

## CHAPTER I

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### Capitalist Transplants

#### *Elite Refugees and the First Reorientations of Hong Kong*

Disruption realigns possibilities for transformative encounter.

—ANNA LOWENHAUPT TSING, *THE MUSHROOM AT  
THE END OF THE WORLD: ON THE POSSIBILITY  
OF LIFE IN CAPITALIST RUINS*

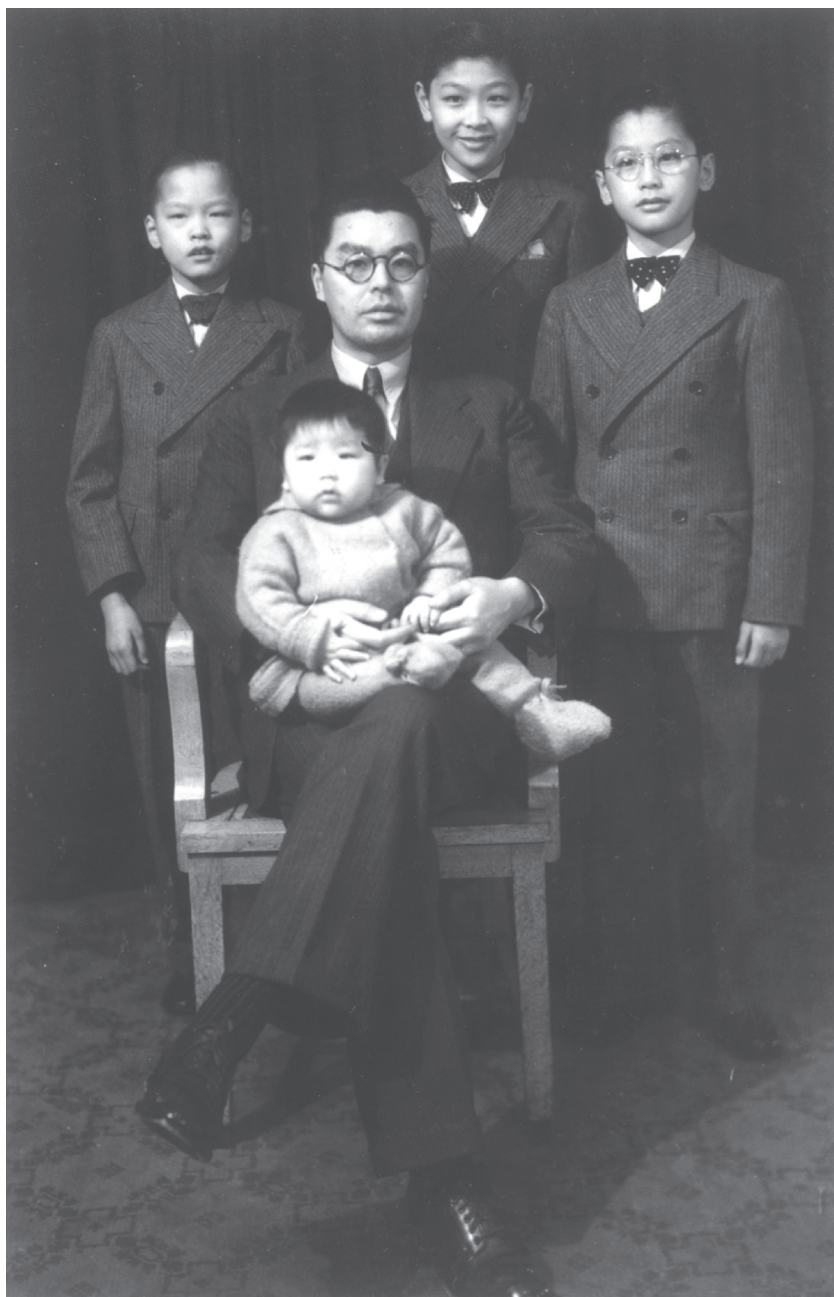
In the spring of 1937 the Tang family fled Wuxi. Beside Lake Tai in southern Jiangsu, Wuxi had been the Tangs' home for eighteen generations. Such ancestral seats held tremendous significance in Chinese tradition due to shared dialects, guanxi networks, and ancestral obligations.<sup>1</sup> As a result, whole families rarely abandoned their native place. The exceptions were "fleeing disaster" or *taonan* (逃難) and moments of extreme opportunity.<sup>2</sup> This moment was both for the elite Tangs. After monitoring events, they were certain that Japan would soon launch a full-scale invasion of China. They did not flee westward into the interior, however, as would the Nationalist government and tens of millions of refugees. Instead, they seized a privileged opportunity and headed east, directly into the oncoming crisis. While patriarch "P. Y." Tang Pingyuan (唐炳源) rushed to England to arrange business interests, his wife "Kin-may" Wen Jinmei (溫金美) moved their six children ninety miles to Shanghai's French Concession, a leafy foreign enclave. She rented an apartment just vacated by White Russians and took charge of the family's affairs.<sup>3</sup>

Fleeing toward an invasion was counterintuitive yet shrewdly opportunistic. Japanese forces had already attacked Shanghai in 1932 and still occupied swaths of the city. This time, Shanghai would face a full Japanese onslaught. Yet, like many Chinese elites, the Tangs calculated that Japan would not risk war with France, Britain, and the United States. If

so, these powers' concessions within Shanghai would remain "solitary islands" (孤島) in the pending hurricane. While her husband purchased looms and spindles in Manchester, Kinmay returned to Wuxi, grabbed all the cash at their mills, and carried it to Shanghai in the backseat of a taxi.<sup>4</sup> She had secured the working capital for a new mill within the French Concession. It would be their life raft. When Japan did attack in August, the Tangs' Wuxi mills were bombed and seized, while the majority of factories in both Wuxi and Shanghai were destroyed.<sup>5</sup> Factories in the "solitary islands" flourished, however, amid the war's ensuing shortages. As over a million refugees poured into the concessions, prices skyrocketed and the Tangs' new mill proved "very profitable." They lived without "any real hardships," even continuing their children's riding lessons (figure 1.1).<sup>6</sup> When Japan did declare war on the Allies in December 1941 and seized the concessions, P. Y. Tang pragmatically pivoted to collaboration, paying 6.2 million yuan to regain his properties and joining the new regime's Cotton Control Commission.<sup>7</sup>

Chinese industrialists responded to the Second World War in myriad ways. Like the Tangs, most ended up "drawn into a web of collaboration" with Japan, as Parks Coble has argued.<sup>8</sup> The Tangs, however, proved particularly adept at negotiating this bloody terrain to their advantage due to constant pragmatism, mobility, and adaptation. While the Tangs' son Jack may have exaggerated his parents' prescience when recalling these events, his account succinctly distills his family's worldview. As cataclysms continued to strike in this war, the Chinese civil war, and the Cold War beyond, the Tangs consistently chose to keep relocating, shedding first their native place and then the nation-state in order to prioritize their own accumulation of economic and social capital.

The Tangs embody a subset of Nationalist China's industrialists and bankers who fled to Hong Kong during the communist transition. They emerged in the late Qing and Republican eras as part of a larger class of Chinese elites who thrived by working with foreign interests in China, pursuing overseas education, and returning to launch China's most modern business enterprises. The tumult of the Second Sino-Japanese War (1937–1945) and the Chinese civil war (1946–1949) pushed these capitalists to relocate repeatedly to try and safeguard their lives and property. For some, such as the Tangs, these relocations continued on to British Hong Kong when communism prevailed. This self-selecting group winnowed from China's elites would play a decisive role in spearheading Hong



*Figure 1.1* P. Y. Tang and four children, Shanghai, 1937. Courtesy of the Tang family.

Kong's economic transformations over the Cold War. By 1970 the Tangs' new textile mill would be the largest manufacturer in the colony's largest industry.<sup>9</sup> These transplanted elites proved decisive for Hong Kong precisely because of their longstanding prioritization of both overseas education and strategic collaboration with foreign powers.<sup>10</sup> During the Cold War, however, it would no longer be the British or Japanese Empires with which they collaborated but instead the U.S. transpacific empire. Pursuing what I term *kuashang* (跨商) strategies, these elites would cultivate and use multifaceted American ties to reposition their transplanted businesses and Hong Kong itself for success as the United States redesigned global capitalism with itself at the center. This pivot toward American influence embodied a larger turn in world history, one that reveals both the original making of the U.S.-led order and alternative antecedents of what we now too broadly term as neoliberalism.

To understand the *kuashang* and their impact on Hong Kong, we must first survey this British colony's history prior to the Second World War. As a Crown colony between 1841 and its surrender to Japan on Christmas Day 1941, Hong Kong transformed from an island of fishing villages into South China's chief port. In addition to the opium trade, Hong Kong anchored enormous flows of goods and people back and forth with both Southeast Asia and North America, a legacy of the California Gold Rush.<sup>11</sup> It subsequently developed a highly commercial culture in which merchants predominated through collaboration with the colonial regime—in contrast to the Qing Empire's social order, yet similar to Southeast Asian colonial port-cities.<sup>12</sup> In turn, Hong Kong's Cantonese, Chaozhou, Eurasian, and South Asian elites became increasingly British-oriented in their educational and business strategies.

The commercial elites of the lower Yangzi region known as Jiangnan adopted similar but less exclusively British-centered practices. Instead, families such as the Tangs sought to demonstrate their Chinese nationalism while carving opportunities from the multiple empires laying stakes in China. They did so by cultivating mixed portfolios of international social capitals spanning the British, French, Japanese, and American imperial systems. Education was a key method in this process, and Jiangnan's commercial elites gradually came to prioritize missionary and foreign educations in order to access both “modern” knowledge and cross-cultural skills and connections. The early Republican era's instability and later the Nationalist government's cronyism heightened the urgency of

this pursuit, while these elites used their international social capitals to collaborate with Japan, the Nationalists, and the United States alike during the Second Sino-Japanese War and Chinese civil war. The outcome of these conflagrations pushed them toward reliance on American social capital, but only a subset ultimately fled to Hong Kong during the communist transition.

The final section examines how the Second World War and early Cold War cracked British dominance in Hong Kong and initiated the first reorientations toward U.S.-led systems. Postwar U.S. international leadership engendered new social possibilities, while many old Shanghai business relationships were successfully transplanted to the Crown colony, processes we can glimpse through the mixed-race union of the American banker Henry Sperry and the Cantonese heiress Ansie Lee (利舜英). Yet more shifts were in store. The outbreak of the Korean War first created a trade boom that rescued many émigré industrialists, but the ensuing U.S. and UN embargoes on the new People's Republic truncated Hong Kong's entrepôt trades. By disrupting Hong Kong's place in China's orbit, the embargoes served to foster the colony's prolonged dependence on the U.S. market as the essential sales destination for its new manufactures. As I analyze further in chapter 5, émigré bankers and industrialists with prior U.S. connections found they had a competitive edge in this transpacific challenge. As a result, expanding U.S. imperial influence in the western Pacific dovetailed with the rooting of a transplanted class of Chinese elites into this British colony.

### The Anglo-Cantonese Entrepôt

During its first century as a British colony, Hong Kong emerged as the chief port in South China and the hub of numerous entrepôt trades. After British troops raised the Union Jack in January 1841, officials proclaimed the territory's *raison d'être* to be the free movement of goods, people, and capital. In reality, just one commodity defined early Hong Kong: opium. Euro-American merchants had been smuggling ever-larger quantities of South Asian opium into China since the mid-eighteenth century in order to finance huge purchases of Chinese tea and silk. Qing officials debated how to respond, but by March 1839 one faction gained the upper hand at court and pushed to quash this drug trafficking. The British traders at

Canton were incensed by the ensuing crackdown, but their larger grievance was the Qing's mercantilist trade policies, known as the Canton System. This system had channeled Euro-American trade into Canton since the early 1700s in order to police its impact, exact customs, and maximize a steady stream of silver to Beijing.<sup>13</sup> In thrall to free trade theories, British merchants and their allies in London lambasted this system as an example of supposed "Asiatic despotism." They championed the superiority of free trade, even if they had to massacre Chinese to prove it. By August 1842 British forces had cut the vital Grand Canal and the Qing dynasty had sued for peace. The ensuing Treaty of Nanjing entwined free trade and imperial expansion. It abolished the Canton System, opened five Chinese ports to British trade, and ceded Hong Kong Island to Britain. It also granted British subjects extraterritoriality in China and exacted a huge indemnity. As the Qing faced a new era of foreign imperialism, the colony of Hong Kong began as the primary depot for a devastating narcotic and a symbolic free port.

In reality, early Hong Kong was very unstable and saved only by migration and the rise of a local Chinese merchant elite. As Christopher Munn has shown, during the 1840s the colony attracted little legitimate business beyond opium. Ironically, the regime fell back on anti-free trade policies, including auctioning numerous monopolies. The colony mostly proved a magnet for Chinese criminals, pirates, and marginalized minorities such as the Hakka and maritime Tanka. Tropical diseases and violent crime ran rampant, which triggered heavy-handed segregation, mass incarceration, and summary military justice. Many observers despaired for Hong Kong's prospects. Some urged London to abandon it.<sup>14</sup>

Elizabeth Sinn has demonstrated that it was the California Gold Rush and the globalization of the Pacific that rescued Hong Kong and accelerated its capitalist development. The news of gold in California electrified Hong Kong in 1849. The lure of "Gold Mountain" triggered excitement throughout South China and an ambition to migrate that only Hong Kong could facilitate. The Qing forbade overseas migration until 1860, so no mainland port could openly organize a mass transpacific migration. Chinese and European merchants alike repurposed Hong Kong's opium infrastructure to move people, while increasing collaboration between officials and merchants ensured that this migration was predominantly voluntary. The *kamshanchong* (金山莊) or "gold mountain firms" also pioneered new transpacific trade and moved into insurance and banking. The

gold rush thus “transformed the Pacific into a highway linking North America and Asia,” anchored primarily between Hong Kong and San Francisco. Simultaneously, Hong Kong and Singapore gradually developed a corridor of even greater scale to funnel Chinese laborers to the mines and plantations of colonial Southeast Asia.<sup>15</sup> By 1939 over 6.3 million Chinese had embarked at Hong Kong for foreign destinations and more than 7.7 million had returned, a volume of migrants comparable to New York’s Ellis Island between 1892 and 1924.<sup>16</sup>

As Hong Kong stabilized through trade and migration and as a refuge from the Taiping Rebellion (1851–1864), collaboration increased between Chinese merchants and the colonial regime. Singapore integrated Chinese elites into government almost immediately, but it took nearly three decades for such collaboration to develop in Hong Kong. The earliest Chinese to prosper in Hong Kong had aided the British during the First Opium War, such as the Tanka mob boss Lo Acqui (盧亞貴) and the contractor Tam Achoy (譚亞才). Yet it was through charitable institutions that these parvenu merchants secured their position. As John Carroll states: “Colonial ignorance, indifference, and incompetence created a demand for services that these merchants were in a special position to offer.”<sup>17</sup> In 1847 Lo and Tam built the first center of the Chinese community at Man Mo Temple, while in 1856 Tam sponsored the colony’s first fire brigade.<sup>18</sup> In 1866 elite merchants formed the District Watch Committee, which privately organized a Chinese police force that finally secured order across the island and Kowloon peninsula, ceded after the Second Opium War (1856–1860). It was the formation of the Tung Wah Hospital in 1869, however, that cemented the power of Hong Kong’s bourgeoisie.<sup>19</sup> As also studied by Elizabeth Sinn, the Tung Wah was never just a hospital. The first Chinese institution formally sanctioned by the colonial regime, the Tung Wah combined free medical services with wide-ranging social services for the diaspora. As such, the Tung Wah Board of Directors became a nexus of political influence and crowned Hong Kong’s wealthiest Chinese merchants as semiofficial interlocutors between the colonial regime and ordinary Chinese. Another such nexus emerged with the formation of the Po Leung Kuk in 1878, which provided a mixture of Chinese charity and colonial reform to female sex workers, *mui tsai* bond servants, and other abused or abandoned women and children.<sup>20</sup>

These forms of collaboration continued to incentivize Chinese elites to participate in British systems of education and business. Under the Canton



System, Euro-American traders had relied on bilingual Chinese compradors. This position endured, and compradors often became the richest men in nineteenth-century Hong Kong. Yet only a cluster of families possessed the requisite skills. The regime invested in expanding this class in 1862 by establishing the Central School under Frederick Stewart to train Chinese interpreters, teachers, and clerks. This bilingual school and its successors became prized pathways into British companies and higher education. The compradors Ho Asek (何亞錫), Wei Akwong (韋亞光), and Wong Shing (黃勝) became the first local merchants to dispatch sons directly to British schools in 1867, while Hong Kong's first Chinese barrister, Ng Choy (伍才), studied law at Lincoln's Inn from 1874 to 1877.<sup>21</sup> Better known by his Mandarin name Wu Tingfang (伍廷芳), Ng later served as a Chinese diplomat and helped to draft both China's first commercial legal code and the Qing dynasty's abdication documents.<sup>22</sup> These elites reinforced these collaborative practices by extensively intermarrying, creating a British-oriented class. By 1911 this class was sufficiently invested in British higher education to bankroll a local replica, the University of Hong Kong (HKU). Later known for his strategies of "indirect rule" in Nigeria, Governor Sir Frederick Lugard envisioned HKU as a way to propagate British "civilization" in China via medical and engineering training. The Parsee merchant Sir Hormusjee Mody pledged \$200,000 for the Main Building, while a campaign raised over \$1.2 million among the Chinese community and foreign firms. As Alfred Lin has analyzed, this enthusiastic support was pragmatic: "Education was the key to wealth and power, and English education was then considered a special boon."<sup>23</sup>

This cycle of collaboration through education and business gradually made the colonial government and Cantonese elites into uneasy allies in defense of the status quo. Numerous observers, such as American journalist Emily Hahn, contrasted Hong Kong's stodgy atmosphere with freewheeling Shanghai and blamed both snobbish colonials and the "old-fashioned Cantonese" who "have stubbornly resisted change."<sup>24</sup> Hong Kong elites gave to local charities and even mainland revolutionaries but resisted local political reform and adamantly maintained their separation from ordinary Chinese. For example, in 1893 Sun Yat-sen's mentor Ho Kai (何啟) and Wei Yuk (韋玉) opposed the government's proposed expansion of the overcrowded Victoria Gaol. They argued its free food and individual cells would encourage poor Chinese to commit crimes. In 1901 the same two



petitioned for a class-segregated Chinese school.<sup>25</sup> Such elites also wielded their influence to suppress labor strikes, root out communists, and oppose anti-imperialist boycotts, instead favoring pragmatic expressions of Chinese nationalism.<sup>26</sup>

Anglo-Cantonese collaboration nonetheless remained strained by colonial racial hierarchies. Into the early 1900s Chinese could not enter the Peak District except as servants or by written invitation. On the Star Ferry, Chinese could not buy first-class seats, while colonial policy barred Chinese from senior civil service positions.<sup>27</sup> In turn, interracial marriage was forbidden, although interracial sex was common and Hong Kong developed a prominent Eurasian community. As Emma Teng has analyzed, Eurasians exemplified the colony's prewar cleavages between racial hierarchies and cosmopolitan collaboration.<sup>28</sup> On one hand, interracial families were perceived as living threats to white prestige and Chinese patriarchy. On the other, Eurasians routinely possessed the bicultural and bilingual skills to serve as compradors. Eurasians thrived in these positions and often accumulated dazzling wealth, such as the famous Sir Robert Ho Tung (何東) and his brothers.<sup>29</sup> By cultivating influence across both the Qing and British Empires, interstitial elites such as the Ho Tung family encapsulate the material benefits that Chinese, Eurasian, and South Asian merchants accrued by collaborating with British imperialism, while carefully maintaining their belonging within multiple states.

Finally, Americans and American interests were a constant but minor presence in prewar Hong Kong. The New York-born merchant Charles Gillespie arrived weeks behind Queen Victoria's troops, while Boston-based firms Russell & Co. and Augustine Heard & Co. became major players in the opium and Gold Rush trades.<sup>30</sup> President Franklin Roosevelt's grandfather Warren Delano, Jr., pursued his fortune in Hong Kong as an employee of Russell & Co. throughout the U.S. Civil War. Like their European counterparts, American merchants also fathered children in Hong Kong. Russell & Co. partner George Tyson was the father of opium merchant Chan Kai-ming (陳啟明), a chairman of Tung Wah and a founding member of the Bank of East Asia.<sup>31</sup> By the First World War, though, only a handful of U.S. corporations maintained offices in the colony, such as American President Lines (APL), First National City Bank (later Citibank), Chase Bank, Standard-Vacuum Oil, and American Express. The most public action yet pursued by this American community was forming the American Club in 1925. It was primarily a social

escape from stuffy colonial life, a place “to get together and make the ‘eagle scream.’”<sup>32</sup> Unlike British clubs though, the American Club was always open to Chinese members.

In turn, transpacific migration positioned Chinese elites to develop their own connections to the United States. Because most Chinese migrants to California came from the nearby “Four Counties,” it was common for Hong Kong merchants to have kin or native-place associates across the Pacific, and those *tongxiang guanxi* undergirded this transpacific highway. In turn, as managers of the *kamshanchong*, Hong Kong merchants dealt regularly with Americans and U.S. immigration policies. For example, the local Chinese Passengers Act (1855) and the U.S. Page Act (1875) both outsourced key oversight responsibilities to Tung Wah’s directors.<sup>33</sup> In addition, while British higher education remained dominant, some local elites did choose U.S. schools, as evident in Woo Sing-lim’s bilingual text *The Prominent Chinese in Hong Kong* (香港華人名人史略, 1937).<sup>34</sup> After graduating from the Central School, the future tycoon Sir Chow Shouson (周壽臣) went to Phillips Academy, Andover, in 1873 as a student of Yung Wing’s Chinese Educational Mission, discussed in the next section.<sup>35</sup> The first members of the Li family of the Bank of East Asia who studied abroad also chose the United States.<sup>36</sup> Transpacific circulations were also formative among the pioneers of Hong Kong’s Cantonese opera and cinema industries in the interwar years.<sup>37</sup> In sum, the transpacific migrations that had been vital to Hong Kong’s nineteenth-century development made American connections a routine subtext in its British colonial world.

### Jiangnan and the American-Returned Students

While Hong Kong elites pursued British-oriented strategies, the new commercial elites of the lower Yangzi began pursuing similar but more diversified strategies. British influence also predominated in Jiangnan, but this region was not a full-blown colony, and there were competing imperial systems jockeying for influence. The Jiangnan bourgeoisie is crucial for this study because at least one hundred thousand would flee to Hong Kong during the communist transition.<sup>38</sup> Later labeled “Shanghainese émigrés,” this group came from many counties around Shanghai and included some who identified as Cantonese. The group comprised not only industrial and financial capitalists but also managers, lawyers, accountants, academics,

and other professionals who played key roles in the colony's subsequent manufacturing boom. These émigrés would bring enormous investment and different knowledge and social capital to Hong Kong, and, most important, far more robust American experiences and connections.

Jiangnan's rich agriculture had supported flourishing urban centers for centuries, but the late nineteenth century's disruptions of foreign imperialism, internal rebellion, and state reform reshaped regional economies across the Qing Empire.<sup>39</sup> These disruptions heightened Jiangnan's overall commercial advantages but reordered its leading centers. While the Treaty of Nanjing opened Ningbo and Shanghai as treaty ports, it was the Taiping Rebellion that decisively reshaped the region's political economy. The Taiping devastated older trading cities such as Hangzhou, Suzhou, and Yangzhou (technically in Subei) and their established Huizhou merchants.<sup>40</sup> In tandem with the decline of the Grand Canal, commercial opportunities shifted toward the foreign-protected coastal treaty ports, especially Shanghai. Scores of Cantonese merchants such as Xu Run (Tsui Yuen, 徐潤) and Tang Jingxing (Tong King-sing, 唐景星) migrated north to replace the Huizhou merchants and became Shanghai's new leading "comprador-merchants" from the 1860s.<sup>41</sup> The Cantonese compradors' bilingualism and networks brought new connections to global markets, while the treaty ports continued to amass concentrated opportunities, such as privileged access to steamship traffic.<sup>42</sup>

The treaty-port compradors were leaders in gradually divesting from the Confucian examination culture and instead prioritizing self-consciously "modern" educations. This evolution first led compradors toward an early preference for missionary schools. Inextricable from foreign imperialism, Euro-American missionaries of every denomination established a huge educational infrastructure in China after the Treaty of Tianjin (1858). By 1890 there were purportedly some two thousand missionary schools in China, with forty thousand students, including thousands of female students.<sup>43</sup> British and American missionary schools were particularly widespread. Alongside quality English-language instruction, these schools offered access to foreigners and foreign-connected Chinese, while increasing students' chances for the rare opportunity of higher education, as I will discuss.<sup>44</sup> As such, this path held clear attractions for comprador families. Others established their own modern schools, such as Standard Oil's Ningbo-born comprador Ye Chengzhong (葉澄衷), who opened the Chengzhong Middle School in Shanghai in 1889.

As compradors leaned toward missionary schools, the Qing state was beginning to sponsor overseas studies. As part of the Self-Strengthening Movement, the dynasty first established schools of foreign language and military technology in the 1860s. By 1872 the Yale-educated Yung Wing (容闳) convinced the Qing to sponsor the famous Chinese Educational Mission (CEM). Its 120 largely Cantonese students were sent to schools across New England in order to study English, American technology, and military science. The young men were also charged with continuing classical studies and forbidden to adopt American ways, but their and Yung Wing's increasing defiance led to the mission's early recall in 1881.<sup>45</sup> During the 1870s smaller groups were also sent to Germany, England, and France to study military technology and tactics.<sup>46</sup> Yet only after the disastrous First Sino-Japanese War (1894–1895) did the conversation at court turn to “wealth and power” and more extensive educational reforms ensue.<sup>47</sup> In 1901 the Qing began to reform the civil service examinations and plan a new multitier educational system. Yet many men continued to pin their life ambitions on the examinations, and the exams' abolition in 1905 left many devastated and scrambling for alternatives, seeding rippling political consequences.<sup>48</sup>

The abolition of the exams triggered a seismic shift toward foreign models of education that privileged both Jiangnan and the bourgeoisie, particularly in accessing higher education. New data mining by the Lee-Campbell Group at the Hong Kong University of Science and Technology has confirmed a decisive shift in the regional origins of Republican-era tertiary students. In the late Qing, Jiangsu and Zhejiang provinces accounted for 17.8 percent of successful examination candidates. Under the Republic, they accounted for 39 percent of all tertiary students. When combined with Guangdong, this percentage reaches 58 percent.<sup>49</sup> In turn, there was a substantial shift in the class background of students reaching the highest levels of education. The Lee-Campbell Group found that 70 percent of successful late Qing examination candidates came from official or degree-holding families, but 60 percent of Republican-era university students came from merchant or professional families. Together, these radical shifts reflected who had geographic and social access to China's new colleges and universities. Not only were Jiangsu, Zhejiang, and Guangdong the richest provinces in China, but they also held a disproportionate share of its new and best colleges and universities.

At the forefront of Republican-era Chinese higher education were U.S.-linked institutions. American missionaries were particularly active, establishing at least thirteen Christian colleges or universities between the 1860s and the 1920s.<sup>50</sup> Most of these institutions taught in English and six were in Jiangnan, including Shanghai's prestigious St. John's University. In addition, both Tsinghua University in Beijing and Jiaotong University in Shanghai developed through secular American connections. Established in 1911 as a preparatory school for potential Boxer Indemnity scholarship recipients, Tsinghua remained a heavily U.S.-oriented institution even after becoming a university in 1929.<sup>51</sup> Similarly, from its foundation as Nanyang College, Jiaotong University received substantial U.S. aid and developed a heavily U.S.-educated faculty.<sup>52</sup> These institutions' steep tuition and the decline in government scholarships after the fall of the Qing put Jiangnan and Guangdong's new commercial elites in the best position to embrace these new educational pathways.<sup>53</sup>

These pathways led Jiangnan and Guangdong students over the 1910s and 1920s toward increasing connections with the United States. As many as 150,000 Chinese studied abroad before 1949. Around 40,000 graduated, according to the Lee-Campbell Group. Of these, at least 15,000 graduated from Japanese universities, 13,000 from U.S. institutions, and another 13,000 from all European institutions.<sup>54</sup> Japan was the early destination of choice, with as many as 10,000 Chinese students there by 1905, compared with just 200 in the United States.<sup>55</sup> Japanese-educated returnees figured prominently among this era's leading intellectuals, revolutionaries, and educational reformers. Yet as Y. C. Wang first emphasized, Japan's proximity and lower expenses encouraged a high rate of part-time and casual students, such that the vast majority did not graduate, and Chinese public opinion of studying in Japan gradually deteriorated.<sup>56</sup> In contrast, despite being farther and more expensive, the United States became increasingly popular over the 1910s due to the number of U.S.-linked colleges and universities in China, perceptions of U.S. institutions as more open and modern, the rising importance of the English language, Japanese aggression, and active U.S. government recruitment. U.S. Exclusion policies always exempted Chinese students, and both nations collaborated to open educational bridges, from the Boxer Indemnity scholarships (1908) to the China Institute in America (1926). With their comparative wealth and concentration of U.S.-backed institutions, Jiangsu, Zhejiang, and Guangdong

provinces sent most of these students. Between 1909 and 1945, in any given year 57 to 82 percent of Chinese students in the United States came from just these three provinces. When we include where students attended secondary school, over half of Chinese students in the United States identified Jiangsu as their native province or where they attended secondary school.<sup>57</sup> Even more surprising, the Lee-Campbell Group found that roughly 40 percent of Republican-era students in the United States previously attended just fourteen schools in China.<sup>58</sup> Tsinghua and Jiaotong were the first and fourth largest senders, while another eight were American missionary institutions.

These patterns intersected to produce a growing concentration of U.S.-educated elites in the lower Yangzi who gradually achieved substantial influence in at least three key professional areas. The phrase “American-returned students” appears with increasing frequency in the English-language press from the late 1910s, while the Chinese press used terms such as *liumei xuesheng* (留美學生). American Returned Students’ Clubs and American University Clubs appeared in many major cities, and one survey in 1920 counted 1,700 returnees with U.S. degrees, compared to 400 from Britain.<sup>59</sup> Some in the reading public even demanded that American-returned students use these connections to defend China.<sup>60</sup> Initial surveys found that most returnees from the United States became teachers, engineers, or civil servants, but this cohort eventually came to dominate senior Chinese academia and the senior ranks of the Nationalist government.<sup>61</sup> The Lee-Campbell Group has found that a foreign degree was virtually required to reach senior academia before 1949, with 80 percent of full professors reporting their highest degree coming from overseas, and 40 percent of all full professors receiving that degree in the United States.<sup>62</sup> Under the Nationalists, a similar situation developed for senior government positions. Alongside relocating the capital to the Jiangnan city of Nanjing in 1927, the new regime also gradually became dependent on U.S. aid in the Great Depression. It subsequently showed a marked preference for filling top positions with American-returned students. One study found that by 1939 an “astonishing” 71 percent of Nationalist officials had studied abroad, of whom 36 percent had gone to the United States.<sup>63</sup> The longtime director of the China Institute in America testified that the government actively sought “American-trained men” to “put in positions of importance, but there were not enough American-returned students to meet the demand.”<sup>64</sup>

A third concentration developed at the juncture of the modern banking and textile industries in greater Shanghai and Tianjin. By 1937 more than half of China's factories were in greater Shanghai, followed by Tianjin and the Wuhan tri-cities.<sup>65</sup> While exaggerated by the Japanese seizure of Manchuria in 1931, this hyperconcentration reflected these two cities' layered advantages: plentiful labor, rail and steam networks, foreign legal protections, and concentrations of the modern Chinese-capitalized banks that rose after the Qing's abdication. There was a financial symbiosis between the textile and modern banking sectors in the 1910s and 1920s. In what Marie-Claire Bergère termed the first "golden age" of Chinese capitalism, both sectors were expanding rapidly amid the First World War's elimination of European competitors and patriotic boycotts against Japanese and British imperialism.<sup>66</sup> In turn, as Tomoko Shiroyama has emphasized, cotton spinning is a highly competitive global industry that incentivizes economies of scale. As a result, the Jiangnan textile mills rapidly became dependent on banks for unsecured credit to purchase cotton, low-cost loans borrowed against fixed assets to fund further expansion, and reliable foreign exchange.<sup>67</sup> This deep interlinkage was often undergirded by native-place *guanxi* between industrialists and bankers. For example, scholars have long noted that these modern banks were predominantly led by men from Jiangsu and Zhejiang who used native-place ties to secure investment and compose their boards.<sup>68</sup> The same held true for the textile industrialists. Yet Brett Sheehan has cautioned against overstressing native place, pointing out that different "blocs" of bankers routinely cooperated across supralocal networks as self-conscious professionals and cosmopolitans.<sup>69</sup> Educational networks were one such path to supralocal cooperation. The bond among classmates or *tongxue* (同學) is important across Sinophone cultures, and American missionary and/or U.S. higher educational backgrounds feature prominently among the era's leading bankers.

"K. P." Chen Guangfu (陳光甫) exemplifies the American-returned students who spearheaded the entwined development of Jiangnan's banking and textile industries. The future founder of the Shanghai Commercial and Savings Bank (SCSB), Chen was born into a Jiangsu merchant family, but his father moved the family to Hankou when he found work in a customs brokerage firm. Chen had his own apprenticeship at the firm while studying English at night. He then worked for Hankou's British-run postal service and later claimed to model the SCSB's management practices after the disciplined and efficient British.<sup>70</sup> He learned banking



in the United States, however. According to a biography penned by his longtime friend, native-place associate, and banking colleague Zhang Jia'ao (張嘉璈), Chen also studied bookkeeping at a local commercial college and began working for the Chinese Maritime Customs Service in Hankou but resigned because of British mistreatment. He then moved to the Hanyang Iron Works, where comprador Jing Weixing (景維行) recognized his talents. Jing both arranged Chen's marriage to his daughter and lobbied Huguang governor-general Duanfang (端方) to add Chen to Hubei's delegation to the St. Louis World's Fair in 1904.<sup>71</sup> The subsequent journey was transformative for Chen. In St. Louis he introduced himself to the revolutionary Sun Yat-sen (孫中山) and became "bosom friends" with future finance minister Kong Xiangxi (孔祥熙). Chen decided to stay and study, first taking bookkeeping, typing, and correspondence classes in St. Louis. He wrote to the Chinese Embassy in Washington for financial aid and was granted US\$100 a month by Ambassador Liang Cheng (梁誠), a CEM alumnus who was then negotiating the return of the Boxer Indemnity. After trying out Simpson College and Wesleyan, Chen settled on the University of Pennsylvania's Wharton School, where he spent three years studying economics, commerce, and the U.S. banking system.<sup>72</sup> After graduation in 1909 he worked in an American bank for a year before returning to China, where he first served as secretary to the governor of Jiangsu, then worked in a traditional bank, and finally revolutionized operations at the Jiangsu Provincial Bank. He also became a consultant to the new Bank of China, where he befriended Zhang Jia'ao, himself a graduate of Japan's Keio University.<sup>73</sup>

Together, these experiences and networks enabled Chen to found the SCSB and make it a success. In 1915 he secured the necessary backing for the bank through Zhang and the Zhejiang Industrial Bank's Li Ming (李銘), a graduate of an American missionary school in Hangzhou and the Yamaguchi Commercial College. He then implemented British management and American banking practices, while hiring German banker Gustav Baerwald to guide foreign exchange activity and the older Tang Yuanzhan ("Y. C." Tong Yuen-cham, 唐元湛) as his managing director. Tang was a Guangdong native and another CEM alumnus who had spent thirty years in the Telegraph Administration, as well as serving as a Rotary Club officer and board member at Fudan College.<sup>74</sup> Chen chose yet another American-returned student as his submanager, hiring St. John's and Yale graduate Zhu Chengzhang ("S. C." Chu, 朱成章) in 1917.<sup>75</sup> Chen thus

drew on many networks and resources to launch the SCSB but demonstrated the value he set on his American college and banking experiences by developing a US\$2 million fund to sponsor SCSB staff for advanced training in the United States. In turn, this U.S.-trained senior staff helped the SCSB to expand its international branches so that by the mid-1920s it was both China's leading conduit of foreign exchange and the favored lender to Shanghai's industrialists.<sup>76</sup>

As we will see repeatedly throughout this study, Chen became a key early node at the heart of the expanding network of U.S.-educated bankers, industrialists, and academics centered in Shanghai. A high proportion of the textile industrialists were also graduates of American missionary schools and/or U.S. higher education, such as P. Y. Tang, Mu Xiangyue (穆湘玥), Xue Shouxuan (薛寿萱), and Song Feiqing (宋斐卿). Many first met in the United States through organizations such as the YMCA-backed Chinese Students' Christian Association in North America (1909), while after return they used their American educations to build useful business relationships through shared contacts, their ability to speak English, and their knowledge of foreign business practices such as the limited liability company.<sup>77</sup> By 1919 Shanghai's press noted these interconnections, with multiple papers attributing the "sensational development" of the cotton industry to returned students and their access to capital: "Most of the growth is in the hands of American returned students who are trying their best to persuade the wealthy men to take interest in the industry."<sup>78</sup> In turn, some industrialists such as the Kwoks (Guo) of Wing On tapped into these networks by selecting U.S.-educated managers, not native-place associates.<sup>79</sup> Returnees from the United States were also social outside business, Chen, Mu, and Bian Baimei (卞白眉) all serving as officers in American Returned Students' clubs. In 1924 Shanghai's American Returned Students' Club even moved its meetings into the Cotton Goods Exchange, as Mu Xiangyue was leading both organizations.<sup>80</sup> Transpacific educational networks thus seem to have mirrored native-place *guanxi* in creating clusters of interlinked associates and overlapping organizations, albeit on a much smaller scale.<sup>81</sup>

Thus by the Nanjing Decade (1927–1937) an elite network of interconnected American-returned students was becoming concentrated in both Jiangnan and key professional clusters. As we will see throughout this study, this cohort suffered from the Nationalist government's increasing cronyism but benefited from its dependence on U.S. aid over the Great

Depression and Second World War, positioning these American-returned students to use their transpacific networks to profit from this diplomatic relationship. Such activities and connections would also increase their incentives to flee when China's civil war turned.

### The Painful Choice

Despite prevailing over Japan in August 1945, China saw prolonged tremendous human suffering across the nation with the resumption of the civil war in June 1946 and the gradual collapse of the Nationalist regime. Together these wars killed more than thirty million people and dislocated unfathomable numbers, with as many as fifty million refugees by 1948.<sup>82</sup> Thus the flight of roughly 700,000 people to Hong Kong during the communist transition was a small part of a vast human uprooting. Yet this relocation forever changed Hong Kong, and thus capitalism itself. While ordinary migrants' motivations have remained difficult to characterize, previous scholars have analyzed the considerations that informed elite capitalists' decisions to stay or flee, from each figure's age and familial obligations to their relationship to Chinese nationalism and the nature of their business.<sup>83</sup> Magnates of heavy industry such as the Tianjin chemicals industrialist Li Zhuchen (李燭塵) were unlikely to leave, while bankers and light industrialists were much more inclined to do so.<sup>84</sup> Others have noted that many rehearsed escape during the war, with around seven hundred Shanghai factories relocating to neutral Hong Kong between 1937 and 1940.<sup>85</sup> Two less noted factors include industrialists' religion and education. For deducible reasons, Christians and those with British or American educations were more likely to flee, while fewer Japanese-returned students seem to have fled to Hong Kong, perhaps because of their higher rates of military and government service.<sup>86</sup> For capitalists, Hong Kong was the preferred destination over Taiwan because it was a free port of entry with minimal trade or financial controls. By mid-1946 the colony's newspapers were already chattering about "refugee businessmen from Shanghai" and documenting the transfer of companies, capital, and children.<sup>87</sup> K. P. Chen grumbled in his diary in April 1948 that the textile industrialists were the highest flight risks. Instead of supporting the government, "they would rather spend [their capital] in purchasing spindles and factory sites in Hongkong. . . . Mentally, they prefer to have nothing

to do with the Government; they want to go ahead and build their own empire.”<sup>88</sup>

The Tang family that opened this chapter epitomizes the U.S.-oriented textile industrialists who fled. Previous scholars have analyzed Wuxi’s industrial boom of the 1910s and 1920s, in which the Tangs were leaders.<sup>89</sup> Born in 1898, P. Y. Tang grew up in Wuxi as the son of cloth merchant Tang Baoqian (唐保歉), who had little formal education but studied in a traditional Chinese bank and then strategically invested in industrial operations that catered to life’s basic needs: food, clothing, housing, and transport.<sup>90</sup> These included the Qingfeng textile mill, the Jiufeng flour mill, the Jinfeng silk filature, the Runfeng vegetable oil plant, the Yiyuan rice mill, and the Linong brick factory.<sup>91</sup> P. Y. first studied at St. John’s in Shanghai and then proceeded to the U.S.-endowed Tsinghua in Beijing (figure 1.2). He received a Boxer Indemnity scholarship in 1920 and studied at the Lowell Textile School before transferring to MIT. He graduated in 1923 with a degree in management and returned to Wuxi after the death of his older brother. Despite the intermittent Jiangsu-Zhejiang wars, he participated in the “golden age” by expanding the Qingfeng and Jiufeng mills and profitably applying his American education. He reorganized the factories and implemented American management techniques, such as training professional textile engineers and shifting worker recruitment from *guanxi* networks to skills-based assessments. Tang also invested in new industries, including the Jiangnan cement plant in Shanghai and later the Chrysler car agency for China.<sup>92</sup> He was also a Wuxi booster, serving as president of its Rotary Club and penning pieces in Shanghai’s press that touted the city as “the Pittsburg of China.”<sup>93</sup>

Similarly to K. P. Chen, Tang demonstrated the value that he attached to his American education through his marriage and children’s education. After he returned, his first wife tragically died in childbirth. Tang then remarried into a Cantonese Christian family that similarly prized international education. His second wife, Kinmay, had studied in England but returned to teach at Shanghai’s prestigious McTyeire School, run by American Southern Methodists (figure 1.3). Her father, Wen Bingzhong (Wan Bing-tsung, 温秉忠), was another CEM alumnus and by 1924 was the superintendent of customs in Suzhou. Kinmay’s mother hailed from the devoutly Methodist Ni family (倪), and Kinmay’s famous Song first cousins also studied at the McTyeire School and then in the United States. Before achieving international fame, the three Song sisters attended



*Figure 1.2* A young P. Y. Tang, likely as a Tsinghua student. Courtesy of the Tang family.



*Figure 1.3* A young Kinmay Tang. Courtesy of the Tang family.



school in Georgia and at Wellesley, while their brother “T. V.” Song Ziwen (宋子文) attended St. John’s and Harvard. And for their own children, P. Y. and Kinmay Tang first selected an American missionary school in Wuxi affiliated with St. John’s.<sup>94</sup> Tang thus married into the core of the U.S.-oriented Nationalist elite, and this extended family consistently combined American missionary schools, U.S. and British higher education, and capitalist industrial development over generations. They cemented these new generative patterns through marriages into similar families and invested in the children’s bilingualism and biculturalism from infancy. After higher education in primarily the United States, each generation returned to exploit the knowledge, networks, and access that they gained.<sup>95</sup> In turn, while Jack Tang later testified that “we stayed away from” the Song family because his father was “too proud to want to make use of that connection,” that assertion is suspect. For one, P. Y. Tang was the only industrialist invited onto the prestigious Academia Sinica’s new Advisory Council in 1935.<sup>96</sup>

After weathering the war in the French Concession, the Tangs utilized their financial and social capital to negotiate the dislocations of the communist transition. While many industrialists fled to Hong Kong during this upheaval, their businesses often did not survive transplantation. Success favored those who abandoned ship in advance, did not return, and attached themselves firmly to the United States. For example, previous scholars have focused on the Rong family, another Wuxi clan and Republican China’s largest textile industrialists.<sup>97</sup> The Rong group was a behemoth, but its size hindered relocation. One branch chose to remain in the PRC, while other family members scattered across the world in the 1940s. Two family members came to Hong Kong in 1947 and launched the Nanyang Cotton Mill but did not recover a similar preeminence. The family would play a revived role in the Reform era though, as will be discussed in chapter 7.<sup>98</sup> In another example, by 1947 the Northwestern graduate Song Feiqing was also rerouting cash and machinery to Hong Kong and his children to the United States, but he stayed in Tianjin and tried to manage his mills under communist rule. When this proved untenable, he and his remaining family fled to the colony in 1950. His brief time in the PRC tainted him politically though, forcing him to retire and preventing U.S. immigration. They migrated instead to Argentina, where Song died in 1955 a broken man.<sup>99</sup>

In contrast, the Tang family’s methodical evacuation strategy reflected a clear-eyed reading of shifting state power and capitalized heavily on



their accumulated transpacific ties. When peace came in August 1945, P. Y. Tang recognized China's instability and began preparing exit strategies. He bought real estate in Taiwan in 1946 and the next year began rerouting machinery and staff to Hong Kong.<sup>100</sup> Simultaneously, his brother Tang Yeh-chu and nephew "H. C." Tang Xiangqian (唐翔千)—a graduate of Manchester University and the University of Illinois—also began relocating to Hong Kong.<sup>101</sup> P. Y. and Kinmay also positioned their children as they did their business interests. Jack had entered Jiaotong University in 1944, where he met his future wife Madeleine Huang Yue-mei, a St. John's student. Jack's attendance at Jiaotong was simply "transitional" though. His father demanded his degree be American, too. In May 1946 the nineteen-year-old went to the United States, beginning at Brown and transferring to his father's alma mater, MIT. The intrepid Kinmay then took all the other children two-by-two to the United States over 1947 and 1948. Jack graduated from MIT in 1949 and proceeded to Harvard Business School (HBS). As his father restarted operations in Hong Kong, Jack and Madeleine married and had three children in Boston (figure 1.4).<sup>102</sup> After a bout with tuberculosis, Jack graduated from HBS in 1953 and spent two years working for Mobil in New York, specifically because it was their energy supplier in Hong Kong. Both Jack and Madeleine received permanent residence as "displaced persons" in 1953, while Jack naturalized as a U.S. citizen in 1955.<sup>103</sup> And while all his siblings finished college and settled in the United States, Jack returned to Hong Kong in May 1955 as the junior partner in his father's reborn business, South Sea Textiles (南海紡織有限公司).<sup>104</sup> As I will explore in chapter 5, these intangible assets were crucial to South Sea's emergence by 1970 as the colony's largest manufacturer.<sup>105</sup>

The family of industrialist Liu Hongsheng (劉鴻生) offers a contrastive example of Jiangnan elites who pursued similar strategies but ultimately remained in the PRC. As analyzed by Sherman Cochran and Andrew Hsieh, between 1929 and 1937 Liu cultivated a mixed portfolio of international social capitals by sending his children to a layered set of British, Japanese, and American educational institutions. Liu had been born in Ningbo and came to Shanghai to attend St. John's Middle School and St. John's University. This American missionary education left him "in awe of U.S. power."<sup>106</sup> His subsequent bilingualism led to his first job in 1906 as an interpreter for the British police in Shanghai's International Settlement. In 1907 he married Ye Chengzhong's daughter, and in 1909



*Figure 1.4* Jack and Madeleine Tang with children Martin and Nadine, Arlington, Massachusetts, 1951. Courtesy of the Tang family.

the head of Shanghai's Association of Ningbo Sojourners placed him into a job with the British-owned Kailuan Mining Administration, illustrating native-place *guanxi* at work.<sup>107</sup> As with P. Y. Tang, the First World War brought a breakthrough by enabling him to become Kailuan's chief comprador, and he then invested in a spate of industrial ventures, such as match and briquette factories, a cement plant, and a woolen mill.<sup>108</sup> While relying on native-place *guanxi* to staff his factories and market their production, Liu pursued similar educational strategies to the Tangs for his children, sending all eleven to the St. John's schools followed by foreign colleges and universities that would position each child to acquire useful knowledge, contact networks, and future markets.<sup>109</sup> Liu first pushed his

three most promising sons to study at Cambridge, but over the 1930s his empire evolved and he now favored the industrial powerhouses of Japan and the United States. The first, fifth, and eighth sons studied at prestigious U.S. schools such as HBS, Penn's Wharton School, and MIT, as well as interning in the American coal industry and at Westinghouse. The sixth and seventh sons studied in Japan, and the sixth son interned at the Mitsui Trading Company, Japan's biggest international corporation. The three Liu daughters studied in succession in Japan, England, and the United States. The Liu children often rebelled and confronted grave challenges overseas, but their parents continued to dispatch them and made each promise to return to Shanghai, to work in the family business, and not to marry foreigners. These guidelines governed the family's fate.

After the Japanese invasion the Lius at first cultivated both Japanese and American social capital, but after 1945 they became firmly U.S.-oriented. In 1937 Liu first went to Hong Kong and then Chongqing at the invitation of Chiang Kai-shek. There he and his younger sons worked with the Nationalists to launch a spate of mills and factories, but his elder sons remained in Shanghai and collaborated with the government of Wang Jingwei (汪精衛). As U.S. aid became crucial to China's war effort, Liu urged his fourth son "to socialize with young American intelligence officers in the U.S. Office of Strategic Services" and to join Chongqing's Masonic Lodge. With the Allied victory, however, the appeal of Japanese social capital collapsed, and those who bet on it paid dearly. The Liu family now tried to attach itself solely to the Nationalists and the United States. They wielded these connections to bury charges of wartime treason and secure lucrative positions in China's U.S.-backed reconstruction effort through the new United Nations Relief and Rehabilitation Administration (UNRRA) and the China National Relief and Rehabilitation Administration (CNRRA). They "set out to gain the confidence of their American supervisors" and then "took advantage of their positions . . . to rehabilitate their family's businesses."<sup>110</sup> Through the CNRRA and UNRRA—which spent more money in China than anywhere else—they directed mountains of aid to the family's wharves and warehouses, siphoning "handsome profits" and new machinery.<sup>111</sup> Such profiteering from U.S. aid even became political fodder, as K. P. Chen recorded in June 1948. In the Legislative Yuan, a representative "got up and attacked the American-returned students, citing the CNRRA as an example," and claimed they "brought into the organization extravagant habits."<sup>112</sup> Indeed, Liu reinvested

in such manifestly profitable American connections by sending his sixth and eighth sons back to the United States.<sup>113</sup>

With the turn in the Chinese civil war, Liu considered multiple options. Like Song Feiqing and P. Y. Tang, he invested in Taiwan in 1947 and sent two sons to manage these assets. Also like Tang, his faith in the Nationalists soured as hyperinflation set in and their policies turned increasingly predatory.<sup>114</sup> Liu subsequently ruled out Taiwan and unsuccessfully urged his sons to return. When communist forces reached Shanghai in May 1949, he and several associates again fled to Hong Kong. He explored business opportunities for six months and evaluated reports from Shanghai. His sons were impressed by the new PRC and pleaded for him to return. Like shipping baron Lu Zuofu (卢作孚), Liu also received personal reassurances from Zhou Enlai.<sup>115</sup> After a new venture in Hong Kong failed, the sixty-one-year-old decided to return. Over the next few years, the former tycoon underwent a seemingly genuine socialist conversion. Yet in 1952 he and his sons were attacked during the Five Antis Campaign and reconsidered flight to Hong Kong. It was too late. In early 1956 the family's remaining assets were nationalized, and Liu passed away on October 1. With two sons in Taiwan, five other Liu children trickled out to Hong Kong and the United States during the 1960s and 1970s, while three remained and suffered in the Cultural Revolution. None of the children revived the family business.

The Tang and Liu families provide snapshots of the competing interests that governed the decisions of Jiangnan's elite capitalists, but by late 1948 hundreds of thousands were in flight. When the last Nationalist stronghold in the Northeast fell in October, British and U.S. authorities urged their citizens to evacuate.<sup>116</sup> Air passage out of Beijing and Shanghai then became jammed, while the U.S.-backed Civil Air Transport (CAT) evacuated thousands from Shenyang and Jinan.<sup>117</sup> Two Hong Kong papers blamed the departure of U.S. citizens for spreading rippling "dismay" among foreign-connected Chinese.<sup>118</sup> With air and rail passage booked, tens of thousands turned to ships. Throughout November and December 1948, the *SCMP* documented the diverse groups sailing aboard U.S. Navy and commercial vessels from Tianjin and Shanghai. By January 1949 the Associated Press reported Shanghai's international communities had dwindled "to less than 2,000 Americans, and probably slightly more British."<sup>119</sup> While one Hong Kong headline blared that Shanghai residents were "fleeing for refuge in droves" as the "fires of war" approached, another rightly emphasized: "The

bulk of the population has no choice but to remain and face whatever the future holds in store.”<sup>120</sup>

As hyperinflation erased lifetimes worth of savings and the urban social order disintegrated, aspiring travelers turned desperate, and their opportunities to extract durable assets shrank even further. Ticket prices were astronomical, and most people could only take what they could carry. Even then, it was illegal to remove assets such as gold from the country, and attempted smuggling led to many arrests. Nonetheless, there was wild press speculation about the capital in flight. Economist Edward Szczepanik later estimated that HK\$7.1 billion reached Hong Kong from abroad between 1947 and 1955—today, at least US\$12.6 billion.<sup>121</sup> Within this torrent of capital, however, many saw U.S. connections. Shanghai’s U.S.-educated mayor, “K. C.” Wu Guozhen (吳國楨), suddenly left for medical treatment in the United States, while the Song family was caught dispatching planes full of U.S. dollars.<sup>122</sup> A *Wen Wei Po* cartoon in November 1948 succinctly articulates such perceptions of American connections undergirding this wealth transfer. Entitled “Shanghai’s Great Turmoil” (figure 1.5), the cartoon depicts windowless buildings shaking as chaos reigns. A hungry mob with rice bowls aloft tears through the streets. A shootout grips the lower right, while a figure on the left dives off a rooftop. A pipe-smoking bank surveys the scene with the sign “礼義廉恥” (*li yi lian chi*) falling off its façade. Meaning ritual, rightness, integrity, and a sense of shame, this *chengyu* had been the official slogan of the 1930s New Life Movement. Now, the fourth character, meaning “shame,” has poignantly fallen off. Others hang from windows with bags outstretched, reaching for the exiting U.S. warplane, piloted by a Popeye lookalike. And behind the plane stream U.S. officers and Chinese elites clinging to each other, bags, and gleaming treasure.

Over the late Qing and Republican eras, the Jiangnan bourgeoisie built layered educational and business ties to the world’s leading empires. These ties were a strategic response to foreign imperialism and domestic instability, while accelerating the industrial development of greater Shanghai and other treaty ports. U.S. ties had become increasingly useful, but only the destruction of the Japanese Empire, the decline of the British Empire, and the turn in the Chinese civil war cemented American social capital’s pre-eminence. Some, such as the Tangs, put all their chips on it. Others, such as the Lius, divided their efforts or held back. These were painful choices in which families were wrenched apart. As K. P. Chen wrote when



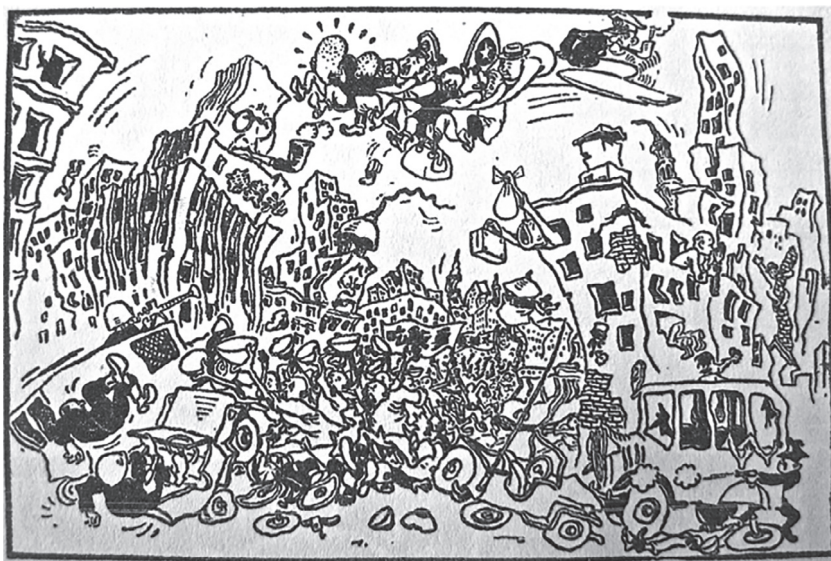


Figure 1.5 “上海大騷動” or “Shanghai’s Great Turmoil,” *Wen Wei Po*, November 12, 1948, 1.

considering flight in January 1949: “In the event of a Communist victory and I follow my original plan to get out of here, I may be regarded as one of Chiang’s [Kai-shek] men and may never be allowed to come back again. . . . I must consider this point very carefully before making a decision.”<sup>123</sup> He and his wife evacuated to Hong Kong on April 25, 1949, as he informed his attorney on Wall Street.<sup>124</sup>

### Hong Kong’s First Reorientations

The Second World War cracked the racial and economic systems of Britain’s Asian empire. Under a brutal Japanese occupation, Hong Kong’s population declined by deaths and forced removals from 1.4 million to about 400,000 people. British troops liberated the colony in August 1945, but only with U.S. blessing and aid.<sup>125</sup> Throughout late 1945 and 1946 the colony was awash in British and American troops. Resident “Fan Kwai” (Foreign Devil) remarked facetiously in the *SCMP*: “Is this Colony at present British, Chinese or American?”<sup>126</sup> While the U.S. Navy had called at Hong Kong for decades, American GIs were a less familiar presence and

elicited considerable press coverage throughout 1946. This U.S. military presence made tangible the war's shifts in state power, although some Britons hoped to revive "Britain in China."<sup>127</sup> Traffic in Shanghai even switched from the British left side to the American right side on January 1, 1946, while in Hong Kong the American Club's reopening in July 1948 featured unprecedented guests: both the new governor, Sir Alexander Grantham, and his American-born wife, Maureen.<sup>128</sup>

Hong Kong's trade networks revived quickly, buttressed by new links to the emergent U.S.-led order. APL renewed its service to California in spring 1946 through U.S. government assistance, cheaply acquiring two decommissioned U.S. Navy transports.<sup>129</sup> In August Pan-American Airways received authorization to launch regular service between Shanghai, Hong Kong, and Calcutta, making it "the first single airline to fly round the world."<sup>130</sup> In late 1947 Globe Wireless opened the first radio-cable service between Hong Kong and the United States via Manila, while in September 1948 the U.S. government initiated the first air parcel delivery service between the United States and the colony.<sup>131</sup> Simultaneously, discharged American servicemen were exploring prospects in the colony, including the Texan Roy Farrell, who in 1946 founded what would become Cathay Pacific.<sup>132</sup> While steam and telegraph networks had furnished game-changing connections to Europe and North America in the 1860s, this infrastructure positioned Hong Kong for Cold War opportunities.

Simultaneously, the restored colonial regime began lowering previous barriers to outside investment in 1948 and 1949. At the urging of the émigré industrialists, the regime first removed restrictions that prohibited women and children from working night shifts, allowing for their increased exploitation. K. P. Chen praised these shifts in his diary while lamenting Shanghai's disintegration: "It is now possible for factories to go on three shifts a day meaning a 24-working-hour basis, as it was not in the old days. It is also possible to use child labor in Hongkong . . . under the good name of apprenticeship."<sup>133</sup> Previous imperial policies had also stymied non-British investment in order to protect the Sterling Area and Imperial Preference. Those too now receded as Imperial Preference was subsumed within the General Agreement on Trade and Tariffs (GATT) from 1947. One cumbersome regulation had required all foreign companies to apply to the Governor-in-Council for consent to acquire any "immovable property," even for something as minor as renting an auto



shop.<sup>134</sup> In early 1949 the regime amended these regulations and permitted foreign corporations to acquire immovable property without government consent, bringing Hong Kong law “into line with that now existing in the United Kingdom.”<sup>135</sup> Soon after, the Imports and Exports Department was renamed the Department of Commerce and Industry, and officials began offering below market-rate leases to industrial ventures. These combined shifts made the colony much more attractive to global capital, particularly to Jiangnan industrialists in flight.<sup>136</sup>

Rising U.S. power and weakening British systems first enabled those with U.S. ties to carve new social opportunities on the ground. The mixed-race union of the Cantonese heiress Ansie Lee and the American banker Henry Sperry encapsulates these possibilities, as well as offering another lens into the transplantation of Jiangnan’s U.S.-oriented bankers and industrialists. Ansie Lee was the youngest child of tycoon Lee Hysan (利希慎), an opium merchant and real estate developer who was famously assassinated in 1928.<sup>137</sup> Born in the Kingdom of Hawai‘i in 1881, Lee Hysan had returned to Hong Kong and risen through the colony’s traditional pathways: British schools, the opium trade, shipping, and real estate. He secured traditional summits of social power such as chairing the Tung Wah board and invested in the SCSB, which led to a close relationship between K. P. Chen and the Lee family.<sup>138</sup> He also prioritized British education for his children. Born in 1914, Ansie attended boarding schools in England and later studied Mandarin in Beijing, where she befriended the daughters of the U.S. military attaché, Joseph Stilwell. Yet in Hong Kong British-educated Chinese elites still confronted colonial hierarchies, such as in 1925 when Ansie’s brother Richard was denied membership in the segregated Jockey Club.<sup>139</sup> White supremacy defined colonialism, and neither money nor education could surmount such discriminations until the war transformed this context and the renamed Ansie Lee Sperry leveraged American social capital to break through.

Ansie Lee met Henry Sperry when they were both Japanese prisoners in the Los Baños internment camp near Manila. Ansie had been sailing off the Philippines with Chiang Kai-shek’s Australian aide W. H. Donald when the Pacific War broke out.<sup>140</sup> “Hank” had been working for First National City Bank in Asia since 1930, staffing its operations in Kobe, Osaka, Shanghai, Hankou, and Manila.<sup>141</sup> Since he was a U.S. citizen and she was a British subject, the Japanese imprisoned them both. Despite nearly starving, they fell in love. When U.S. forces liberated the camp in

February 1945, Hong Kong was still occupied, so Ansie was “repatriated” to the United States, “a country I had never set foot in before!” Her siblings wired her money through the Chinese consulate in San Francisco, and she spent the next year studying at Berkeley and Columbia, as well as visiting friends, such as the Stilwells and Song Ailing (宋靄齡) in New York.<sup>142</sup> Hank and Ansie also prepared to be married.

Unlike generations before them, Lee and Sperry’s mixed-race union did not limit their prospects but instead demonstrated the transfer of international power from Britain to the United States and the ensuing U.S. renovation of transpacific racial codes. As noted, before the Second World War interracial marriages were forbidden in Hong Kong. Figures who violated this convention had faced social death into the 1930s.<sup>143</sup> While sexual relations between American GIs and Chinese women became a source of great tension in wartime Sino-U.S. relations, marriages gained increasing acceptance in the late 1940s if the husband was a white American.<sup>144</sup> Due to their mutual prominence, this particular match piqued the attention of U.S. and Nationalist authorities. In San Francisco, the couple socialized with one of First National’s chief legal counsels. Ansie recalled that these meetings allowed the lawyer to “vouch for me when the bank officials were later determining whether I was ‘suitable material’ for one of their officers.” This elitist investigation worked both ways. In New York, when Sperry informed bank chairman Gordon Rentschler of his engagement, Rentschler replied: “‘Yes, I know.’ Someone in Washington had asked who Henry Sperry was!” Ansie’s brother Harold was working for the Chinese ambassador in London, Guo Taiqi (郭泰祺), a 1911 graduate of the University of Pennsylvania. When Guo came to the United States in 1946 for the founding of the United Nations, he directed the Chinese Embassy to enquire with First National about Sperry.<sup>145</sup> Both sides consented that it was, indeed, appropriate. The wartime alliance, the repeal of Chinese Exclusion in 1943, U.S. imperial expansion into Asia, and their mutual social capital all coalesced to sanction this union.

The couple’s wedding was thus a private encapsulation of the Sino-American alliance and represented the vanguard in a broader reworking of class and racial hierarchies in the postwar U.S.-led Pacific. Henry Sperry returned to Shanghai in January 1946 to reestablish First National. While the bank’s regional operations were now “largely determined by the demands of the American military,” the Shanghai branch looked to expand its middle-class clientele by waiving its prewar requirements that

clients be introduced by an account holder and sign in English.<sup>146</sup> Ansie returned in June, and they were married in July 1946 at an Anglican church (figure 1.6). K. P. Chen stood in for Ansie's father, while First National's manager Red Reed hosted the reception. And together the Sperrys helped integrate the two states' leading financiers and diplomats, as exemplified by one dinner party in 1948 hosted by a British-American Tobacco executive. The other guests included the Sperrys, several of Ansie's siblings, the U.S. consul, Song Qingling (宋慶齡), and L. K. Little, the American head of the Chinese Maritime Customs Service.<sup>147</sup> These integrative possibilities were open to nonelites, however. Amendments to the War Brides Act in 1946 and 1947 first permitted nonquota entry for Asian war brides and thereby sanctioned mixed-race marriages before U.S. courts struck down antimiscegenation laws.<sup>148</sup> In Hong Kong, weddings soared between Chinese women and U.S. servicemen of both European and Chinese descent, with flights even chartered to transport them.<sup>149</sup>



*Figure 1.6* The wedding of Henry M. Sperry and Ansie Lee, Shanghai, July 1946. Courtesy of Victoria Sperry Merchant.

A record 3,600 Chinese nationals were admitted to the United States in 1948.<sup>150</sup> As Naoko Shibusawa has argued, Cold War tensions led mainstream Americans to rapidly reinterpret allied Asian peoples as feminine and childlike in order to naturalize U.S. leadership.<sup>151</sup> These imperial logics and the expanding U.S. military presence in Asia gradually endorsed interracial marriages between Euro-American males and Asian females.

Before fleeing Shanghai in 1949, Ansie used these shifts to successfully apply for naturalization as a U.S. citizen, and this passport positioned her to pioneer kuashang strategies. Once in Hong Kong, she wielded her new American social capital to shatter colonial glass ceilings. The Sperrys settled into a home on the Peak but found their union “was absolutely unheard of.”<sup>152</sup> Yet the very same colonial clubs that previously denied her brothers no longer dared to deny her membership as an American. Ansie Lee Sperry thus became the first Chinese member of the Royal Hong Kong Yacht Club, the Hong Kong Club, and the Shek O Golf Club. “I was rather glad to be a wedge,” Ansie said, “although the British really liked Hank’s conservative ways.”<sup>153</sup> It did not hurt that she spoke with a posh British accent, but the breakthrough depended on her new U.S. connection. While British hongts such as Jardine’s and Swire’s purportedly continued to forbid interracial marriage among their employees into the 1970s, the biracial Sperrys became the face of First National to major clients in Hong Kong and across the region (figure 1.7).<sup>154</sup>

First National tasked the Sperrys to remain in Hong Kong in 1949 because Hank’s top Shanghai clients, the textile industrialists, had also relocated. In contrast to the SCSB or the Hongkong and Shanghai Bank, which had longstanding relationships with these clients, First National became a player in Shanghai’s industrial lending only by serving as a conduit for postwar American aid. After the war the Shanghainese spinners urgently needed new spindles and a steady supply of raw cotton. Both goods came primarily through U.S. and UN aid and financing from First National.<sup>155</sup> A former bank staff member testified: “The Americans and Chinese had just signed an agreement to import cotton. We needed to import large amounts of cotton as there was strong demand for clothing among Chinese people after the war. . . . Business was excellent and in 1946 and 1947, we met a lot of the owners of Chinese spinning factories.”<sup>156</sup> Amid hyperinflation, U.S. aid became so imperative that by March 1948 the Central Bank of China was still negotiating with First National to use its last gold reserves in New York as collateral to finance



Figure 1.7 Henry Sperry, Ansie Lee Sperry, and Jacqueline Kathe at the opening of Citibank's Taipei branch, 1965. Courtesy of Victoria Sperry Merchant.

US\$10 million of American cotton imports.<sup>157</sup> By April 1949 K. P. Chen wrote bluntly in his diary: "Without American aid, the Shanghai business, including our own Bank, would have gone broke long time ago [*sic*]."<sup>158</sup> While postwar U.S. aid thus seeded a new financial relationship between Chinese industrialists and a multinational American bank, through Chen and the Sperrys we see how elite personal connections undergirded the transplantation of this relationship from Shanghai to Hong Kong. And the Lee family was actually embedded across several banks. With Sperry heading First National, Chen appointed Ansie's brothers Richard and Harold as the SCSB's Hong Kong branch managers, while their cousin "Q. W." Lee Quo-wei (利國偉) was then a rising executive at the Hang Seng Bank.<sup>159</sup> Chen viewed the Lee family's networks as so important that, even after discovering that the brothers had violated bank policies by availing themselves of a large loan, the normally earnest Chen let the incident go, explicitly due to their social standing.

After relocating, the émigré industrialists at first began to revive their operations within Hong Kong's traditional Southeast Asian and British

imperial trading networks. In late March 1949 Chen reviewed the SCSB's Hong Kong branch and found it was financing imports of HK\$4.59 million (US\$1.1 million) of raw cotton, by far its largest overseas purchasing activity.<sup>160</sup> The bank was also issuing other short-term loans to many émigré industrialists, often with only the cotton itself as collateral. As a longstanding client from Shanghai, P. Y. Tang and South Sea already had an "overdraft" of HK\$335,000.<sup>161</sup> Yet Chen also recorded that the vast majority of yarn and textile exports being financed by the Hong Kong branch were bound for regional or Commonwealth markets, such as Bangkok, Singapore, Chittagong, Dar-es-Salaam, and Mombasa.<sup>162</sup> In Chen's review, not one shipment was headed to the world's largest market, the United States.

Within ten years, however, the United States would transform into the dominant export market for Hong Kong textiles, and that reorientation began through the Korean War.<sup>163</sup> Britain had recognized the PRC in January 1950 in an effort to maintain existing commercial links, but a continued Nationalist naval blockade hurt Hong Kong's exports to the mainland. Simultaneously, the traditional Southeast Asian and Commonwealth markets were going through their own political and economic upheavals. As Jack Tang explained: "By 1950 a lot of [spinners] had inventory piled up. . . . If the Korean War hadn't come, maybe a lot of them would have gone bankrupt." The war's outbreak in June 1950 triggered a key shift. While some, such as Tang's uncle Tang Yeh-chu, panicked and fled to São Paulo, a temporary trade boom ensued that "saved the situation" owing to regional stockpiling and U.S. military orders.<sup>164</sup> Hong Kong's trade soared through late 1950 and early 1951, allowing many textile industrialists to repay their initial overdrafts, as we will see in chapter 5. Yet after the PRC entered the war in October 1950, Washington responded in December by issuing a total trade embargo and freezing all PRC-owned U.S. dollar accounts. Beijing retaliated by seizing all U.S. assets in China.<sup>165</sup> Once the United Nations imposed its own embargo on the PRC in May 1951 with British support, the colonial government was legally obligated to enforce these measures. The embargo's enforcement procedures took time to coalesce, but the long-term legal implications were clear to some. As soon as December 29, 1950, K. P. Chen instructed his staff to sever all ties with their mainland offices and reincorporate the SCSB as a Hong Kong company, now just the Shanghai Commercial Bank.<sup>166</sup> He understood that both the bank and the colony's future opportunities lay within the U.S.-led transpacific order.



The U.S. and UN embargoes on China rank alongside the California Gold Rush as a rupture in the economic history of Hong Kong. As seen, the colony's *kamshanchong* had thrived as a conduit for transpacific trade, migration, and remittances from the 1850s through the Great Depression and now the embargo.<sup>167</sup> Over 1951 and throughout 1952 and 1953, Hong Kong newspapers such as *Sing Tao Yat Po* (星島日報), *Wah Kiu Yat Po* (華僑日報), and *Ta Kung Pao* (大公報) devoted considerable attention to the *kamshanchong*'s plight and the response of their trade group, the Wah On Association (華安商會). Its representatives organized meetings of local manufacturers, lobbied the colonial government to take action, exhorted U.S. consulate officials, and worked with U.S. Treasury officials when they visited Hong Kong.<sup>168</sup> Yet these articles underscored that U.S. policies were gradually asphyxiating longstanding trade and remittance pathways, although some traders limped on by smuggling via Macau.<sup>169</sup> By February 1953 even pro-Nationalist newspaper *Kong Sheung Yat Po* (工商日報) complained that U.S. actions had been "a big blow to Hong Kong's specialized handlers of mainland remittances, trading firms, and private banks."<sup>170</sup> Local firms could neither accept Chinese-American remittances nor export goods with any PRC materials to any U.S.-affiliated market without risking serious secondary U.S. sanctions. U.S. imperial expansion thus began rerouting the trade systems in the western Pacific and pulling Hong Kong out of China's economic orbit.

Scholars have long framed the embargoes as a turning point for Hong Kong's manufacturing boom but have not sufficiently underscored how they fostered the colony's engagement and soon dependence on the U.S. market. The embargoes brought Washington's might directly into the boardrooms of almost all Hong Kong industrialists and financiers. By 1954 the official value of the colony's total trade had plummeted to 60 percent of 1948's total, devastating both Cantonese *kamshanchong* and Jiangnan transplants. Without the China market, the surviving textile industrialists desperately needed new export markets. Europe remained in postwar recovery, and most regional trading partners were becoming increasingly protectionist in order to nurture their own industries. Even worse, as noted, cotton spinning is a highly competitive global industry that incentivizes constant expansion to achieve economies of scale. Thus by the mid-1950s the vast U.S. market was Hong Kong industrialists' only practical option. Yet that market had stringent regulations. In 1953 the U.S. consulate and the Department of Commerce and Industry had instituted



the Comprehensive Certificate of Origin system, through which officials inspected local factories and certified their goods as legally fit to enter the U.S. market. As a result, from 1953 to 1971 Hong Kong producers of any goods bound for the United States—from duck eggs to cotton yarn—needed to work closely with colonial and U.S. consulate officials.<sup>171</sup> Only goods thus certified as containing no PRC elements would be allowed entry. Yet somehow Hong Kong's surviving textile industrialists did successfully reorient toward the U.S. market. In 1955 Hong Kong's exports to the United States amounted to just HK\$15 million, lower than its exports to British East Africa.<sup>172</sup> By 1959 the United States had already morphed into the colony's overwhelmingly dominant market, taking exports valued at HK\$343.5 million in the first half of 1960 alone.<sup>173</sup> It was not just what Hong Kong was selling that changed, but to whom.

This reorientation depended on both the exploitation of the colony's plentiful low-cost labor and the U.S.-oriented transplants' social capital. Among its many strictures, the U.S. embargo prohibited any company owned by PRC nationals from trading with the United States. U.S. officials suspected all Hong Kong Chinese businesspeople of being PRC nationals, a classification that would have ruined transplants such as émigré "T. Y." Wong (王統元) and his father "C. Y." Wong Chi-yue (王啓宇). Originally from Ningbo, the Wong family had been pioneers of Shanghai's textile industry before relocating. Their new spinning mills had purchased a half million U.S. dollars of American cotton through the SCSB in early 1949 alone.<sup>174</sup> The Wongs spent two years negotiating with U.S. Treasury officials to be reclassified, which included severing any remaining links with their mainland businesses.<sup>175</sup> The U.S. embargo thus further increased the value of foreign passports among the émigrés, particularly the U.S. passport.<sup>176</sup> Through the Tangs and South Sea Textiles, we can succinctly see how American social capital immediately delivered tangible competitive advantages. While Jack's U.S. citizenship ensured legal access to the U.S. market, his time at HBS gave him crucial sales networks. There he had befriended U.S. Army officers who were now involved in procurement, while one of his brothers was even serving with U.S. forces in Korea.<sup>177</sup> These connections helped South Sea to secure lucrative Pentagon contracts, and former workers recalled that the U.S. Army remained a primary long-term client through the Vietnam War.<sup>178</sup> In turn, Tang used his broader HBS network for marketing. He wrote in to its alumni magazine in late 1957: "Jack Tang . . . wants to know if anyone can give

him some help in selling a line of shirts his company is producing at the rate of 200 dozen per day. Any classmates who are department store buyers, please note.”<sup>179</sup> China’s communist transition and the transplantation of the U.S.-oriented Jiangnan émigrés thus intersected with Cold War U.S. imperial expansion to lay the foundations for kuashang strategies. These transplants’ elite American social capital had followed them to Hong Kong and positioned them for revival within both the constraints and opportunities of the new U.S.-led order.

During China’s communist transition, Hong Kong received an enormous influx of people. The vast majority were from Guangdong, but at least 100,000 people came from the lower Yangzi, including many of China’s leading industrialists, bankers, and other professionals. Since the 1910s this Jiangnan bourgeoisie had developed increasingly noticeable ties to the United States through education and business. Many had studied in American missionary schools or U.S. colleges, worked with American businesses in China, or profited from U.S. government aid to the Nationalist regime. For those who fled, this mobile social capital accompanied them to Hong Kong. Largely regarding the colony as indefensible and Britain as an empire in decline, they considered how to survive and extract themselves. Alongside migration, both the size of the U.S. market and the U.S. embargo incentivized further investment into American social capital as a business strategy. While exceptional figures such as Jack Tang or Ansie Lee Sperry were able to naturalize as U.S. citizens, 117,000 other people applied for visas at the U.S. consulate in Hong Kong in 1950 alone and the vast majority were unsuccessful.<sup>180</sup> Yet over the 1950s and 1960s Hong Kong Chinese with American social capital would find increased chances as Washington reformed its previously race-based immigration policies. The intersection of these personal and business interests drove the first crystallizations of kuashang strategies. Export-driven codevelopment with the U.S. market and potential exit strategies strongly encouraged the acquisition of American social capital, as did goals such as defeating racist club policies. While British firms such as Jardine Matheson remained the largest economic players, the émigré bankers and industrialists were watching and adapting to the new U.S.-led transpacific order.

Incentives to connect with the United States soon expanded beyond these elites, however. Alongside the embargo, Washington’s Cold War efforts to win “hearts and minds” began to affect ordinary Hong Kong

residents directly from the mid-1950s. U.S. ambitions to steer Asia's future required new imperial technologies to conform with democratic claims of moral leadership. European empires had relied on formal hierarchies, permanent bureaucracies, and military occupations, but the United States sought to use less overt methods of control: cultivated influence that invited mass Asian participation. While maintaining the constant threat of military force, Washington's programs and policies encouraged the mass Asian pursuit of American opportunities under the banner of the "Free World." Both communist propaganda and the U.S. civil rights movement exposed the hypocrisy of these ideals, but internationally, American institutions moved quickly in the 1950s to minimize overt racism and promote mass buy-in into U.S. leadership.<sup>181</sup> As we will see over the next three chapters, Christian and educational outreach projects were foundational to those aims, and Hong Kong was a critical site. U.S. outreach through Christian and educational projects would help hundreds of thousands of Hong Kong residents to attend school over the next two decades and set terms for the expansion of kuashang strategies.