonial banks.

The most important instances of the expansion of former colonial banks occurred in the French colonial empire. *Banque du Sénégal* was transformed in 1901 into *Banque de l'Afrique occidentale* (BAO), which then began to perform the same role as the old *Banque du Sénégal*, first in French West Africa, which comprised the colonies of Sénégal, Soudan (present-day Mali), Mauritania, Niger, Upper Volta (present-day Burkina Faso), Guinée, Côte d'Ivoire and Dahomey (present-day Bénin). Later on (after WWI), BAO extended its grip on French Equatorial Africa and in the French mandate territories of Togo and Cameroon. As might be expected, *Banque de l'Afrique occidentale* lay at the origin of the central banks established in 1962 in the former French colonies in West and Equatorial Africa, Central Bank of West African States [*Banque centrale des États de l'Afrique de l'Ouest*] and Bank of Central African States [*Banque des États de l'Afrique centrale*]. The Central Bank of West African States is the common central bank of the former members of French West Africa (except Mauritania, which abandoned the monetary union in 1973) and of Togo and Guinea-Bissau (which became a member of the monetary union in 1997). The activity of *Banque d'Algérie* was broadened in 1904 into the neighbouring protectorate of Tunisia, which only received a separate central bank after independence in 1958.[30] And several institutions scrambled all over North Africa to mix 'colonial banking' and commercial banking and develop an integrated trans-Mediterranean capitalist empire there.[31]

The Portuguese *Banco Nacional Ultramarino* also underwent a significant expansion, both as a consequence of the expansion of the Portuguese colonial empire into continental Africa (Guinea, Angola and Mozambique) and as a consequence of a strategy to imitate the business of the second generation of British and French colonial banks. However, the bulk of its new activities were performed not within an imperial framework but in Brazil.

Bank of British West Africa, created in 1890 by Alfred Jones and George Neville, was an example of a freestanding bank formed to satisfy the needs of the new British colonies in the western part of the continent. Its activity spread to Nigeria, Ghana, Sierra Leone and the Gambia (and, after WWI, also to Cameroon). Its history came to an end in 1965, as a consequence of its acquisition by Standard Bank of Africa. The African Banking Corporation, also created in 1890, was a consortium of several large British banks (the main ones being Lloyds, National Provincial and Westminster) that was set up for African business. It established part of its operations through the acquisition of local South African banks, such as Western Province Bank (created in 1847), Worcester Commercial Bank (created in 1850) and Kaffrarian Colonial Bank (created in 1862), but ended up being acquired by Standard Bank of Africa in 1920.

The State Bank of Morocco [*Banque d'État du Maroc*] was created in 1906 to support the consolidation of the submission of Morocco to the protectorate of European powers. It acted as the issuing bank for the part of Morocco under French protectorate[32] and eventually became the central bank of Morocco after independence in 1956, under the name of Bank of Morocco [*Bank Al-Maghrib*].[33]

Of course, new colonial powers had to create new colonial banks. The most important examples are those of *Banque du Congo belge*, created in 1909, and the German colonial banks: *Deutsch-Ostafrikanische Bank*, created in 1904 for German East Africa,[34] and *Deutsch-Westafrikanische Bank*, created in 1906 for Togoland[35] and Cameroon.[36] The designs of these Belgian and German colonial banks were based on the French model, except that, in the case of German banks, mortgage operations were not included among their functions. The German colonial banks disappeared when the German colonial empire was occupied by the winners of WWI. *Banque du Congo belge* duly extended its activity into

Rwanda and Burundi as those territories came under Belgian administration in the aftermath of the same war. It became the *Banque centrale du Congo belge et du Ruanda-Urundi* in 1951, and was divided into separate currency issuing boards for the different territories in which it acted in 1960, as a preparatory step for the creation of central banks after independence. However, commercial operations were kept separate from the issuing operations at the time, and this area of the bank's business has survived until now as *Banque commerciale du Congo*.[37]

New steps of colonial banking in the interwar period

The main colonial banks established during the interwar period were the French *Banque de Syrie*, the French *Banque de Madagascar* and the Portuguese *Banco de Angola*. *Banque de Syrie* was created in 1919 and became the issuing bank for the French mandate of Syria in 1920. In 1924, it was renamed *Banque de Syrie & du Grand Liban*. This situation continued until WWII. The separation of Syrian and Lebanese currencies took place after independence in 1948. *Banque de Syrie & du Grand Liban* became the Central Bank of Syria, and responsibility for Lebanese currency issue was assumed by a currency board until the formation of *Banque du Liban* in 1964. At the same time, commercial operations were conducted separately under the name of *Société nouvelle de la Banque de Syrie & du Liban*.[38]

Banque de Madagascar was created in 1925 as an issuing bank for the French colony of Madagascar, similar to the Bank of West Africa. It became *Banque de Madagascar & des Comores* in 1945, but currency issue in the two territories was split again when Madagascar became independent in 1960: *Banque de Madagascar & des Comores* became Central Bank of Madagascar [*Banky Foiben'i Madagasikara*], while currency issue in the Comoros became the responsibility of the Issuing Institute of the Comoros [*Institut d'émission des Comores*], which became *Banque centrale des Comores* in 1981.[39]

In 1926, *Banco de Angola* was created as a separate issuing and commercial bank for the Portuguese colony of Angola and was allowed to operate as a commercial bank in Portugal proper, just as *Banco Nacional Ultramarino* was. When decolonization came, issuing and commercial operations were handed to the national banks created in 1975 in the former Portuguese colonies in Africa from the local operations of *Banco Nacional Ultramarino* and *Banco de Angola*: *Banco Nacional da Guiné-Bissau*,[40] *Banco de Cabo Verde, Banco Nacional de São Tomé e Príncipe*, *Banco de Moçambique* and *Banco Nacional de Angola*. Moreover, *Banco Nacional Ultramarino* had to cease its activity in Portuguese India (in 1961) and Portuguese Timor (in 1975), as they were occupied by India and Indonesia, respectively. The remaining operations of *Banco de Angola* in Portugal proper were merged with those of two other small Portuguese banks during the 1970s. The remaining operations of *Banco Nacional Ultramarino* in Portugal proper were taken over in the 1990s by the government bank *Caixa Geral de Depósitos*. Thus, *Banco Nacional Ultramarino* remains today only as an issuing and commercial bank in Macao.[41]

The legacy of colonial and imperial banking

What is perhaps missing from our book is a study of the spillover of portfolios of skills, competencies and risks management by the 'developed' banking capitals of the times – of the 'capitals of capital', as Youssef Cassis said[42] – that is, London, Paris, Amsterdam and Berlin, before the upsurge of New York.[43] Expatriates and locally trained recruits did provide the port cities and hubs of trade and money exchanges with methods of analyzing risks, of gauging accounts and balance sheets, of collecting information and of assessing the risk of reputation. The managers piled up their own capital of experience and enriched the overall capital of experience of their bank group or of its affiliate(s) because they frequently moved from one branch to another, and sometimes from a country to another – as was the case at HSBC, Chartered, *Banque de l'Indochine*, Bank of London & South America (BOLSA) and Barclays DCO. This fostered a banking culture abroad, in the colonies, dominions or 'imperial territories', like Latin America or Chinese settlements; and this favoured some 'maturity'. Working in such marketplaces remained for a long time an 'adventure' because the business morale, accounting habits and fraud granted uncertainty. Confidence was at stake, whereas competition was often strong, despite cartel agreements and some solidarity among sound foreigners. And the succession of collapses is dire proof of this intrinsic fragility of colonial and imperial banking.

The apprenticeship did, however, resist the flow of history. First, the duration of so many institutions overseas forged a corporate culture and a banking culture that helped the port cities and other hubs of exchange to establish basic business cultures and, mainly, the culture of credit, even if the famous City phrase 'my word is my bond' had to be considered abroad with great attention. Second, while so many banks disappeared in the wake of decolonization or strategic redeployment by the mother houses, less preoccupied by Third World affiliates than by multinationalized networks, another group did stay faithful to their ex-colonial and ex-imperial offshoots. Barclays, Chartered (then Standard Chartered) and French *Société générale* maintained their corporate culture and store of experience and skills, despite wars, recessions, crises of commodities markets etc. Third, even when colonial banks were nationalized and their teams of expatriates flew back home, so many middle-level employees could have preserved the legacy, which helped the institutions to regain momentum, even if corruption, clannish political interference or bad risk management could have halted that revival.

Opening doors to the contribution of the case studies

Is it possible to say that different entrepreneurial and banking traditions in different European countries meant that European colonial banks took different forms? The discussion presented here suggests a positive answer to this question. Three main characteristics distinguish Continental imperial or colonial banking from British imperial or colonial banking. First, the links to the government are to be considered. Whereas most Continental colonial banks were to some extent government creations, most British colonial banks were entrepreneurial initiatives.

Of course, early British colonial banks were chartered, but this was partly just a consequence of the fact that a royal charter was needed for the creation of a limited liability joint-stock company in Britain until the Joint Stock Companies Act of 1844 and the Limited Liability Act of 1855.

Second, the range of operations was at stake. While most Continental colonial banks were universal banks, most British colonial banks restricted their activity to standard commercial operations. The following quotation from a French expert on the eve of the outbreak of WWI gives a clear idea of what it was considered that a colonial bank should be according to the Continental model:

> The role of colonial banks is particularly difficult and complex; each one in its own colonial territory, they have to gather the whole variety of qualities and forms of overall financial institutions of every kind existing in the big Metropolis, or they would not be able to provide the relevant services expected by the colonies.[44]

Third, the evolution of strategies, profiles and activities presented common and different paths, along colonial history, strategic opportunities, institutional choices by the national authorities and amalgamation processes. While Continental colonial banks often became central banks, British colonial banks tended to become part of present-day large banking conglomerates – and even the core of these conglomerates in the cases of ANZ Bank, Standard Chartered Bank and HSBC. Another significant element of British colonial banking that was almost completely absent from Continental colonial banking was the formation of local banks.

Of course, both models had different variants depending on the specific characteristics of both the colonial powers and their colonized territories.[45] The collapse of colonial banks as a consequence of the end of the colonial endeavours to which they were linked (as in the cases of the Spanish colony of Cuba in 1898 and the German colonies in Africa after WWI), the survival of colonial banks subject to a new imperial environment (as in the cases of the Spanish banks of the Philippines and Puerto Rico under American rule) and the separation of the issuing and commercial operations (the first being taken over by government-controlled organizations, the latter becoming private endeavours) of several Continental colonial banks after WWII (as in the case of the French overseas departments, Lebanon and Belgian colonies) are perhaps the most important of these variants. The geographical separation of colonial operations from the operations conducted in 'Portugal proper' by Portuguese colonial banks partly allowed for a similar process to occur in Portugal.[46]

Notes

1 See Peter J. Cain and Anthony G. Hopkins, 'The political economy of British expansion overseas', *Economic History Review*, 33/4, 1980, pp. 463–90.

2 Peter Cain and Anthony Hopkins, 'Gentlemanly capitalism and British expansion overseas: New imperialism, 1850–1945', *South African Journal of Economic History*, 7(1), 1992, pp. 182–215.

3 See Stanley Engerman, Philip Hoffman, Jean-Laurent Rosenthal and Kenneth Sokoloff, *Financial Intermediaries in Economic Development*, Cambridge, Cambridge University Press, 2003.

4 Rondo Cameron and Valery Bovykin (eds), *International Banking, 1870–1914*, Oxford, Oxford University Press, 1991.

5 See Geoffrey Jones (ed.), *Banks as Multinationals*, London, Routledge, 1990. Geoffrey Jones, *British Multinational Banking, 1830–1990*, Oxford, Clarendon Press, 1993. Richard Roberts, *Inside International Finance*, London, Orion Business Books, 1998.

6 Geoffrey Jones (ed.), *Banks as Multinationals*, op. cit. Also see Geoffrey Jones (ed.), *Multinational and International Banking*, Aldershot, Edward Elgar, 1992.

7 Simon Mollan, 'International correspondent networks: Asian and British banks in the twentieth century', in Shizuya Nishimura, Toshio Suzuki and Ranald Michie (eds), *The Origins of International Banking in Asia. The Nineteenth and Twentieth Centuries*, Oxford, Oxford University Press, 2012, pp. 217–29. Shizuya Nishimura, 'British international banks in Asia, 1870–1914: An introductory essay', ibid., pp. 55–85. Ranald Michie, 'The City of London as a centre for international banking: The Asian dimension in the nineteenth and twentieth centuries', ibid. pp. 13–54.

8 See Clarence Davis, 'Financing imperialism: British and American bankers as vectors of imperial expansion in China, 1908–1920', *Business History Review*, 56(2), 1982, pp. 236–64.

9 David Merrett, 'Paradise lost? British banks in Australia', in Geoffrey Jones (ed.), *Banks as Multinationals*, London, Routledge, 1990, pp. 62–84.

10 Christopher Clay, 'The Imperial Ottoman Bank in the alter nineteenth century: a multinational "national" bank?', in Geoffrey Jones (ed.), *Banks as Multinationals*, London, Routledge, 1990, pp. 142–59.

11 Norio Tamaki, 'The Yokohama Specie Bank: a multinational in the Japanese interest, 1879–1931', in Geoffrey Jones (ed.), *Banks as Multinationals*, London, Routledge, 1990, pp. 191–216. Makoto Kasuya, 'The overseas expansion of Japanese banks, 1880–2006', in Shizuya Nishimura, Toshio Suzuki and Ranald Michie (eds), *The Origins of International Banking*, op. cit., pp. 166–73.

12 Motoaki Akagawa, 'German banks in East Asia. The Deutsche Bank (1870–1875) and the Deutsch-Asiatische Bank (1888–1913)', *Keio Business Review*, The Society of Business and Commerce, Keio University, 45(1), 2009, pp. 1–20. Frank King, *The History of the Hong Kong and Shanghai Banking Corporation*, vol. 1. *The Hong Kong Bank in Late Imperial China, 1864–1902: On an Even Keel*, Cambridge, Cambridge University Press, 1987.

13 Simon Mollan, 'International correspondent networks: Asian and British banks in the twentieth century', in Shizuya Nishimura, Toshio Suzuki and Ranald Michie (eds), *The Origins of International Banking*, op. cit., pp. 217–29. Christopher Cook, 'The Hong Kong & Shanghai Banking Corporation on Lombard Street', in Frank King (ed.), *Eastern Banking: Essays in the History of the Hong Kong & Shanghai Banking Corporation*, London, Athlone Press, 1983, pp. 193–203. Olive Checkland, Shizuya Nishimura and Norio Tamaki (eds), *Pacific Banking (1859–1959). East Meets West*, London, MacMillan; New York, St Martin's Press, 1994.

14 Peter Duus, Ramon H. Myers and R. Mark Peattie (eds), *The Japanese Informal Empire in China, 1895–1937*, Princeton, NJ, Princeton University Press, 1989.

15 On the development of banking in Europe, see Hans Pohl and Gabriele Jachmich (eds), *Europäische Bankengeschichte*, Frankfurt, Fritz Knapp Verlag, 1993. R. Bogaert, G. Kurgan-Van Hentenrik and H. Van der Wee, *A History of European Banking*, Antwerp, Fons Mercator, 1994.

16 On the evolution of Bank of Java, see the website of Bank Indonesia.

17 On the evolution of Colonial Bank, see the website of Barclays Bank.

18 On the evolution of Bank of Australasia, see the website of ANZ Bank.

19 On the evolution of the presidency banks, see the website of the State Bank of India.

20 On the evolution of the banking system in South Africa, see G. Verhoef's chapter in this book (Chapter 5).

21 On the history of the first Bank of Brazil, see Afonso Arinos Melo Franco, *História do Banco do Brasil (Primeira Fase 1808–1835)*, São Paulo, Instituto de Economia da Associação Comercial, 1948.

22 Except for Senegal (see the fourth section, on the early Dutch and British colonial banks), all these territories are today French overseas departments [*départements*].

23 On the history of French colonial banks, see Hubert Bonin, 'Banques et outre-mer', in Claude Liauzu (ed.), *Dictionnaire de la colonisation française*, Paris, Larousse, 2007. Hubert Bonin, 'Les banques et l'Algérie coloniale: mise en valeur impériale ou exploitation impérialiste?', *Outre-Mers. Revue d'histoire*, June 2009, 97(362/363), pp. 213–26. Hubert Bonin, 'Compagnie algérienne', 'Banque de l'Algérie', 'Crédit foncier d'Algérie & de Tunisie', in Jeannine Verdès-Leroux (ed.), *L'Algérie et la France*, Paris, Robert Laffont-Bouquins, 2009. Hubert Bonin, 'Les banquiers', in Jean-Pierre Rioux (ed.), *Dictionnaire de la France coloniale*, Paris, Flammarion, 2007, pp. 563–8. On the history of the Bank of Algeria, see Samir Saul's chapter in this book (Chapter 7). Also, Samir Saul, 'La Banque d'État du Maroc et la monnaie sous le Protectorat', in Jacques Marseille (ed.), *La France et l'Outre-Mer. Un siècle de relations monétaires et financières*, Paris, Comité pour l'histoire économique et financière de la France, 1998, pp. 389–427.

24 On the history of *Banco Español Filipino*, see the website of the Bank of the Philippine Islands.

25 On the history of the colonial banks of the Spanish Caribbean possessions, see the chapter by Pablo Martín-Aceña and Ines Roldán de Montaud in this book (Chapter 2).

26 On the evolution of Standard Bank of Africa, see James-Archibald Henry and Harry-Arthus Siepmann, *The First Hundred Years of the Standard Bank*, Oxford, Oxford University Press, 1963. On the evolution of both Chartered Bank of India, Australia & China, and of Standard Bank of Africa, see the website of Standard Chartered Bank.

27 On the activities of CEP in India and Australia, see, respectively, Geoffroy de Lassus, *The History of BNP Paribas in India, 1860–2010*, Paris, BNP Paribas, 2010; Geoffroy de Lassus, *The History of BNP Paribas in Australia and New Zealand, 1881–2011,* Sydney, BNP Paribas Australia and New Zealand, 2011. Also, Hubert Bonin, 'Le Comptoir national d'escompte de Paris, une banque impériale (1848–1940)', *Revue française d'histoire d'outre-mer*, 78(293), 1991, pp. 477–97.

28 On the history of the *Banque de l'Indochine*, see Marc Meuleau, *Des pionniers en Extrême-Orient: Histoire de la Banque de l'Indochine, 1875–1975*, Paris, Fayard, 1990. Today, its activities have been swallowed by the *Crédit agricole-CACIB* group.

29 Motoaki Akagawa, 'German banks in East Asia. The Deutsche Bank (1870–75) and the Deutsch-Asiatische Bank (1889–1913)', *Keio Business Review*, 45(1), 2009, pp. 1–20.

30 See Hubert Bonin, 'L'outre-mer, marché pour la banque commerciale (1876–1985)?', in Jacques Marseille (ed.), *La France & l'outre-me*r, Paris, Comité pour l'histoire économique & financière de la France, 1998, pp. 437–83.

31 Hubert Bonin, *Un outre-mer bancaire méditerranéen. Histoire du Crédit foncier d'Algérie & de Tunisie (1880–1997)*, Paris, Publications de la Société française d'histoire d'outre-mer, 2004; reedition en 2010. Hubert Bonin, 'Une banque française maître d'oeuvre d'un outre-mer levantin: le Crédit foncier d'Algérie & de Tunisie, du Maghreb à la Méditerranée orientale (1919–1970)', *Outre-Mers. Revue d'histoire*, 91(342/343), 2004, pp. 239–72. Hubert Bonin, 'La Compagnie algérienne levier de la colonisation et prospère grâce à elle (1865–1939)', *Revue française d'histoire d'outre-mer*, 328/329, 2000, pp. 209–30. Hubert Bonin, 'Une histoire bancaire trans-méditerranéenne: la Compagnie algérienne, d'un ultime apogée au repli (1945–1970)', in Daniel Lefeuvre et al. (eds), *La Guerre d'Algérie au miroir des décolonisations*

françaises (En l'honneur de Charles-Robert Ageron), Publications de la Société française d'histoire d'outre-mer, 2000, pp. 151–76 (second edition in 2005).

32 In the part of Morocco under Spanish protectorate, and in the city of Tangiers under international administration, the circulation of money was guaranteed under the form of counter-stamped Spanish banknotes.

33 On the history of the State Bank of Morocco, see the website of the Bank of Morocco.

34 German East Africa included Tanganyika (now the continental part of Tanzania), Rwanda and Burundi.

35 Togoland included what is now Togo and Ghana's Volta Region.

36 Cameroon included what is now Cameroon and parts of the present-day states of Taraba, Adamawa and Borno of Nigeria. Between 1911 and 1914, it also included parts of the present-day Republic of Congo, the Central African Republic and Chad.

37 On the evolution of Bank of Belgian Congo, see the website of Commercial Bank of Congo.

38 On the history of Bank of Syria & Great Lebanon, see the website of Bank of Lebanon.

39 On the history of Bank of Madagascar, see the website of Central Bank of Madagascar.

40 National Bank of Guinea-Bissau disappeared in 1997, as the country became a member of the West African monetary union.

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