FOREIGN BANKS IN CHINA: CURRENT PROSPECTS IN A CHANGING FINANCIAL SYSTEM

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In response to policy changes by the Chinese government, since 1979 over five dozen foreign banks have set up representative offices in Beijing alone. Since the declaration of four Special Economic Zones in 1985, foreign banks have also opened branches in China. In this article, Lawrence Paul Shapiro analyzes these recent reforms of the Chinese banking system and argues that, despite what appears to be official Chinese encouragement of foreign banks, it is unlikely that large numbers of foreign banks will be able to participate profitably in the Chinese domestic market. Current reforms, according to Mr. Shapiro, have left unaffected the system of state controls on business and banking which both makes credit analysis for foreign banks difficult and makes competition with Chinese banks, with their controlled source of deposits and allocations, virtually impossible. Further and more significant reforms, such as allowing foreign banks to deal in local currency, are necessary before foreign banks will be fully incorporated into the Chinese system. The author concludes that though current prospects for foreign banks in China may appear bleak, there is hope that such reforms will be passed, and that those banks which choose to remain now may eventually profit in the future.

As part of its overall economic reforms, China has sought to revamp its banking system from an accounting and distribution mechanism of the state to a Western-style allocative system operating with flexible credit guidelines and interest rates.. Many foreign banks (eighty-five at last count) rushed to set up representative offices in China when the banking reforms were first announced in 1979, but as the title of one recent article indicates — "Waiting — and Wishing — for Some Action"[1] — business has hardly been brisk. Despite the recent reforms, Chinese financial development, and commercial banking in particular, remains underdeveloped by Western standards. Efforts to instill credit

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1. Nancy Langston, *Far Eastern Economic Review*, 25 April 1985, p. 70.

discipline, use interest rate mechanisms, expand cash transactions, and manage the economy indirectly through fiscal and monetary policies remain blocked by structural rigidities in the Chinese economy and mired in political debate. An examination of the reforms, and of the role of foreign banks within the Chinese system, reveals why the immediate prospects for widespread participation by foreign banks are unfavorable, despite continuing Chinese government encouragement.

Along with representative offices in the coastal cities and the four special economic zones (SEZs), foreign banks have been permitted since 1985 to have branches in the SEZs. Foreign commercial banks have also provided nearly half of China's current $12 billion foreign debt, mostly in the form of project loans.[2] Nevertheless, the foreign banks remain at arm's length from the Chinese banking system. They are not permitted to compete for funds in China (except for those belonging to foreign nationals), most fee-based services are heavily restricted, and loans must have government approval, which generally restricts lending to large projects with export-earning potential. For such projects, commercial bank loans compete with concessionary debt offered by interested governments and corporations and relatively cheap debt available in the international capital markets.

Obstacles to foreign commercial bank participation in the Chinese economy extend beyond current restrictions and competing sources of foreign exchange. Banks would have great difficulty performing credit analysis to make local loans even if allowed to do so, because most potential borrowers do not control a substantial portion of their business risks. Prices, wages, production levels, and distribution and marketing channels are all subject to state controls. Chinese banks are just beginning to confront this obstacle to credit-based lending, but they continue to be supported by the existing system of mandatory, low-interest deposits and state allocations. For foreign banks to compete in China, Chinese banks would have to be subject to similar credit discipline, whether enforced by the state or by the market through competition for funds.

I. Overview

Only seven years ago, China had no banks in the Western sense of institutions that compete for deposits and capital market funds, make loans, and earn a spread on differential interest rates between their cost of funds and the price of loans. China's financial institutions held virtually all funds in the society, conducted all payments transactions above a low

2. Anne A. LeBourgeois and Stephen K. F. Chung, "Commercial Banks in China," *China Business Review*, January-February 1986, p. 25.

renminbi value, and allocated credit to institutions in accordance with state plans. Credit analysis played no role, funds disbursed were not repayable, and interest rates served no allocative function. While much of this description still applies, the Chinese have begun to modify the banking system so that participation by foreign banks is now possible in theory.

In January 1985, the *Far Eastern Economic Review* reported that China had "rediscovered the role of fiscal and monetary policy as principal elements in its economic modernization drive — including the role of domestic and foreign banks."[3] People's Bank of China (PBOC) officials were quoted as predicting that increased use of interest rate mechanisms, "far more flexible" credit policies, and "freedom in cash transactions" will lead to a reconstruction of the PBOC's economic management function.[4] Also in early 1985, the four colonial-era foreign bank branches remaining in China (Hong Kong & Shanghai Banking Corp., Standard Chartered Bank, Bank of East Asia, Ltd., and Oversea-Chinese Banking Corp., Ltd.) were permitted to make foreign currency loans and negotiate letters of credit.

These latest pronouncements followed sweeping reforms of the Chinese banking system that had been initiated in 1979 and revised in 1983. In 1979, old banking institutions were resurrected and new ones created with substantial autonomy from the PBOC, which in turn was removed from the control of the Ministry of Finance. One of the resurrected banks, the Construction Bank of China, announced in 1979 that by 1985, repayable loans would replace non-refundable state allocations for investment projects.

By 1985, however, China's efforts to create a decentralized central bank-based system had come up against a series of problems. For example, while the *Heilongjiang Ribao* newspaper lamented that the switch to investment loans had created new problems and that loans had been increased too fast under overly lax supervision, the *Xinhua* news agency broke the sobering news that the "unmanageable" lending pace had in fact only attained the level of 10 percent of total bank disbursements over the five-year period 1979-1983 — only some eight hundred projects had received repayable loans.[5]

Furthermore, decentralization has reduced the command authority of the PBOC and has discouraged cooperation among banks by establishing competing profit centers. At the same time, indirect manipulation of the

3. Anthony Rowley, "Another Modernisation", *Far Eastern Economic Review,* 10 January 1985, p. 50.
4. *Ibid.,* citing Shang Ming, advisor and Council member at the PBOC, and others.
5. Leo Goodstadt, "Rethink on Chinese Bank Reforms", *Asia-Banking,* September 1984, p. 39.

banking system through conventional monetary tools such as reserve requirements and the purchase or sale of government securities has been ineffective because of the continuing legacy of fixed prices and production quotas, which entails forced lending. According to PBOC officials, these problems will disappear, but no one is saying how or when.

Because of these problems, foreign banks have reacted to the reforms with hesitation. They have moved slowly in expanding foreign currency business despite their new freedoms[6] and have not been permitted to handle local currency business. Nor has their role been made clear by the government; Chinese authorities have not outlined basic guidelines for these banks, such as interest rate regulation mechanisms or liquidity ratios.[7] Another factor that contributes to the foreign banks' caution is that foreign currency business is subject to the fluctuations of Chinese currency controls, and the Bank of China (BOC), China's international bank, does not guarantee foreign currency facilities. As one foreign bank representative queried, "Do you lend to Chinese corporations and then hope that they have the permission to repay in foreign exchange?"[8]

Perhaps the best solution from the foreign banks' perspective would be for China to permit them to transact local currency business, thereby allowing them to expand their activities and separate the foreign exchange remittance problem from lending questions. This solution would not, however, resolve such issues as the role of credit, interest rates, and monetary policy; these depend on the ultimate direction of China's economic reforms.

In a planned economy, the political process, not comparative advantage or opportunity cost, determines patterns of pricing and production. Overriding political goals such as maintaining price levels, minimizing income inequalities, self-reliance in essential goods, and maintaining investment in heavy industry all impose severe limitations on the functioning of market forces. Even with its ideological limitations, the Chinese leadership faces an acute political dilemma in its attempt to transform the economy along market lines. The transformation would have to remove some wasteful and inefficient distortions in production, investment, and savings ratios, but some of these distortions are politi-

6. The HSBC has operated in China without interruption since 1858, chartered since 1875, but business after 1949 was restricted to bills operations, inward remittances, import-export settlements, and advice on letters of credit. The new freedoms include the right, in addition to foreign currency loans and deposits, to issue debt bonds, process outward remittances, Forex guarantees, and trustee business, and to negotiate documentary credits. See *Business China,* 14 February 1985, p. 23.
7. See *ibid.*
8. Anthony Rowley, "Shanghai's Gang of Four: A Quartet of Foreign Banks Receive Experimental Freedoms — But They Would Like to Go Further," *Far Eastern Economic Review,* 10 January 1985, p. 51.

cally desirable. Further, the transformation would cause other economic distortions which may be politically difficult to bear.

At present, the underlying economy is characterized by scarcity, particularly of consumer goods and services; great regional inequalities in factor endowments, factor productivity, and infrastructural development; often gross inefficiency; and lack of comparative advantage in some politically favored sectors. If market forces were given wide reign, short-term market equilibrium in the Chinese economy may, in the absence of real structural changes, entail inflation (many goods would be in short supply), greater regional and personal income inequality, and a pattern of production that would probably not include much heavy industry or quite as much agriculture aside from exportable cash crops.

At least three goals of Chinese bank reforms are linked to conflicting political-economic goals. First, interest rate reform would tend to allocate resources in terms of their opportunity costs, but investment in politically favored projects would plummet. With only 10 percent of state projects being funded by repayable loans, authorities have already expressed concern over the emerging pattern of resource allocation.

Second, credit discipline would root out inefficient enterprises, but jobs and (real) wages are "guaranteed" by the state. Production factors are not evenly distributed so efficiency criteria would favor some regions and sectors over others, but the government is committed to reducing regional inequalities and supporting some inefficient sectors.

Third, increasing cash transactions would permit the use of money as a store of value outside the banking system, and facilitate transactions. Increasing cash in the system would also give monetary policy added leverage by creating a buffer of private holdings to be absorbed or augmented. Cash, however, also fuels inflationary pressures, which the Chinese wish to contain, and is subject to hoarding and speculative demand.

There are other threats to economic reform: population pressures, and low levels of technology, education, infrastructure and economic development. But without decentralization of production and financial decisions, and more freedom for market forces to operate, Western-style banking is not likely to succeed.

II. CHINA'S BANKING STRUCTURE: 1949 TO 1979

From the late 1940s to the purge of the "Gang of Four," the Chinese banking system was structured along the lines of the Soviet model. Its main element was a strong "monobank," a quasi-central bank with a monopoly on currency, deposits and credit creation. In China this role was fulfilled by the People's Bank of China (BOC), which carried out the additional responsibility of supervising adherence to the state plan. The system's weakness was that the PBOC did not have the authority to force conformity with the plan or to resist pressures for credit expansion made by other ministries.

The PBOC was essentially an accounting organization, channeling funds to enterprises selected by the State Council. Represented on the State Council only through the Ministry of Finance (see Figure 1), the PBOC had little power to influence the budget. The PBOC supervised the Construction Bank of China, the Agricultural Bank of China, and the Bank of China. These three banks formed the nucleus of the Chinese banking system through the Kuomintang period (1941-1949) and were retained as conduits to the import-export sectors until 1957, when the Agricultural Bank of China was disbanded. The PBOC also retained responsibility for Chinese overseas banks, foreign banks operating in China, the Joint State-Private Bank (created to consolidate private capital holdings), and the Bank of Communications, which also remained from the Kuomintang era as a manager of state-private enterprises. In addition to the facilities of these banks, the PBOC controlled an estimated ten thousand to twenty thousand deposit-taking branch offices, which gave it control over every deposit within the economy. All state enterprises were required to deposit currency in excess of two to three days' working capital in non-interest-bearing accounts with the PBOC.

Finance *per se* was not a function of the Chinese banking system. Although the PBOC received a state allocation for discretionary credit in excess of allocations to enterprises, in practice enterprises considered these funds their own: the PBOC was virtually powerless to refuse "loan" requests exerted on the enterprises' behalf by administrative agencies at the State Council level. Also, because deposits were essentially non-voluntary, interest rates were set by the state, and credit was determined by the state budget, the banking system performed an essentially passive intermediation role.

The state also constrained monetary policy to a mechanical activity. In the 1950s, the banking system's first goal was to absorb currency through forced deposits to halt the hyper-inflation that the Chinese Communist Party had itself fostered as a tactic against the Kuomintang. Once this had been achieved, only the bare minimum of cash was allowed to circulate[9] — thus giving monetary policy no leverage. While the state

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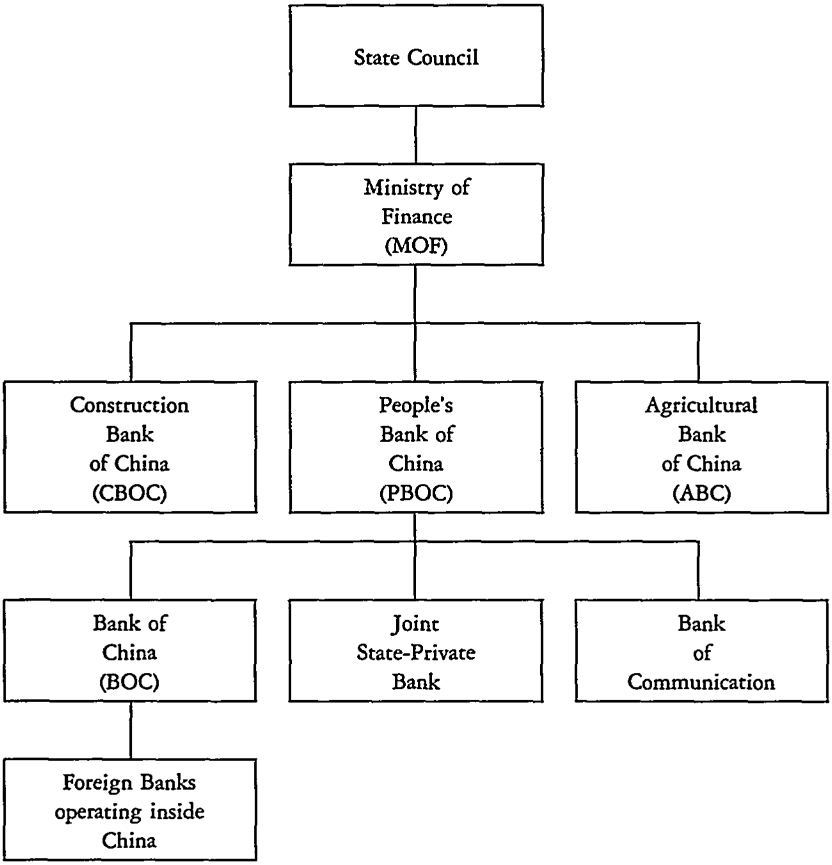
9. Estimates of cash settlements in the Chinese economy range from between 10 percent and 15 percent of total settlements. The remainder are made by transfer between deposit accounts at the PBOC. Peter Thorn, *Banking Structures and Sources of Finance in the Far East* (London: The Banker Research Unit, 1974), p. 57. Further, 90 percent of cash released was used for paying wages and purchasing of sideline agricultural products. Jan S. Prybla, *The Chinese Economy: Problems and Policies,* 2d ed. (Columbia, S.C.: University of South Carolina Press, 1981), p. 183.

Figure 1
China's National Banking and Financial System: Before 1979



Sources: Paul D. Reynolds, *China's International Banking and Financial System* (New York: Praeger Publishers, 1982); Jan S. Prybla, *The Chinese Economy: Problems and Policies*, 2d ed. (Columbia, S.C.: University of South Carolina Press, 1981).

intended to maintain a balance between cash in circulation and supplies of consumer goods and services through the "cash plan," shortages of those goods and services were often so acute that further adjustment was still required. Adjustments for these cash/goods-and-services supply imbalances often took nonmonetary forms such as tax hikes, altering output volumes or selling inventories, permitting shortages with queueing or rationing, reducing wages, or "voluntary" patriotic savings campaigns.[10]

In line with the weak allocative role of the banking system, real interest rates were often zero or negative, and thus had no positive role in savings or lending decisions. For example, the average interest paid to rural depositors was roughly 6.5 percent while rural loans were being made at 3.7 percent.[11] The interest rate structure was rigid, with three lending rates, four deposit rates, and no differentiation among lengths of loans.[12] Here, the Soviet view may well have applied, as George Garvy has noted:

> The rigidity of interest rates reflects the view of policy makers that interest has no regulating function in a socialist economy. Their reluctance to vary interest rates may be traceable to the fact that it is considered a particularly objectionable source of "parasite income" in capitalist countries. As a result, interest is treated merely as a service charge to contribute to meeting operating costs of the banking system.[13]

As a result, the interest rate structure removed credit discipline from the PBOC's bag of tools and obscured the opportunity cost of competing demands for capital in excess of state allocations. Even if the PBOC had had the political power to deny loans freely, it had no effective mechanism for determining the efficiency of capital. There existed a steady increase of working capital loans per unit output over the 1952-1976 period, and by the 1970s the PBOC had become virtually a limitless supplier of funds to state enterprises.[14] (While inflation does seem to have been

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10. Prybla, *The Chinese Economy: Problems and Policies*, p. 186.
11. Leo Goodstadt, "Rethink on Chinese Bank Reforms", p. 39.
12. The three rates were: working capital for industrial and commercial enterprises (5.04 percent annually), working capital for communes and their subdivisions (4.32 percent), and equipment investment funds for communes and their subdivisions (2.16 percent). The four deposit rates were: ordinary for state organizations (0 percent), ordinary for enterprises, communes and their subdivisions (1.8 percent), ordinary for individuals (2.16 percent), and one-year time deposits for individuals. See Claudio E. Bellavita, "Banking in China," *Journal of the American Chamber of Commerce of Japan*, February 1984, p. 67.
13. George Garvy, *Money, Financial Flows, and Credit in the Soviet Union*, (Cambridge, MA: Ballinger Publishing Company, 1977), p. 131.
14. Bellavita, "Banking in China," p. 65.

moderate in China,[15] this appears to be the result of the state holding consumer prices below their market-clearing rate and restricting consumption — and not because of PBOC monetary policy, which had no flexibility.[16]

III. China's Banking Structure: 1979 to the Present

A query made of the "reformed" Soviet system is apt here: "Will bank officials be able — assuming that they are given greater latitude — to undergo the mutation from inventory checkers to project and risk appraisers?"[17] PBOC personnel may have been fine public accountants, but in the post-1979 era, Chinese banks have actually started banking — making loan decisions — and the changes are reflected in the institutional reforms.

Changes in China's banking structure began after the fall of the "Gang of Four" in 1976 and were codified in the economic reforms of 1979. In part, the structural changes were attempts to bolster the system's ability to perform its original (1952) functions of restraining credit creation and supervising adherence to the national development plan. Most notably, the reforms took the PBOC out from under the Ministry of Finance, and gave the head of the PBOC ministerial status on the State Council (see Figure 2). Further, the PBOC technically now has real discretion over its bank credit funds,[18] and may make loans to private enterprises, small enterprises, and, in some circumstances, to individuals. These measures strengthen the PBOC's ability to influence budgeting while preventing the subordination of monetary to fiscal policy by the Ministry of Finance.

The structural changes also respond to new demands on the system by expansion of market activity, small-holding agricultural activity, and foreign participation in the economy. For example, whereas the Bank of China formerly had a monopoly on foreign exchange-related activity, two new agencies, the General Administration of Exchange Control and the

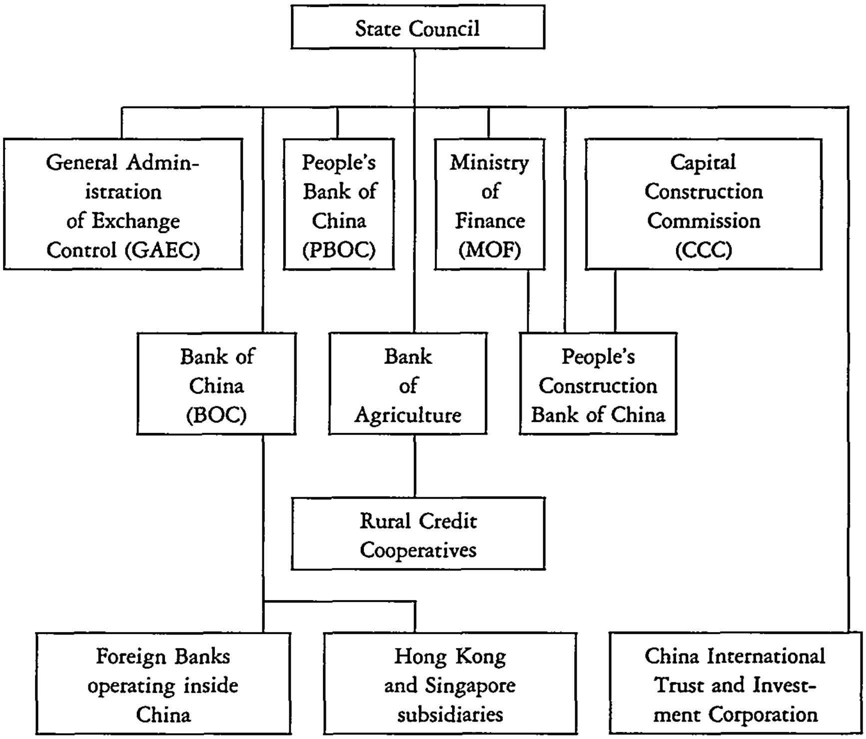
15. There is some question as to the real inflation levels in China. By one estimate, prices rose only 24 percent between 1952 and 1974 (1952 = 100, 1957 = 109, 1974 = 124), but this may only depict the price of rationed commodities and considerably understate price inflation in non-rationed consumer goods. Prybla, "The Chinese Economy-Problems and Policies," p. 184. This measurement problem persists today: the official inflation rate in 1982-1983 was 2 percent, but has been estimated by outside observers as having been 10 percent or more. The Economist Intelligence Unit, *Quarterly Economic Review of China and North Korea, Annual Supplement 1984* (London: Economist Intelligence Unit, 1985), p. 24.

16. This theory is borne out by a variety of factors; enterprises spent freely over budget so consumers must have borne the brunt, and accumulation ratios were in fact startlingly high throughout the period, as much as 40+ percent during the Great Leap Forward.

17. Garvy, *Money, Financial Flows, and Credit in the Soviet Union*, p. 75.

18. William Byrd, *China's Financial System: The Changing Role of Banks* (Boulder, CO: Westview Press, 1983), p. 26.

Figure 2
China's National Banking and Financial System: After 1979



Source: Paul D. Reynolds, *China's International Banking and Financial System* (New York: Praeger Publishers, 1982), p. 35.

China International Trust and Investment Corporation (CITIC) were created to manage the burgeoning load of foreign currency transactions and the importation of foreign capital and technology (joint ventures).

The new laws separated the Bank of Agriculture from the PBOC and gave it authority over previously autonomous rural credit cooperatives, thereby expanding its deposit base and lending capabilities. Another provision detached the Capital Construction Commission from the PBOC and turned it into a separate profit center.

The pattern that emerges seems, at a glance, an organizational nightmare. How does the new arrangement work in practice? As Leo Goodstadt describes it,

> The result is that to a large extent the People's Bank, the Agricultural Bank and the Construction Bank act as self-contained kingdoms with minimal mutual cooperation. . . . [W]hen a farm, a client of the Agricultural Bank, wants to invest in construction, which is the domain of the Construction Bank, it has no way to transfer its money, even though such an investment is now allowed.[19]

Despite this troubled institutional arrangement, some normalization, in the Western sense, of the banking system has occurred. Interest rates now include penalty rates for overdue payments,[20] and some variation of rates to reflect bank credit evaluations is permitted. Liberalization of cash transactions has gained ground,[21] and check-clearing facilities are being extended outside of Beijing.

Further evidence of China's normalization of international financial arrangements appeared in January 1985, when CITIC successfully placed a ten-year public bond issue on Tokyo's Samurai bond market at terms matching that of the Japanese government itself, and better than those of the AAA-rated World Bank. Part of CITIC's appeal in fact relates to a Chinese restriction — a 10 percent withholding tax on interest payments which Japanese investors may write off against Japanese income tax, increasing their yield by nearly an extra 1.5 percent.[22]

IV. PARTICIPATION BY FOREIGN BANKS

Foreign banks rushed to China in droves when in 1979 the government allowed the establishment of representative offices. By 1981, represen-

19. Goodstadt, "Rethink on Chinese Bank Reforms," p. 38.
20. Bellavita, "Banking in China," p. 67.
21. Although PBOC officials have declared that enterprises and specialist households have been given "freedom in cash transactions", all transactions above Rmb 100 (approximately $35) must still go through the banks. Rowley, "Shanghai's Gang of Four," p. 51.
22. Richard Hanson, "Funding the Future," *Far Eastern Economic Review*, 7 February 1985, pp. 90-91.

tatives of all the major banking nations had offices in Beijing, Shanghai, or Guangdong (see Table 1). By February 1986 the list had soared to eighty-five banks, though reportedly none is doing much business. At the beginning of 1985, the only business on the horizon was an $85 million loan syndication for the proposed Shanghai Hilton. That syndication, however, was to be led by Nanyang of Hong Kong, a sister bank of the Bank of China.[23] Other hotel and energy projects materialized later in the year, but the lending pie remains small relative to the number of banks competing to lend to China.

To date, China has exerted a high degree of control over the terms of banking participation, including considerable discrimination in favor of nationals. Nancy Langston has noted that at the top of every foreign bank representative's wish list is "a modest desire for permission to advise and open letters of credit [LCs] for Chinese enterprises."[24] However, when China is the seller in international trade, confirmed, irrevocable, divisible and assignable letters of credit issued by the Bank of China are demanded, not requested. Moreover, the LCs are payable only upon presentation of shipping documents. Conversely, when China buys, LCs are neither confirmed nor irrevocable and are payable only upon presentation of all documents in Beijing, another factor requiring foreign banks to maintain representative offices in Beijing. As David Buxbaum and others point out, "The Chinese view is that a promise made by a Chinese bank never needs confirmation."[25] In having to present and relinquish all documents in Beijing, the foreign seller loses all control of both goods and paper. While remedies such as London or Hong Kong letter of credit acceptance facilities or state insurance are possibilities for the future, banking relations, like most of the China trade, remain lopsided.

Part of the reason for the current imbalance may be traced to ideological obstacles and the consequent need of the Chinese leadership to go slow on visible relations with foreign institutions. Until 1979, euphemistic terms such as "late payment" or "deposits" were used instead of "borrowing." Not-very-mutual Mutual Deposit Accounts (MDAs) were employed, in which foreign banks deposited far more with the Bank of China than the other way around, effectively creating substantial loans.[26]

Borrowing from abroad is no longer politically anathema to the Chinese leadership, but loans are still restricted to the fringe of the economy —

23. LeBourgeois and Chung, "Commercial Banks in China," p. 27.
24. "Waiting — and Wishing — for Some Action," p. 70.
25. Paul D. Reynolds, "Financing Trade with China," in *China Trade: Prospects and Perspectives*, eds. David C. Buxbaum, Joseph E. Cassandra, and Paul D. Reynolds (New York: Praeger Publishers, 1982), p. 399.
26. Western banks placed upwards of $2.2 billion by 1982 at 7.25 percent (per annum for five years, 7.5 percent thereafter) — considered to be a concessional loan. *Ibid.*, p. 403.

the special economic zones and stand-alone projects (such as hotels for foreigners) that will earn the foreign exchange to repay the loans. Nowhere is there a suggestion that the domestic market will open up to foreign banks. Discrimination against foreign banks in trade finance services (such as letters of credit) suggests that opportunities even in the export/foreign exchange earning sectors of the economy may continue to be limited.

If this were the whole story, foreign banks would have little future in China. There are at least two other aspects of the situation that are worth considering. First, some of the current constraints are the result of inexperience. Educated banking personnel are few and not quickly forthcoming. The financial arms of enterprises (where they exist) suffer equally from personnel shortages. Such obstacles may foster "inexperience" for some time to come. Yet procedures and concepts associated with monetary policy, lending and credit analysis, and project finance are partly a question of on-the-job training. As institutions gain experience, some of the contradictions of the current reforms may disappear as efficiency reduces the adverse side effects and necessary tradeoffs. In this regard, foreign banks have much to offer the Chinese in terms of institutional experience, training, and technology.

The second cause for hope is that the Chinese may compromise sociopolitical goals for greater economic efficiency. As late as 1976, foreign borrowing was considered unthinkable by the political leadership. Without China's recent borrowing and forays into foreign capital markets, the current level of consumption would have been untenable. Some increases in social inequality have already been permitted, particularly in rural-urban wage differentials, and as long as overall real wages continue to rise, more inequality is certainly a possibility. While there are certainly political limits to compromise, an ability at least to stave off expectations could provide a crucial time buffer.

Thus the future of Chinese banking reforms is not as bleak as some of the structural difficulties and goal contradictions would at first suggest. Foreign banks are still left in a position of having to ride out the initial stages of uncertainty, but the future holds out some prospect of reward. This is not to say that all banks should tough it out. The current plethora of banks with representative offices in China suggests that the greatest obstacle to profitable operations in China may turn out to be competition from other foreign banks. Banks with strong local currency lending experience, linkages to China's major trading partners, and strong home customer demand or other reasons for maintaining a presence in China might be expected to raise their investments if foreign branch banking becomes a reality in China. For now, representative offices are a relatively inexpensive way for the foreigners to keep their foot in the open door.

Table 1
Foreign Bank Representation in China, as of January 1986

US BANK REPRESENTATIVE OFFICES IN CHINA

Bank of America (Beijing, Shanghai)	Chemical Bank (Beijing)	First Interstate Bank of California (Beijing)
Bank of the Orient (Xiamen)	CITIBANK (Beijing, Shenzhen, Shanghai)	First National Bank of Chicago (Beijing)
Chase Manhattan Bank (Beijing)		Manufacturers Hanover Trust (Beijing, Shanghai)

OTHER FOREIGN BANK REPRESENTATIVE OFFICES IN CHINA

Amsterdam-Rotterdam Bank, N.V. (Beijing)	Dai-Ichi Kangyo Bank (Beijing, Guangzhou, Shanghai)	Österreichische Landesbank AG (Beijing)
Arab Bank (Beijing)	Daiwa Bank, Ltd. (Beijing, Shanghai)	Oversea-Chinese Banking Corp., Ltd. (branches in Shanghai, Xiamen)
Banca Commerciale Italiana (Beijing)	Den Norske Creditbank (Beijing)	Overseas Union Bank, Ltd. (Beijing, Shenzhen)
Banca Nazionale del Lavoro (Beijing)	Deutsche Bank AG (Beijing)	Philippine National Bank (Beijing)
Banco di Roma (Beijing)	Dresdner Bank AG (Beijing)	Poet-och kreditbanken, Pkbanken (Beijing)
Banco do Brasil S.A. (Beijing)	Export-Import Bank of Japan (Beijing, Shanghai)	Royal Bank of Canada (Beijing, Shenzhen)
Banco Exterior De España (Beijing)	Fuji Bank, Ltd. (Beijing, Dalian, Guangzhou, Shanghai)	Saitama Bank, Ltd. (Beijing)
Bank of Credit and Commerce (Overseas) International (Beijing; branch in Shenzhen)	Gotabanken (Beijing, Shanghai)	Sanwa Bank, Ltd. (Beijing, Shanghai, Dalian; branch in Shenzhen)
Bank of East Asia, Ltd. (Shenzhen, Guangzhou; branches in Shanghai, Xiamen)	Guangdong Provincial Bank (branch in Shenzhen)	Skandinaviska Enskilda Banken (Beijing)
Bank of Montreal (Beijing)	Hang Seng Bank (Shenzhen)	Société Générale (Beijing, Shanghai, Guangzhou; branch in Shenzhen)
Bank of Nova Scotia (Beijing)	Hokkaido Takushoku Bank, Ltd. (Beijing; branch in Shenzhen)	
Bank of Tokyo (Beijing, Dalian, Guangzhou, Shanghai; branch in Shenzhen)		

Banque de l'Indochine (Shenzhen)

Banque de l'Union Européenne (Beijing)

Banque Indosuez (Beijing, Shanghai; branch in Shenzhen)

Banque Nationale de Paris (Beijing, Shenzhen, Guangzhou, Shanghai)

Banque Paribas (Tianjin, Beijing, Guangzhou, Shanghai)

Barclays Bank Plc. (Beijing)

Bergen Bank (Beijing)

Canadian Imperial Bank of Commerce (Beijing)

Caisse Nationale de Crédit Agricole (Beijing)

Chiyu Bank Corp., Ltd. (branch in Xiamen)

Christiania Bank og Kreditkasse (Beijing)

Commerzbank AG (Beijing)

Crédit Lyonnais (Beijing, Guangzhou, Shanghai, Shenzhen)

Crédit Suisse (Beijing)

Hong Kong & Shanghai Banking Corp. (Beijing, Guangzhou, Wuhan, Xiamen; branches in Shenzhen, Shanghai)

Industrial Bank of Japan, Ltd. (Beijing, Dalian, Shanghai, Guangzhou)

Ka Wah Bank (Xiamen)

Kogyo Bank (Guangzhou)

Kyowa Bank, Ltd., (Beijing)

Lloyds Bank International Ltd. (Shenzhen)

Long-Term Credit Bank of Japan, Ltd. (Beijing, Shanghai)

Midland Bank Plc. (Beijing)

Mitsubishi Bank, Ltd. (Beijing, Shanghai, Guangzhou, Dalian)

Mitsubishi Trust & Banking Corp. (Beijing)

Mitsui Bank, Ltd. (Beijing, Shanghai, Guangzhou)

Nantong Bank Ltd. (branch in Zhuhai)

Nanyang Commercial Bank, Ltd. (branches in Shenzhen, Shekou)

National Australia Bank, Ltd. (Beijing)

National Bank of Pakistan (Beijing)

Nikko Securities Co. (Qingdao)

Standard Chartered Bank (Beijing, Xiamen, Guangzhou; branches in Shanghai, Shenzhen)

Sumitomo Bank, Ltd. (Beijing, Guangzhou, Shanghai, Dalian)

Sumitomo Trust and Banking Co. Ltd. (Beijing)

Sun Hung Kai Bank (Beijing, Shanghai)

Svenska Handelsbanken (Beijing)

Taiyo Kobe Bank, Ltd. (Beijing, Tianjin)

Taknugin International (Asia) (Shenzhen, Guangzhou)

Tokai Bank, Ltd. (Beijing, Shanghai)

Toyo Trust and Banking Co., Ltd. (Beijing, Shenzhen, Shanghai)

United Overseas Bank Group (Beijing; branch in Xiamen)

Westpac Banking Corp (Beijing)

Xiamen International Bank (branch in Xiamen)

Yamaguchi Bank (Qingdao)

Yasuda Trust and Banking Co., Ltd. (Beijing)

Source: Anne A. LeBourgeois and Stephen K. F. Chung, "Commercial Banks in China," *China Business Review*, January-February 1986, p. 27.