Introduction

China has sent its people abroad for more than five hundred years. Since at least the sixteenth century, during the Ming dynasty, Chinese merchants and artisans went outside of China, mainly to Southeast Asia, and set up bases at ports, mines, and trading cities. During the long history of Chinese migration, the period from the mid-nineteenth century to the mid-twentieth century was special in terms of at least two key issues. First, from 1850, the number of people departing Chinese soil for the purpose of living and working abroad significantly increased: the gold rushes in North America and Australia and the development of plantation economics in Southeast Asia created new demands for Chinese laborers, while better and easier transportation facilitated the long-distance movement of people. Second, the increasing number of Chinese living abroad regularly sent money home to China. It is this mass participation in international financial transactions that this paper focuses on.

The importance of overseas Chinese remittance to the Chinese economy was widely recognized by contemporaries in the early twentieth century.\(^1\) They observed that in spite of a net import surplus in the commodity trade balance, China also absorbed silver.\(^2\) The surpluses...
in both commodity trade and silver trade are puzzling, because a country should in general export gold or silver bullion in order to compensate for excess imports. In analyzing this paradox of China’s international balance of payments, C. F. Remer, a professor at the University of Michigan and an associate of the Institute of Pacific Relations, concluded that remittances from overseas Chinese contributed the most to pay for China’s imports. Remer’s view was shared by foreigners such as H. B. Morse, the secretary of the statistical bureau of Chinese Maritime Customs, Japanese bankers, and Chinese government officials and scholars. Recent scholarship also agrees with the widely held contemporary view that the money sent by Chinese living abroad was crucial to the Chinese economy.

If overseas Chinese remittance was not an occasional but a stable flow of money sent by masses of workers and merchants, channels for their cross-border financial transactions merit special attention. As the rest of this paper explains in detail, by linking migrants’ destinations and their homelands, private remittance agencies played key roles in these international financial transactions. How did they secure the stability of monetary transfer? How did they deal with the risks and opportunities involved in their transactions? Moreover, how did they cope with the changing political economy in Asia in the mid-twentieth century? The conflict between the expansion of cross-border business networks and the increasing control over the movement of people, goods, and money by political regimes in the modern period are well-known contemporary and historical problems.

However, the variety of ways for traders and businessmen to deal with the political and economic circumstances and the motivations behind excess silver exports (1890–1892, 1901–1908, 1914–1917) and 26 years of excess silver imports (1893–1900, 1909–1913, 1918–1930) which brought about the net silver inflow to China.


4 At least 10 books and articles concerning China’s balance of payments were published before 1936. Authors included H. B. Morse, *An Inquiry into the Commercial Liabilities and Assets of China* (China, Imperial Maritime Customs, II. Special Series No. 27, 1903); Srinivas R. Wagel, *Finance in China* (Shanghai: North-China Daily and Herald, 1913); Keizō Tuchiya, “Chūgoku no kokusai taishaku” *Shina kenkyū* no. 115 (1923).


6 Harold James specifically argues that the experience of the world during the Great Depression of the late 1920s and 1930s was a test of the first major phase of economic globalization starting in the nineteenth century, which shares key features with the anti-globalization movement of the 1990s. Harold James, *The End of Globalization: Lessons from the Great Depression* (Cambridge: Harvard University Press, 2001), Introduction.
their choices still requires further scholarly investigation. By exploring these questions, I aim to offer new perspectives for an understanding of Chinese business organizations, particularly in terms of their network-oriented structures and in terms of their dynamics of operation.

While multinational mega banks such as the Hong Kong Shanghai Bank offered transaction services between cities abroad and major ports in China, the remittance agencies that were related to each other through long-term associations, such as family, clan, and regional ties, reached out for Chinese migrants living in isolated areas abroad on the one hand and for their families in rural China on the other. Overall, the mode of overseas Chinese remittance could be characterized as network-based.

To readers familiar with the scholarship on Chinese business and Chinese business history, it may be no surprise that Chinese business organization is based on networks. Rather, heavy dependence on particular ties such as regional networks has been regarded as the salient feature of Chinese business organization both in the past and at present. For example, the sociologists, Edward Chen and Gary G. Hamilton, contrasting Chinese and Western businesses, remark, “the network characteristics of the Chinese economy are rooted in such local institutions as kinship and regionality,” and “firm autonomy in the West rests upon strong states and legal institutions” Hamilton argues that because the ethics of the relationships formed the rules of the economic game, seeking unfair advantage by violating these relationships would harm one’s credibility, and lead to financial ruin. The Chinese approach to business transactions was contrasted with the firm-based market economy based on impersonal laws and individual competition.

Specifically in terms of the institution and organization of remittance agencies, emphasizing the embeddedness of networks in remittance business organization, Dai Yifeng argues that because overseas Chinese migration, trade, and the exchange of information depended on local networks, remittance business as part of overseas Chinese activities could not

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help but rely on networks.\textsuperscript{10}

David Faure, a specialist in Chinese economic history, argues that traditional Chinese culture strongly influenced businessmen's approaches to organizing their enterprises. He notes that, in China, the rituals, morals, beliefs, and social actions related to Confucianism defined the order of society, rather than the law. In this social context, for people incorporated through lineage ties, group responsibility rather than individual responsibilities were recognized, and official patronage rather than legal rights in business was legitimized. The drawback of these arrangements came to the fore in the mid-nineteenth century when Chinese people found themselves still thriving in commerce when small groups of merchants linked through friends and family, although they were lagging behind in capital-intensive enterprises such as running steamships, mines, and railways.\textsuperscript{11}

The institutional environment that shapes particular kinds of business organization includes not only formal rules (such as laws) and measures to enforce them but also local customs and ethical norms.\textsuperscript{12} It is worth investigating whether the different institutions, law on the one hand and ritual on the other, brought about crucial distinctions in the modes of incorporation between Europe and China and caused the trajectories of their economies to diverge. Nevertheless, before considering the dichotomy between Western and Chinese business organization, it is important to investigate how business environments and economic institutions influence the strategies adopted by business enterprises. In this regard, it is most important to note that the strict distinctions between market, hierarchy, and network have been recently questioned by scholars of both Chinese business history and Western business history.

In the field of Chinese business history, Sherman Cochran criticizes the clear dichotomy between the corporate hierarchy attributed to Western and Japanese enterprises and the social networks in Chinese business. Examining six companies operating in China during the late nineteenth and the early twentieth centuries, two Western-owned, two Japanese-owned, and two Chinese-owned, Cochran points out that corporations and networks were not entirely distinct from each other. While all six corporations used corporate hierarchies to exercise control in China, they also delegated authority to Chinese social networks for marketing and managing laborers. He also observes that Chinese social networks were able to overcome the

\textsuperscript{10} Dai Yifeng "Wangluohua yu qiye yu qianru xing: Jindai qiaopiju de zhidu jiangou (1850s–1940s)" Zhongguo shehui jingjishi yanjiu No. 1 (2003): 70–78.
\textsuperscript{11} David Faure, China and Capitalism: A History of Business Enterprise in Modern China (Hong Kong: Hong Kong University Press, 2006), p. 97.
particularism inherent in family ties and local connections when tempted by irresistible business opportunities or when threatened by competition.\textsuperscript{13}

On the other hand, scholars of American business history also question the markets-versus-hierarchies approach advocated in the influential work of Alfred D. Chandler. Chandler argues that the success of the U.S. economy in the twentieth century was due to the large, vertically integrated, managerially directed enterprises in the most important industrial sectors. These enterprises were much more efficient than the small, family-owned firms that depended on the market to coordinate their purchases of raw materials and their sales of output.\textsuperscript{14} Naomi Lamoreaux, Daniel M.G. Raff, and Peter Temin point out that because vertically integrated firms had been overtaken by more specialized, vertically disintegrated firms by 1980, the need to modify Chandler’s framework to account for new developments was widely recognized. In this scholarly context, networks based on long-term relationships attracted more attention. Defining long-term relationships as “transactions among otherwise independent economic actors in which the parties voluntarily choose to continue dealing with each other for significant periods of time,” Lamoreaux, Raff, and Temin claim that this can be identified as a third major type of coordination mechanism alongside markets and hierarchies. Because of the parties’ mutual needs to cultivate trust, networks of long-term relationships tend to constrain opportunistic behavior. In particular, as both parties can benefit from the pooling of information and resources, networks are adept at dealing with uncertainty about the direction of technological change, which is characteristic of the so-called ‘new economy’.\textsuperscript{15}

With their fresh interest in combinations of various types of transaction systems, namely markets, hierarchies, and networks, the scholars of Chinese business history and those of American business history agree that businessmen choose the mode of organization that best suits the pursuit of profit given the economic and social environments in which they operate. As Cochran concisely puts it, “the actions and interactions of hierarchies and social networks were contingent—contingent on each other and contingent on the social and economic context of

\begin{itemize}
\item \textsuperscript{14} Alfred D. Chandler Jr., \textit{The Visible Hand: The Managerial Revolution in American Business} (Cambridge, 1977).
\end{itemize}
Lamoreaux, Raff, and Temin focus more specifically on the theory of shifts in the mode of transaction. They characterize various methods of transacting on a one-dimensional scale according to the relationship between the transacting parties. At the extreme left of the scale is pure market exchange, which involves one-shot transactions based on price. Pure hierarchy, a permanent command relationship, is on the extreme right of the scale. In the middle of these two extremes are long-term relationships. Economic actors choose or combine transaction methods in order to solve the problems inherent in transactions, such as cost, asymmetry of information, and enforcement procedures.

Focusing on the choices made by economic actors in terms of transaction systems, we need to pay more attention to the internal workings of business organizations; how they try to realize their business goals, how institutional and cultural environments influence their strategies, and under what political and economic environments they survive or fail. In terms of overseas Chinese remittance agencies, the transnationality of their businesses, in particular, merits special attention when examining their networks. Surveying research on business and social networks in transnational trade, James Rauch notes that networks facilitate trade across polities by building or substituting for trust because the enforcement of contracts in international trade is generally weak. Studies of the trade diaspora, the Hausa in West Africa, and the Maghribi traders in eleventh-century Mediterranean countries, indicate that merchants succeeded in eliminating opportunism from their business networks by establishing binding moral bonds such as kinship relations or by enforcing the collective punishment of cheaters. An analysis of remittance agencies not only tests this proposition but provides insights into the dynamics of Chinese business enterprises.

This paper has these sections. In the first section, I explain the basic modes of transferring money home to China from abroad. In the second section, I investigate the working of the remittance agency by analyzing the remittance agency run by Ma Tsui Chiu, a Hong Kong businessman from Guangdong. In the third section, I analyze the post-war period to the early 1950s, focusing on how the enterprise was transformed by significant changes in the economic environment and in political regimes.

1. Channels linking home and abroad
   i. Local nature of sojourning abroad

When going abroad, people tend to look to close relationships, such as kinship, marriage ties, and fellow villagers and townsmen. The social capital theory of international migration argues that migrant networks, namely interpersonal ties connecting migrants, former migrants, and nonmigrants in origin and destination areas, serve as social capital that lowers the costs and risks of international migration and increases the prospects and rewards of foreign labor. In this sense, nineteenth-century overseas Chinese migrants and contemporary migrants from the Philippines, Indonesia, Sri Lanka, and Thailand are indistinguishable. Nevertheless, the strong native-place identities of the Chinese and their elaboration of organizations based on regional ties cannot be ignored when one considers domestic migration and international migration. Chinese domestic migration shared several features with migration abroad. For example, in studying mid-nineteenth to early-twentieth century Shanghai, Bryna Goodman notes, “Social, economic and political organization along lines of regional identity shaped the development of the city.”

Since most migrants relied on people from the same native place already settled in their destination countries to help them adjust and find work, a strong correlation exists between emigrants’ choices of destination and their occupations and those of their fellow townsmen. Sojourners from Zhejiang province dominated the important banking, shipping, and silk sectors. Groups of people from Guangdong and southern Jiangsu were active in trade and light industries, whereas many people from Shangdong, Hubai, and northern Jiangsu, were unskilled laborers in Shanghai. In opposition to the functionalist view that sees native-place ties as tools of economic self-interest, Goodman argues that distinctive native-place cultures were reflected in various social institutions and practices, such as education and cuisine, which in turn reinforced the native-place identity.

Depending on local ties was arguably the most important strategy for Chinese migrants heading abroad. It is no coincidence that in Guangdong province, Shantou sent a number of people to Thailand and Vietnam, while Taishan sent people to North and South America. The dominance of people from Fujian province in the Chinese population in the Philippines is another example.

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20 Goodman, pp. 22–23.
Long before the industrial age that began in the nineteenth century, Chinese merchants participating in long-distance maritime trade sent their colleagues, agents, and clan members to set up bases along their trade routes. When their enterprises became successful, they could expand by employing more agents and young family members. In addition to the ‘trader’ pattern of migration, in the mid-nineteenth century another type of migration, labor migration, surged. One group of workers was recruited by Chinese merchants investing in plantations and tin mines in colonial Southeast Asia. Another large group of people headed to North America and Australia, first to find gold, then to build railroads, or to Cuba, Peru and the British West Indies to work on the plantations. Although contract labor migration, the so-called ‘coolie’ pattern of migration, was relatively short-lived, its impact on the mode of Chinese migration in the Americas by the end of the nineteenth century and in Southeast Asia by the 1920s cannot be underestimated. Whereas contract laborers were supposed to go home once their contract ended, which some did, others remained in the destination countries to work in undesirable and low-paying jobs hoping to raise more income there. Having settled down, they joined migrant pioneers who had established bridgeheads abroad to accept future arrivals from their places of origin.

Most importantly, some of the so-called ‘old guests’ among the Chinese turned into professional recruiters of new migrants, known as ‘new guests’. In the context of the relationship between the recruiter and the new migrant, the central issue was how to finance emigration from the homeland to the destination country. For example, it took two weeks and cost 14.55 yuan, including transportation and accommodation fees, to travel from Fuqing county in Fuzhou, Fujian province to Singapore. Unable to pay this amount himself, the emigrant was forced to look for credit. Because recruiters usually sourced prospective emigrants from their own native places or their environs and knew the emigrants themselves, or their families and friends, they could find guarantors for debt contracts. In other cases, by forming close relationships with prospective overseas sponsors, travel agencies, and shipping brokers, the recruiter could provide credit for travel expenses.

To deal with the movement of laborers and the necessary funds for their travel, migrant institutions became more than traditional family–friend linkages, including third parties.

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engaging in the migrant business for profit. Figure 1 shows the movement of laborers from rural Fujian to Southeast Asia as an example.

[Figure 1]
Figure 1  Example of an organizational network linking prospective migrants in rural Fujian province to employers in South East Asia

Prospective Migrant

Recruiter-Courier

Inn-Broker in Amoy

Shipping Company

Inn-Broker in South East Asia (Java, Siam, etc.)

Employer in South East Asia

Migrating Laborer

Advanced Money
While awaiting departure in a Chinese port, prospective emigrants would stay at a local inn. Most inn operators were from the same place of origin as the lodgers. They also specialized in particular destinations: some put up passengers bound for Thailand, while others housed men bound for Malaya. The inns made it their business to buy blocks of boat tickets from shipping brokers. They sold these to the recruiters with whom they worked closely or, in some cases, had entered into partnerships. When emigrants landed at their overseas destination, staff from the inn, who had been contacted by the recruiter prior to departure, met the arrivals and arranged for their accommodation and onward travel. The recruiter delivered the arrivals to their employers or to friends or relatives who had sent for them. The costs of travel from the home village to the final destination were paid by the recruiter who would charge the emigrant two or three times the cost. If the recruiter had insufficient funds to cover the expenses for the whole journey, inn operators, shipping brokers, or the employers of Chinese workers in Southeast Asia forwarded money to the recruiter. Migrants were passed from one intermediary, such as an old guest, to another through a chain of well-established links extending from origin communities to destination employers. Most importantly, during their journeys, financial support was indispensable for migrant workers; 75 percent of migrant workers depended completely, and 15 percent partially, on borrowed money.

The rise of professional recruiters linking home and abroad was the important change in the mode of migration after the mid-nineteenth century. Networks based on local ties provided the financial resources and facilitated the movement of the labor force. The financial aspect of the migration network was an important determinant of the formation of private remittance agencies.

ii. The evolution of remittance agencies

Money could be brought home in person or carried to the recipient by privately hired couriers. Originally, recruiters also worked as couriers. Recall that the recruiters served as guarantors of emigrant debts at home and provided credit for travel expenses. Recruiter-couriers, traveling to Southeast Asia every three or four months, visited Chinese workers there to see if they needed money brought back home. They also accepted letters, and in some cases, wrote letters for illiterate migrant workers. After collecting remittance money, recruiter-couriers asked the inns to purchase remittance notes from foreign banks. Alternatively, if the remittances were small, they carried Southeast Asian currencies to Hong Kong, Amoy in Fujian province, and Swatow in Guangdong and exchanged them for silver to pass on, along with any letters, to the senders’ families. Receipts were issued on delivery of the
money, and return letters were collected to be delivered on the next trip to Southeast Asia. 24

This method of transfer through recruiter–couriers was very common, but some agencies were unreliable and embezzled remittance funds. To improve the reliability of courier services as well as to handle larger amounts of money, some recruiters and inns for migrants developed into organizations for remittance services around the 1870s. Although they were known by different names, in Fujian as private postal exchanges, xinju, in Swatow as order agencies, piguan, and in Canton as remittance and exchange bureaus, huiduiju, their main operations were the transfer of money and the delivery of letters. 25

Several were based in China and set up branches or agents in Southeast Asia. For example, the Tian Yi private postal exchange in Amoy, Fujian, had branches or agents in Manila, Saigon, Penang, Singapore, Medan Batavia, Bandung, Semarang, and Rangoon. It also had branches in rural areas, the largest of which were in Chuanzhou, Changzhou, Tongan, Anxi, Jinmen, Anhai, and Huian. However, the majority of private postal agencies were based in Southeast Asia. Compared to their China-based counterparts, they were generally small and did not have their own branches in China. Instead, they set up agent contracts with China-based private postal exchanges. Their contracts could be divided into three kinds: (i) joint ventures in which profits were combined and shared annually; (ii) all expenses in China were paid by a Chinese agent who collected 10–17 yuan for every 1,000 yuan of remittances received from Southeast Asia; and (iii) the Southeast Asian private postal exchange paid the Chinese agent for its service and also paid a commission of 2–4 yuan for every 1,000 yuan of remittances received. The agents working under the first arrangement were usually joint equity investors or family businesses, but most agents operated under the second and third arrangements. A 1930 survey found 515 private postal exchanges operating throughout Southeast Asia: 210 in Malaya, Borneo, and Burma; 160 in the Dutch East Indies; 80 in Thailand; 50 in Indochina; and 15 in the Philippines. Another survey in 1935 reported that there were 185 private postal exchanges in Fujian province: 153 in Amoy and 32 in other cities. Guangdong province had 93: 66 in Swatou and 27 elsewhere. 26

As the operations of private postal exchanges developed, local agents were set up in the hometowns of the overseas Chinese. Initially, these exchanges competed intensely to expand

24 Bank of Taiwan, pp. 71–73.
25 Department of Foreign Affairs of the Taiwan Governor General’s Office, Survey of Southeast Asian Chinese Remittances and Investments in the 1930s, (published in Japanese in 1943, translated in Hicks) p. 178.
26 Bank of Taiwan, p. 69.
27 Department of Foreign Affairs, pp. 179–180.
their businesses by lowering their commissions. However, in the end, the spheres of operation of these local agencies settled along lines determined by the destinations of remittances and personal ties between private postal exchanges and the places of origin. For example, the private postal exchanges dealing with overseas Chinese people from Fujian province could be classified into the four groups taking care of several counties; that is, the Amoy group, the Fuzhou group, the Xinghua group, and the Minsi group.28

For migrant workers bound for the West, the counterparts to the private post office in Southeast Asia were the jinshanzhuang, or Gold Mountain firms. Gold Mountain firms started as trading companies based in Hong Kong around the 1850s. They had close links to Chinese businesses abroad, which were often run by kinsmen or people from the same village. Responding to demands from overseas Chinese for Chinese goods, including Chinese books and magazines, herbal medicines, fruits, and groceries, managers of Gold Mountain firms took orders and arranged for their shipment. They subsequently entered overseas Chinese remittance businesses, partly taking the place of couriers. To reach the places without banks and post offices in the late nineteenth and the early twentieth centuries, Gold Mountain firms established connections with Chinatown businesses around the world and with local agencies in Guangdong province, where the majority of migrants to the West originated. By 1922, there were 116 Gold Mountain firms based in Hong Kong dealing with North American firms. By 1930, the number had more than doubled to 290.29

iii. Flows of money and information

The private exchange post dealt with both the transfer of money and the delivery of letters. These two operations were closely related to each other. Figure 2 shows the chart of flows of money and letters.

[Figure 2]

Figure 2 Chart of flows of money and letters between Southeast Asia and China

Money Sender

Foreign currency

Local postal exchange

Foreign currency

General postal exchange in Southeast Asia

Foreign currency

Foreign Bank in Southeast Asia

Foreign currency

Post Office

Foreign Bank in Hong Kong

Telegraphic transfer or draft in HK dollar

HK dollar

Broker in Hong Kong

HK dollar or Guangdong local currency

Postal exchange in Chinese port cities

Guangdong local currency

Courier

Guangdong local currency

Recipient in a Chinese village

Money

Letter
For example, if a sender in Southeast Asia wished to remit money to his hometown in the hinterland of Amoy, Fujian province, he first paid for the remittance in local currency at the private postal exchange nearby. The postal exchange converted the money into Chinese yuan and issued a receipt, of which there were three copies: one was given to the sender as a receipt, one was retained, and one was sent to the handler at the destination. The payment was then dispatched with a letter from the sender to a private postal exchange office in China. Although the letter might contain a personal message, the most important information was about amount of payment. The envelope bore the sender's name and address and the amount of the remittance for verification purposes.

Once the private postal exchange in Southeast Asia accumulated several hundreds or thousands of letters, they sent them to their corresponding agencies in China. At the same time, they transferred money, mainly through foreign banks. Because their counterparts in China lacked adequate funds to cash the receiving orders, they had to purchase remittance drafts from foreign banks. In addition, by sending money via Hong Kong, they could profit from an exchange rate that was more advantageous to them by sending remittances directly to Amoy, where the demand for Southeast Asian remittance drafts was much lower. In that case, they sent remittances by telegraphic transfer to their Hong Kong brokers, and got the brokers to issue a Hong Kong draft to their correspondents in China. The postal exchange in China would sell the draft to foreign banks or local Chinese-style banks in Amoy to get Chinese yuan to pay to the remittance recipients.30

When private postal exchanges in China received notices of remittance transfer from Southeast Asia, they recorded them and arranged for local couriers to come over when the ship arrived. The day before the ship arrived, they exchanged the draft that their counterparts in Southeast Asia had converted to local currency. When the orders arrived, the postal exchanges checked the orders against their records and dispensed monies to their destinations, sending their couriers to rural villages and mountainous regions. When their missions were completed, they asked the recipients to sign or stamp the receipts for return to the senders. The private postal exchange then collected all receipts, arranged them for to match the remittance orders, recorded their delivery and then sent them as ‘return orders’ to Southeast Asia.

When the private postal exchanges in Southeast Asia received the return orders, they checked them against their records and then stamped them ‘return’ before sending them back to the senders of the remittances.31

30 Bank of Taiwan, pp. 72–73.
31 Bank of Taiwan, p. 72.
Sending money and letters home through Gold Mountain firms was done in a similar way to the method used by private postal exchanges in Southeast Asia. However, without organized local agencies on their side, Chinese remittance senders tended to deal with American financial institutions. In the United States, Chinese workers bought a cashier's check for the required amount, wrote a letter with instructions about destination and recipient, and sent both via registered mail to the Gold Mountain firm of choice in Hong Kong. Alternatively, the worker could avoid dealing with American banks by asking a trusted proprietor to send the money and instructions. Once a number of such remittances had accumulated, the proprietor would purchase a single cashier's check for the total to be sent with individual instructions. Once the money arrived in Hong Kong, the accountant of the Gold Mountain firm cashed the check at a bank, exchanged it for silver or Hong Kong dollars, calculated the amounts to be sent to their destinations, which were mainly in Guangdong, and arranged for local couriers to deliver monies to the recipients.32

The private postal exchange offices offered local-level services to both migrants and sojourners abroad and their families at home, while foreign banks undertook the high-speed transfer of money between major cities. They effectively complemented each other to form a reliable system linking rural China and migrant destinations abroad. Thus, even after China signed the international Postal Remittance Agreement in April 1920, the private postal exchange remained senders' preferred method of sending remittances.

iv. Risks and opportunities from exchange rate fluctuations

The private postal agency was not a large-scale enterprise; the staff included a superintendent who supervised the operation of the exchange and negotiated with financiers, a manager in charge of accounting, a liaison officer dealing with the dispatch of correspondence and remittance letters, and clerks and apprentices who recorded correspondence and undertook sundry duties.33 The fee that they charged for remittance service was not high. Remittances below 20 yuan cost five percent of the transferred amount. The rate dropped as the amount increased, to as low as one percent for transfers of 500 yuan. As a Japanese investigator in the 1910s pointed out, the capital needed was not large because the postal agency could collect money from senders before dispatching remittance orders.34

After all, the remittance fee was not their main source of profit. The private postal

32 Hsu, p. 37.
33 Zheng, p. 299.
34 Bank of Taiwan, p. 69.
exchanges derived their profit by exploiting the exchange rate imposed on senders. Because China was on the silver standard within the gold-standard dominated international currency system, the Chinese yuan fluctuated with the price of silver in terms of gold-standard currencies.\textsuperscript{35} Chinese sojourners and migrant workers in gold-standard countries could benefit from a weak Chinese yuan, but remittance agencies never failed to make profits out of their transactions.

According to the accounting book of the private postal exchange in Batavia, Indonesia, it made profits from exchange-rate manipulation as follows. One day, the Hong Kong Shanghai Bank announced an exchange rate between the Spanish dollar in Amoy and the Indonesian guilder of 118.50 guilders per 100 Spanish dollars. The private postal exchange set an advantageous rate to earn profits from its transactions.

Table 1. Profits from Exchange Rates

<table>
<thead>
<tr>
<th>Remittance Sum (Spanish Dollar)</th>
<th>Exchange Rate (Indonesian Guilder)</th>
<th>Profit (charge) (Indonesia Guilder)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>140.00</td>
<td>0.43</td>
</tr>
<tr>
<td>5</td>
<td>130.00</td>
<td>0.57</td>
</tr>
<tr>
<td>10</td>
<td>127.00</td>
<td>0.85</td>
</tr>
<tr>
<td>50</td>
<td>123.00</td>
<td>2.25</td>
</tr>
<tr>
<td>100</td>
<td>121.50</td>
<td>3.00</td>
</tr>
</tbody>
</table>

By securing profits from small-amount remittances by using a higher exchange rate and by earning larger profits from large-amount remittances, the private postal exchange profited from exchange-rate manipulation.\textsuperscript{36}

In addition to making profits from exchange rates, the private postal exchanges obtained several benefits from the remittance business. They could use received remittance money as funds for trading before dispatching the money to China. Under certain circumstances, transfers were made in the form of goods, which could either be consumed by the receiver or sold for cash. When letter offices operated simultaneously as trading houses, the money to be remitted could be used to buy export goods for sale in China, the proceeds of which would then be dispatched to the remitter’s intended receiver. Rice was the most demanded commodity, trade

\textsuperscript{35} For a detailed explanation of China’s silver-standard monetary system and its exchange rate, see Edward Kann, \textit{The Currencies of China: An Investigation of Silver and Gold Transactions Affecting China} (2d ed. Shanghai: Kelly and Walsh, 1927).

\textsuperscript{36} Bank of Taiwan, pp. 70–71.
in which was sometimes widely used for transferring remittances to Shantou, Guangdong.\textsuperscript{37}

Remittances also enabled the private postal exchange to gain extra profit from interest. In order to attract overseas Chinese remittances, foreign banks in Vietnam and Thailand provided special financial services to private postal exchanges. These services included providing ordinary loans, supplying credit for remittance orders during the period of transport from Southeast Asia to banks in Hong Kong (about 10 days), and absorbing handling fees and canceling disbursement in Hong Kong if the sender failed to produce the remittance funds by the time the remittance orders had arrived.\textsuperscript{38}

The route used to transmit money from abroad to China was influenced by the chain of personal relationships, based on family, kin, and local ties. However, it must be noted that the movement of money was meticulously tracked by written records: receipts were issued for each transaction and senders and recipients exchanged letters to confirm that their transactions had been safely executed. The network of personal ties was checked against the routine flow of information so that the secure transfer of money was maintained.

The private postal exchange was the domain of professional financial dealers. By offering grassroots-level services and by using the high-speed financial transaction facilities provided by foreign banks, they became the main channel through which overseas Chinese sent money home. At the same time, possibly because customers' choices were limited to those private postal exchanges with which they had local ties, the exchanges could profit from manipulating exchange rates. As the place where foreign currencies were converted to local currencies in China, Hong Kong was the most important meeting point. Even for remittances bound for overseas Chinese homelands in southern China, money was sent via Hong Kong.

With these features in mind, I present a case study of how a remittance agency operated in the economic and political environments prevailing in Asia in the twentieth century.

2. Managing remittances in the 1920s and 1930s: The case of Ma Tsui Chiu

This and the next section analyze the remittance agency run by a Hong Kong-based businessman, Ma Tsui Chiu.\textsuperscript{39} Ma Tsui Chiu, born in 1878 in the Taishan county of Guangdong province, moved to Hong Kong and became successful in the early twentieth century. Besides

\textsuperscript{37} Department of Foreign Affairs, pp. 69–70.
\textsuperscript{38} Bank of Taiwan, p. 75.
\textsuperscript{39} Ma Tsui Chiu's archives, collected by James Hayes, are stored in a special collection at the University of Hong Kong library. It consists of a large quantity of correspondence, amounting to over 700 letters, receipts, contracts, account books, and so on. A brief introduction to the archive can be found in James Hayes, "Collecting shops and business papers in Hong Kong," (Working Paper, University of Hong Kong, Centre of Asian Studies, 1982).
his main enterprise, the Kung Yau Yuen silk piece store, Ma engaged in various businesses including banking, insurance, and steam ships, and also invested in a railroad project in Guangdong. Because Ma handled remittances from his clan members and their relatives abroad, most of whom lived in the United States, Canada, and South America, to their families in Guangdong, Ma's archives include letters from both family members overseas and from their families in towns and villages in Guangdong. His accounting book records transfers of money via Hong Kong, which sheds light on the internal workings of a remittance agency.

Figure 3 Taishan County in Guangdong
Taishan county lay on the southern coast of Guangdong. With its long shoreline, Taishan was suited to traveling overseas. In fact, recorded contact with Southeast Asia occurred as early as 1373, and European missionaries and merchants visited in the sixteenth century. In spite of its proximity to the ocean and early foreign contact, Taishan did not develop into a trade center as did the nearby cities of Guangzhou, Macao, and later, Hong Kong. The transport of goods by land was difficult because of the hilly terrain. Water transport was also inconvenient because there were no rivers going through the county. Constrained by its natural endowments, agriculture was the center of Taishan's economy. Thus, when population pressures because of
insufficient land emerged in the eighteenth century, residents found that leaving their homeland was an option. They first looked for work in the nearby cities during the slack winter months to supplement their earnings. Afterwards, despite Qing strictures against leaving China, many Taishan people left China for Southeast Asia. The tide of migration changed after the Opium War (1839–1842). As the Treaty of Nanjing legalized the coolie trade and the forced migration of thousands of Chinese, Taishan people, weary of economic hardship and conflicts with minorities, chose to leave home. The United States and Australia became their major destinations.40

Ma’s relatives were typical in terms of their migrant destinations: Athabasca, Camrose, Lacombe, and South Edmonton in Alberta, Toronto in Ontario, Vancouver and Victoria in British Columbia in Canada; Bakersfield, Fresno, King City, Salinas, San Jose, San Francisco, and Walnut Grove in California, New York City, Pittsburgh Pennsylvania, Portland Oregon, Shelby Mississippi in the United States; Chihuahua and Mexico City in Mexico; and Erujillo in Peru, Port of Spain in Trinidad and Tobago in South America. During the fifteen years from 1926 to 1940, 207 people remitted money through Ma in Hong Kong to Taishan in Guangdong. Most of them were Ma’s kin and their spouses. Ma married three women, surnamed Liang, Tu, and Yu. Although the first two wives died young, their relatives continued to use Ma’s financial services.

i. The trend in remittances

The accounting books recorded the dates on which Ma received remittances, from whom, how much, and in what currencies, annually from 1926 to 1940. From the data, we can assess the general trends in remittances over the period (see Figure 4).

[Figure 4]

40 Hsu, pp.18–29.
First, both the amount and the number of remittances recorded show a significant increase in 1929 and 1930. Because these were the first two years of the Great Depression, the large increase in the monetary flow initially seems puzzling. The reason for these large remittances relates to the exchange rate between silver-standard currencies, such as the Chinese yuan and the Hong Kong dollar, and the gold-standard currencies, such as the British pound and the U.S. dollar. From the spring of 1929, the international price of silver spiraled downwards (see Figure 2).

By September 1931, the price of silver in New York had dropped by 51.1 percent and in London by 50.5 percent. In the gold-standard countries, where silver was not a currency but a commodity, silver tended to depreciate in line with other commodities. Following the depreciation of silver, the silver-standard currencies depreciated against gold-standard currencies. Taking advantage of the low exchange rate, which increased the values of remittances in Chinese yuan, Chinese people overseas rushed to send money home. One American bank reported that its customers, mostly overseas Chinese, were transferring funds that had been accumulating for 10 to 40 years. Ma’s clan was typical.

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41 Remer, *Foreign Investment in China*, p. 185.
However, in September 1931, pressured by the Great Depression, Great Britain became the first country to abandon the gold standard and devalued its currency; other countries to follow suit were the British colonies, Japan, and the United States. The price of silver in these countries increased, which raised the exchange rates of the Chinese yuan and the Hong Kong dollar. Influenced by the unfavorable exchange rate and economic downturns in their destination countries, the number of remittances and their amounts declined from 1931.

Another feature of the trend in remittances is that the flow of money resumed again from 1935, particularly in terms of numbers after the outbreak of the Sino-Japan War in 1937. After 1937, the Japanese occupied the limited areas of Guangdong. The Japanese invasion of China hampered the normal transfer of money but did not totally disrupt communications between Ma and his relatives. Taishan and Hong Kong remained connected and, thus, money from Canada, the United States, and Trinidad and Tobago continued to reach home. Compared to the years before the Great Depression, the amount remitted was small; the largest amount sent in 1931 reached 87,500 Hong Kong dollar, and the average of the year was 1791.3 Hong Kong dollar, but in 1939, 1713.44 Hong Kong dollar and 139.6 Hong Kong dollar respectively. Nevertheless, the amount was larger than the average remittance of 35 yuan in 1938 and 1939. Although it is possible that the remitters that Ma dealt with were wealthier than the average, the main reason for Ma’s relatively large remittances seems to be that some remitters combined money sent to different parties, such as their wives, children, parents, brothers, and sisters. Although they sent the total amount of money, their letter designated who would receive how much.

Ma usually sent remittance money to the recipient designated by the sender shortly after the money arrived in Hong Kong. If the customer requested, Ma also offered a savings-deposit account and an administered savings plan that paid interest. The interest rate from the savings account was 0.4 percent per week. The savings account made the financing of remittance money more flexible and safer in various ways. First, sojourners abroad and their families in Guangdong could keep their Hong Kong dollars until they were needed. Whenever they wanted, they could write to Ma to request any amount needed. Second, the sender remitted money at exchange rate that he found favorable and requested Ma to send an amount of money regularly from the fund. Third, for depositors, Ma bought securities or bonds for investment. For example, Liang Chen you in Port of Spain in Trinidad and Tobago received 767.43 Hong Kong Dollar as the interest for his savings on December 31st, 1928 and put 2,000

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Nanpō gunsei soukanbu chūsabusu, Malai kakyō no hongoku soukin nit suite [Overseas Chinese remittances from Malaya] (n.a.: 1943), p. 62. The amount was estimated from the records of Overseas Chinese Bank (Huaqiao yinhang), Bank of China, and Provincial Bank of Guangdong.
Hong Kong dollar for his family’s use on March 17th, 1931. Before the Sino-Japan war broke out in 1937, Liang paid for subscription fee of the newspaper, *Xunhuang bao* (on December 7th, 1928, December 11th, 1929, September 24th, 1930, and October 15th, 1931) and the Chinese herbal medicine (on December 29th, 1929). Afterwards, in addition to the amount of 397.34 Hong Kong dollar that he sent on November 19th, 1938, the savings were used for his son, Liang Guanghong’s living expense in 1939 until Guanghong left for Port of Spain in 1939 (as for Liang Chenyou’s transaction record, see Appendix 1).

Ma Tsui Chiu established the route for sending money from abroad to rural Guangdong, and dealt with foreign banks as well as local Chinese financial institutions. Hence, Ma could transfer money quickly and safely, enable customers to take advantage of favorable exchange rates, and provide a flexible way of financing savings.

**ii. The methods of sending money home**

The currencies used in senders’ residence should be changes into the local currencies used in rural Guangdong. Ma’s clients looked for the most advantageous way to remit money, and Ma had to meet their requests. As the variety of currencies circulated both in Hong Kong and in the rural Guangdong, Ma and his clients had several options of currencies.

Sending money home, Ma’s clan members abroad primarily purchased Hong Kong drafts from foreign banks. In 1928, 44 remittances out of the total 66 (67%), in 1933, 22 out of 26 (85%), and in 1939, 31 out of 43 (72%) were sent in Hong Kong dollar. The foreign banks included British banks such as Hong Kong Shanghai Bank, and the Chartered Bank, American banks like First National City Bank and American Express, the Netherland India Commercial Bank and Netherlands Trading Society of Netherland, Canadian Commercial Bank of Canada, and Yokohama Specie Bank of Japan. Besides the foreign banks, remitters sometimes used Chinese banks like Bank of East Asia (*Dongya yinhang*) and Bank of Guangdong. If they did not buy Hong Kong draft, they sent drafts of foreign currency, in either U.S. dollars or pounds sterling, or checks of foreign currency. As not only draft but also check of foreign currency circulated in the Hong Kong foreign exchange, Ma could sell them on the market in exchange for Hong Kong dollar.43

From Hong Kong to Guangdong, the Hong Kong dollar was either converted into the local currency of Guangdong, the Canton subsidiary coin, or directly sent as cash or draft. Guangdong had been independent in terms of its monetary system. Instead of the Chinese

yuan, the Canton subsidiary coin had been widely used among the populace in the area. Before 1933, from 40 to 70 percent of the remitted money was changed into the Canton subsidiary coin.\textsuperscript{44} From 1934, the Canton subsidiary coin was seldom used for transfer and Hong Kong dollars were sent to China. The financial crisis that arose in 1934–1935, partly because of the Great Depression, and the consequent currency reform of 1935, under which China abandoned the silver-standard monetary system, obviously influenced decisions to change the currency used to send remittances. It is noteworthy that after the currency reform, China's national currency, the yuan, was not used and the Hong Kong dollar became dominant currency for transactions, while the Canton subsidiary coin remained to be used. After the currency reform, the central government tried, unsuccessfully, to abolish the Canton subsidiary coin and enforce the circulation of legal tender notes issued by the government bank. The popular preference for the Hong Kong dollar increased after the outbreak of the Sino-Japan war in 1937. One of the recipients of remittances in Guangdong asked Ma to send Hong Kong dollars, saying, "The confusion of financial markets is severe and the rise of prices is steep. Please remit money in Hong Kong dollars but do not change them into Chinese yuan or Canton subsidiary coins, so that I can avoid the loss from inflation."\textsuperscript{45}

As with the kind of currency sent from Hong Kong, the method used to remit money to recipients in Guangdong also changed after the mid-1930s. Before 1935, Ma often sent money to rural areas through the local financial agency, Wuzhou and Hongfeng, which his agent, Ma Lianlun, managed; through the Guofeng agency, which his brother-in-law, Liang Sheyang, owned; and through two other agencies, Richang and Changfeng. However, as the demand for Hong Kong dollars increased, he had to hire a courier between Hong Kong and Guangdong instead of using financial agencies. In 1939, the percentage of couriers reached 45.7 percent from only 5.8 percent in 1935. As I explain later, dealing with couriers put an extra burden on Ma's remittance business in the 1940s and 1950s.

3. The remittance agency under stress

The lack of accounting books from 1941 hinders an examination of the regular transaction amounts. However, the letters sent to Ma from sojourners abroad and their families in Guangdong as well as the records of savings account reveal Ma's remittance organization came under severe stress because of changing political and economic environments during World War

\textsuperscript{44} During the eight years from 1926 to 1933, the percentage of each year was 64.5, 69.7, 49.3, 60.2, 48.0, 22.7, 43.2 and 55.1. The ratio of 1931 was small because the large amount of the remittance was invested in the share of Dahua company.

\textsuperscript{45} Letter from Bangzhou's mother to Ma Tsui Chiu dated September 13\textsuperscript{th} 1939.
II and in the early years of People’s Republic of China.

i. The dislocation of funds during the war years

In December of 1941, Japan occupied Hong Kong. Despite the war destruction and the disruption of transportation, the contact between Guangdong and Hong Kong and the flow of money from abroad were maintained, but there were difficulties.

It was not necessarily Japanese government control over remittance that hampered the flow of money to Taishan. The Japanese initially restricted overseas remittances to China from its occupied areas in Southeast Asia. Acknowledging the importance of overseas remittances for their families at home as well as the need to compete with the Nationalist government in Chongqing for financial support from overseas Chinese, the Japanese government tried to draw overseas Chinese remittances through its own agencies. The Japanese government mainly focused on remittances from Southeast Asia; a researcher of South Manchurian Railway company even noted that if the Japanese government could control money from Southeast Asia, “overseas Chinese remittance from North and South Americas, Europe, Africa, and Australia could be used by the Nationalist government in Chongqing.”

Despite the Japanese government’s benign attitude to remittance from the Americas, the Japanese invasion of Hong Kong had a serious effect on Ma Tsui Chui’s remittance organization. In particular, the dislocation of financial resources in Hong Kong and the South China region disrupted financial transactions.

When Hong Kong was occupied by Japan, a number of Ma’s customers sojourning in Hong Kong went back to their homes in Guangdong. When they tried to withdraw their monies deposited at Ma’s, it was difficult for Ma to find enough cash. On March 28th, 1945, Ma Lianlun, Ma’s nephew, who was managing the Wuzhou bank in Taishan, wrote about his concerns over meeting withdrawals. According to Ma Lianlun’s calculations, Wuzhou had to meet withdrawals in terms of Hong Kong dollar and the Guangdong subsidiary coin of at least 800,000 yuan. Because deposits at Wuzhou only amounted to 170,000 yuan, there was a considerable gap. Ma Lianlun pleaded with Ma Tsui Chui to send as much cash as possible. Ma Tsui Chui responded to Ma Lianlun’s request, but money was transferred slowly. On April 15th, Lianlun complained that he had received 30,000 yuan but was still waiting for notes issued by the Japanese army amounting to 108,500 yuan. Although the courier hired by Ma Tsui Chiu, a

47 Letter from Ma Lianlun to Ma Tsui Chiu on March 28th, 1945. Ma archives.
fellow Taishan native named Ma Yujie, had indicated that he was bringing the notes, he did not show up. In the end, Ma Lianlun received the total amount from Ma Yujie on April 22nd. However, concerns about the lack of cash on hand persisted.\footnote{Letter from Ma Lianlun to Ma Tsui Chiu on April 25th 1945. Ma archives.}

The war and the Japanese occupation disrupted the normal circulation of money between Hong Kong and South China, while the local demand for money increased as the wartime economy worsened. The previously formed remittance mechanism could not cope with the changing circumstances. One way to meet the emergency need of money in Guangdong was to hire couriers to bring money home. However, controlling couriers turned out to be another difficult problem for Ma's Hong Kong office.

\section*{ii. Controlling couriers through ‘trusts’}

For more than a decade from 1939 to 1951, hiring couriers was the main way of transferring goods, money, and information.\footnote{Especially during the war, couriers seem to have been popular among financial institutions. Guangdong provincial bank, for example, contracted 280 couriers to offer transfer services with lower rates. See, Nanpō gunsei soukanbu chōsabu, p. 58.} During these turbulent years in China, covering the Sino-Japan War, World War II, the civil war, and the initial period of the regime of the Chinese Communist Party (CCP), professional couriers commuted between localities in South China and Hong Kong. In the early years of People's Republic of China, sharing financial resource between home and abroad was particularly difficult for Ma and his relatives. Socio-political confusion and the country's financial chaos deepened. Courier missions were risky, but, at the same time, large profits could be earned from scarce goods and financial resources. Under these circumstances, controlling couriers was very difficult.

Ma recruited fellow Taishan natives as couriers. When hiring them to carry money to Guangdong, Ma required them to keep records of transactions; whenever couriers received money, they had to issue receipts stating the amount and the date; once the recipient received the money, he had to sign the document as proof. Despite local ties and strict tracking of the flow of money, “Couriers became less trustful,”\footnote{Letter from Ma Juejing to Ma Tsui Chiu on November 27th 1950. Ma archives.} as Ma Juejing, a daughter of Ma Tsui Chiu's niece residing in Taishan stated in November 1950. Families of overseas Chinese, who had long depended on their family members abroad for most of their living expenses, could not live without remittances. They were annoyed with delays and the failure of couriers to deliver money. For example, Ma Zhoucheng, Ma Tsui Chui's nephew in Toronto, Canada, sent 400 Hong Kong dollars through Ma in Hong Kong to his son, Guowei, in Taishan, Guangdong, in 1950.
October 1950. However, in December, Ma Guowei complained that Ma Rongnian, the hired courier, had not delivered the money. Ma Zhoucheng and other fellow clans insisted that Ma Tsui Chiu force Ma Rongnian to return 400 Hong Kong dollars to Ma Zhoucheng's family. They pointed out, "Otherwise, many overseas Chinese will be shocked by the lack of reliability." By early April 1951, the money had not been delivered to Ma Zhoucheng's family, and apparently, Ma Rongnian had disappeared with the money. Ma Zhoucheng claimed that Ma Tsui Chiu should take responsibility for this. Otherwise, as Ma Zhoucheng warned Ma Tsui Chiu, he would go to the foreign bank, through which he had purchased the remittance draft, and notify them that the draft had gone missing during the transaction. This would have seriously damaged Ma Tsui Chiu's reputation in Hong Kong.\(^{51}\)

As social disturbances deepened and because the black market for goods and foreign currencies thrived during and after the war, the traditional mechanism used to transfer remittance came under severe pressure. Although the local ties that had traditionally sustained the network were weakened, there was no institution to replace them that could maintain cross-border transactions.

iii. Government control over foreign exchange transactions

During the Civil War Years from 1945 to 1949, the Guangdong populace's preference for the Hong Kong dollar persisted. Ma's clients were not exception. When Liang Xicun, Ma Tsuichu's nephew in Trinidad and Tobago sent the drafts in British pound sterling, Ma changed them into Hong Kong dollar and sent them as chash to Guangdong (as for Liang Xicun's transaction record, see Appendix 2).

From its inception in 1949, the CCP government decided to tackle disorder in the foreign exchange market as well as the wide circulation of gold, silver, and foreign currencies in the domestic monetary system.\(^{52}\) At the same time, the CCP government recognized that remittances were an important source of foreign exchange and a vital source of income for overseas Chinese households. Hence, the government established organizations to accommodate the overseas Chinese in the early 1950s. However, as confrontations with communist regimes heightened in the early 1950s, foreign governments, including those of the United States and Canada, restricted financial transactions with China. Ma's remittance organization had to cope with these government regulations in the 1950s.

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\(^{51}\) Letter from Ma Zhoucheng to Ma Tsui Chiu on April 8\(^{th}\) 1951. Ma archives.

\(^{52}\) Guangzhou shi junshi guanzhi weiyuanhui, "Yanjin shiyong jinying waibi" (November 18\(^{th}\) 1949).
a. Communist approach to remittances

In 1950, the monetary situation in South China was still in chaos. In an attempt to eliminate the black market in foreign currencies, the local government tightened control over foreign exchange transactions. Ma's customers in Taishan complained that, because government inspections were rigorous, they could not change the remitted money into Renminbi (RMB). Because they did not want to change the money at the official rate for RMB, which was much higher than the black-market rate, they sent the remittance drafts back to Hong Kong or kept them whilst awaiting a change of circumstances.53

A routine approach to sending money to China gradually emerged from 1951. From October of that year, the Bank of China required that cover for all remittances should be handed over to the Bank of China in the area from where the remittances emanated. As the centralization of banking control in China proceeded in 1952, the proportion of remittances coming through the Bank of China increased.54 By 1955, most cash remittances went to China via Chinese state-controlled banks in Hong Kong. In China, the private postal exchanges were collectivized into various new institutions; joining management offices (lianyingchu) were established in 1955 and joint sending offices (lianhe paisong chu) were established in 1957.

To adjust to the new regulations, Ma Tsui Chiu’s enterprise began using the official routes to send money home. According to the savings account book, 12 clients remitted money between 1951 and 1959. Their transactions took place regularly. For example, Yu Guojun, Ma Tsui Chiu’s brother-in-law, who resided in Vancouver, Canada, sent a total of 17,347.1 Hong Kong dollars in 84 separate transfers from March 1952 to December 1958 (see Appendix 3). The money received by Ma was sent through the Bank of China to his wife in Guangdong. Liang Yinghong, Ma’s former wife’s nephew in Port of Spain, Trinidad and Tobago sent 1,000 pounds sterling by telegraphic transfer through the Chartered Bank on July 12th 1956. This was changed into Hong Kong dollars and sent to his family in Guangdong in eighteen separate amounts from July 17th 1956 to July 29th 1958 (see Appendix 4). Liang Xichao, another nephew in New York, United States, sent 21,150 U. S. dollar draft in 36 transfers from September 1953 to March 1959. The money was sent to his wife and mother to finance their daily expenses through Bank of China (see Appendix 5).

53 Letter from Liang Chuanwei to Ma Tsui Chiu on October 19th 1950. Letter from Ma Juejing to Ma Tsui Chiu on November 27th 1950. Ma archives.
b. Restrictions by the United States and Canadian governments on remittances from overseas Chinese

As I explained in the first section of this paper, the private postal exchanges chose to send money via Hong Kong to take advantage of the favorable exchange rate offered there in the late nineteenth and early twentieth centuries. In the 1950s, remitting money via Hong Kong was more political. Money from abroad often took an indirect route, particularly through Hong Kong, because of foreign exchange controls in the countries of overseas settlement: for example, the United States government made it illegal to remit funds to the People's Republic of China.

On December 16th 1950, the United States government issued an order to freeze all Chinese-owned U.S. dollar assets and required all transactions in Chinese names to be investigated for communist connections. Although the freezing order did not target overseas Chinese, it had a considerable impact on them. On January 10th 1951, Ma Guocong, Ma Tsui Chiu's brother's son, living in Shelby, Mississippi, sent a check for 100 dollars to Ma Tsui Chiu. Guocong complained that, because the United States government did not allow goods and bank drafts into mainland China, banks refused to issue checks or limited the transaction amounts. The banks also declared that if a bank draft used in Hong Kong or Macao moved into mainland China, went missing, or was frozen, the bank would not take responsibility. Given these circumstances, Ma Guocong asked Ma Tsui Chiu to change the bank draft into Hong Kong dollars, but initially, Tsui Chiu found it difficult to send the draft to China. On January 28th, Ma Fulun, Ma Tsui Chiu's elder brother's son in California, asked Ma Tsui Chiu to send money home. Fulun also expressed his concern about the United States regulation, and decided to send money from his account to meet family members' and relatives' year-end needs; this comprised 500 Hong Kong dollars for his son, Wenwei, 50 Hong Kong dollars for his nephew, Jiqun, 20 Hong Kong dollars for his sister, Nugui, and 20 Hong Kong dollars for his niece, Shuzhen.

The money remitted to mainland China was invaluable to the family members and was something they could count on during the difficult years of political and economic turmoil in the early 1950s. Stripped of their land by the land reforms, people managed to survive by purchasing food with the money remitted from abroad. The presence of Ma Tsui Chiu in Hong Kong was the cornerstone of their survival strategy. The remitters could report to the United States government Ma Tsui Chiu's Hong Kong resident ID number as the recipient, so that he could send money from there to villages in inland China.

55 Letter from Ma Guocong to Ma Tsui Chiu on January 10th 1951. Ma archives.
56 Letter from Ma Fulun to Ma Tsui Chiu on January 28th 1951. Ma archives.
Ma’s organization succeeded in coping with the government regulations on the both sides of the Pacific. However, another pressure on the relationships with overseas Chinese came not from abroad but from China. Returnees and the dependants of overseas Chinese suffered increasing discrimination as China’s preoccupation with ‘go-it-alone’ development climaxed under the autarky of the Cultural Revolution. Their overseas connections became a political liability to them during the mid-1960s and early 1970s, when they were thought to be linked to foreign conspiracies. Although remittances did not cease, they generally continued to decline until 1972.

Conclusion

In this paper, I have examined networks and transnationality in a Chinese remittance agency. To conclude, I summarize the theoretical implications of the findings in terms of the internal dynamics of the business network and of the cross-border business transactions in mid-twentieth century Asia.

As many previous scholars have pointed out, the routes for overseas Chinese remittances were shaped by local ties. Offering grass-roots level services to their fellow villagers and townsmen, remittance agencies, such as private postal exchanges, could reach out to migrant workers and sojourning traders. Nevertheless, by simply focusing on the mutual gains that the network provided to their participants, one ignores the central feature of the remittance business. The main source of their profits was exchange-rate manipulation. By dominating the channel for transferring money home from abroad, remittance agencies could monopolize the demand from a group of people originating in certain localities. In this sense, the remittance agency was not a benevolent organization benefiting people sharing the native place, but was an exploiter of asymmetrical access to the foreign exchange market. Similar to the immigration industries that Graeme Hugo observed in contemporary Asia, it was an enterprise related emigration contract and finance using their social networks for profit.⁵⁷

The chain of long-term relationship based upon local ties provided the secure path of monetary transfer. Nonetheless, it should not be missed that each transaction was carefully checked with written records, such as receipts from recipient, contracts with hired couriers, certificate of bank draft, and so on. The role of these written records backing the personal trust needs to be examined in more detail to investigate the internal dynamics of the business network. Even if the long-term personal relationship was the important factor in the way Chinese businessmen organized their businesses, the key question concerns whether, or to what extent,

⁵⁷ Hugo, p.190
these written contracts and records worked as an institution to enhance participants’ commitment to the business network.

The case of Ma Tsui Chiu’s enterprise indicates that the network-based remittance business came under severe pressure from changes in the business environment from the early 1940s to the mid-1950s. Because not only the risk of carrying money, but also opportunities on the black market, increased during and after the war, hired couriers betrayed personal trust and absconded with the money. Ma’s remittance agency, however, was unable to punish these couriers. The enforcement of contracts challenges transnational transactions. Networks based on common attributes such as kinship and local ties could secure trust, but could not formally enforce regulations. Hence, they could not completely eliminate opportunism among participants.

Exchanging remittances in foreign currencies into the currencies used in the rural Guangdong was central to remittance agencies including Ma Tsui Chiu’s enterprise. The complicated landscape of currencies in Hong Kong and Taishan where people chose any foreign and domestic currencies for their preference provided Ma with business opportunities. After 1941, however, sudden and large withdrawal requests threatened Ma’s business. It is understandable that allocating funds to meet sudden demand at any locality was hard for network-based business organizations without central control. Disruptions to traffic and communications during and after the war period exacerbated this problem.

When the war ended, ideological confrontations made remitting money to China more difficult. Ironically, the conflict between the West and the East provided Ma Tsui Chiu with a new business opportunity. Taking advantage of his base in Hong Kong, Ma sustained the monetary flow into China from abroad. Accounts in Hong Kong dollars or foreign currency were invaluable assets for residents in mainland China. Thus, although transaction amounts declined up to 1960, Ma’s remittance business continued.

It is misleading to see the experience of Ma Tsui Chiu’s enterprise as a special case generated by a series of unusual incidents, such as the Great Depression, World War II, and the foundation of the Chinese Communist Party regime. Enforcing work disciplines, responding to the local demand for money, and coping with political and administrative barriers to moving goods and funds, are problems common to business networks, and in particular, to those engaging in cross-border operations. Even more importantly, because his business survived the 1940s and 1950s, Ma Tsui Chiu’s case is worth special attention. When scholars examine business networks, Chinese industrial and mercantile enterprises and compare them to the American businesses of the new economy, they tend to focus on the pre-1930s and post-1980s,
when government control over the economy was relatively weak. Reacting to the 1929 depression, many governments tightened their control of trade, the movement of labor, and monetary transfers. Throughout World War II and the post-war rise of nation states to the period of deregulation starting in the 1980s, governments tightened their grip on the economy, especially cross-border transactions. How did the business network survive the regulatory period? In the context of this important and unexplored question, the case of Ma Tsui Chiu’s remittance agency is more than a mere historical episode.