

“People’s Banker”

Bank of China Strives to Give a Solid Image

Barry Kramer

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The following article from the December 1, 1976 *Wall Street Journal* gives a graphic picture of the integration of China into world capitalism and its money system.

HONG KONG—For an arm of one of the largest Communist powers on earth, the Bank of China is surprisingly adept at making a capitalist feel right at home.

Inside the branch headquarters here, marble floors and walls and fluted columns supporting a high mosaic-tiled ceiling exude that solid, secure atmosphere all banks once strived to create. Around the large hall, blue-uniformed employees tend to customer’s needs, cashing checks, taking in funds and explaining the latest interest rates on time deposits.

Only the large color portrait of the late Mao Tse-tung overlooking the scene suggests this might not be a haven for the moneyed class.

Financing the People’s Republic

No deception, however, is intended. The bank, a subsidiary of the People’s Bank of China in Peking, is China’s teller window to the world. As such, it operates much like any private institution, luring deposits, lending and borrowing money and otherwise helping to finance the international trade of the People’s Republic.

According to figures derived from reports filed with the Hong Kong Companies Registry, for instance, the Bank of China’s profits last year jumped more than 200% from the 1974 level to the equivalent of \$35.3 million. Its total assets in the same period rose 20% to \$13.7 billion, deposits were up 17% to \$3.86 billion, and the loan portfolio swelled 32%.

(The Bank of China) empire here consists of five banking offices and 12 sister banks with 120 branches. There is no mystery to this concentration. The British colony is China’s largest customer and thus its biggest source of cash. And in addition to helping China finance the \$1.4 billion annual trade with Hong Kong, the Bank of China also acts as financial supporter and adviser to a large group of Communist enterprises here, including some 40 department stores, three insurance companies, travel and shipping agencies, real estate holdings, manufacturing plants, and even gasoline stations.

“They play the Hong Kong capitalist game and take advantage of it,” comments one local businessman.

“They’re out to make a lot of money for China and they do a good job at it.”

Although the Chinese don’t like to call it borrowing, the country has in fact been borrowing heavily to pay for imports such as several billion dollars’ worth of plants, equipment and grain on two to five year terms at 6% annual interest. And anticipating future deals with China, many foreign banks have deposited millions of dollars—perhaps \$500 million in total—with the Bank of China.

The Bank of China itself has also borrowed on banking markets in Hong Kong and London. In 1974, for instance, it did between \$350 and \$350 million * of such borrowing in London to help cover China's \$800 million trade deficit that year, sources say. And in Hong Kong, where the bank traditionally has been a net lender to other banks, it is increasingly becoming a borrower to finance China's investments in the colony.

A Solid Image

"Businessmen seeking economic contacts with China say that Bank of China officials can be as hospitable—and as professional—as any private banking executive. Visitors are ushered into one of several wood-paneled conference rooms, the size of which depends on the guest's status. The rooms are simply decorated with a carpet, stuffed chairs draped with lace doilies, a glass-topped table holding magazines like *China Reconstructs*, and the inevitable portrait of the late Chairman Mao. Endless cups of tea are served.

"...Bank officials try hard to cultivate an image of the Bank of China as a very conservative, old-style, tight-lipped financial institution. According to an economist, "Part of it is because they are communists, but part of it is also that they are trying to give an image of solidity and stability."

* The numeric typo is in the FE print original.

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