

“The Historical Roots of Shanghai’s Modern Miracle”

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A visit to Shanghai today reveals a sleek, modern, world-class city with a new international airport connected to the center city by a high-speed maglev train. A new financial district (Pudong) with three of the world’s ten tallest buildings sits on the east side of the Huangpu River, across from the famous waterfront (the Bund) of earlier times. Eleven modern subway lines connect all parts of the city including a new train station which provides high-speed train service to all of China. World famous designer name shops line Shanghai’s major shopping streets.

But it was not always thus. On my first trip to Shanghai not long after the death of Chairman Mao in 1976, I encountered a grim, shabby city where little had been built since 1937. Bicycles and decrepit buses (always jammed) were the major modes of transportation. To one who saw the old Shanghai the new Shanghai is a modern miracle. Yet viewed from a historical perspective, today’s Shanghai is what one might have expected. After the opening of Shanghai to Western commerce in 1842, the city soon became a major center of international

trade and banking. The powerful Hong Kong and Shanghai Banking Corporation (now just HSBC) dominated the foreign banking community, but by the 1920s numerous Chinese run modern banks were headquartered in the city. When modern factories began to appear in China at the close of the 19th century, over half would be concentrated in Shanghai. Small wonder that a leading scholar of modern China after World War II, Rhoads Murphey, published a book Shanghai: Key to Modern China at the dawn of the Maoist era.

So what explains the drab condition of Shanghai on my first visit? Why was the “miracle” so delayed? For many nationalist intellectuals and political activists of the late 19th-early 20th century, modern Shanghai—for all of its promise—was a symbol of China’s shame and humiliation. It had been a product of China’s defeat in the Opium War. Foreign powers dominated the city. Parks and clubs in the International Settlement excluded Chinese. Most foreign residents enjoyed extraterritoriality and were not subject to the laws of China. Chinese who lived in the foreign settlements of Shanghai were second-class citizens in their own country. For the Communists, the wealthy Chinese capitalists who lived in the city were viewed as “running dogs of the Western imperialists.” They imitated a Western life-style and sold out the interests of China in pursuit of profit. After the

Communist Revolution of 1949, Mao's government closed China off from business, commerce, and banking with the capitalist West. Private enterprises were eliminated, replaced by collectively owned ones. During the Maoist years, Beijing systematically bled Shanghai of cash to fund government projects. Virtually nothing was invested in the city which was seen as a den of capitalism.

But this perspective misses much of the story of pre-Communist Shanghai. Viewed from another angle, modern Shanghai is the story of the triumph of the Chinese business class. In the last half of the 19th century, as Shanghai began to develop as the financial and business center of China, aspiring Chinese businessmen from all over the nation poured into the city in seek of fortune. Shanghai was a city of "sojourners," people from elsewhere. It attracted those with ambition and daring, those willing to forgo safer more conservative careers in their home towns. Over the next century they managed to build up Chinese banks, department stores, and factories with little help from a Chinese government and no protection from international imports. The unequal treaties forced on China limited China's tariff autonomy.

Those Chinese businessmen who succeeded in this tough environment were a resourceful lot indeed. They operated in an environment in which foreign

businessmen held all of the advantages with greater access to capital and protection from political interference. Weak warlord governments of the early Republic of China were more often a hindrance than an asset for Chinese capitalists. Most businessmen viewed government officials as predatory, which indeed they were during much of this period. To counter the political threat, businessmen employed a couple of strategies. One could try to evade government scrutiny as much as possible, often by locating in the foreign concessions. Or if the circumstances were right one could ally with a key political figure and attempt to gain security in this manner. Most businessmen also spouted nationalist rhetoric and encouraged boycotts of foreign products. It was obviously in the interest of Chinese businessmen to do so, yet behind the scenes many also worked with foreign businesses when it was in their interest to do so.

Amazingly much of this “Shanghai style” of business seems to have remained dormant and survived the Maoist years. When the reform era began in 1978, Shanghai capitalism redeveloped and the amazing entrepreneurial spirit of Shanghai returned. Slowly but surely many private businesses developed in the shadow of the communist state, while government officials begin to become active

in business circles. In retrospect, Shanghai today is what one might have imagined it would be a century ago. The Maoist era is the anomaly.

One important example of this capitalist spirit was exemplified by the Rong brothers, Rong Zongjing and Rong Desheng, who became the dominant Chinese textile mill owners as well as flour millers, the so-called “cotton and flour kings.” Their industrial empire included Shenxin textile mills (ten in all) as well as the Maoxin and Fuxin flour mills (sixteen in all). Originally from Wuxi, where they began their manufacturing enterprise, they made moved to Shanghai and made it their base. By the mid-1930s, the Rongs held almost twenty percent of all spindles in Chinese-owned textile mills and produced one-sixth of the milled flour.

The Rongs struggled to stay free of government entanglements during the warlord years. Their relations with the new Nationalist (Guomindang) government of Chiang Kaishek did not get off on a good foot either. When they were slow to support Chiang in the spring of 1927, the elder Rong was arrested on the charge of assisting warlords. His mills in Wuxi were confiscated; most in Shanghai were in the foreign zones beyond the reach of Chiang’s police. Both orders were canceled after Rong made a generous donation to Chiang’s coffers. The Rongs eventually developed much smoother relations with Chiang’s brother-in-law, Song Ziwen (T.

V. Soong). Song appointed Rong Zongjing to the board of directors of his new Central Bank of China, as well as the Cotton Control Commission he established in 1933. But these connections did not provide much assistance to the Rongs when the Depression hit China. When the Hong Kong and Shanghai Banking Corporation re-possessed one of the Shenxin mills in 1934, the Chiang government refused to help.

Yet despite political problems, the world Depression and competition with foreign firms, the Rongs managed to persist. They demonstrated the flexibility and skill in crises that characterized Chinese capitalists. The great crisis, at least until the Communist Revolution, was the war with Japan which began on July 7, 1937 and spread to Shanghai on August 13. The war seemed to deal a crippling blow to the Rong fortunes. More than 36 percent of their spindles, 60 percent of their looms, and 18 percent of their flour grinders were destroyed in the fighting, and the Japanese seized much of the remainder. Yet out of this rubble, the Rongs survived and even earned substantial profits. Under the trying circumstances of war, defeat and occupation, the Rongs and many Chinese businessmen managed to survive and in some cases actually flourish during the conflict.

In August 1937 seven of the ten Shenxin textiles mills were in the Shanghai area and thus in the face of battle; yet the fate of the individual mills varied greatly depending on location. By year's end the Rongs had lost control of five of their Shanghai mills. Two were virtually destroyed--the Shenxin #1, founded in 1915 and having 72,800 spindles at the time, and the Shenxin #8, founded in 1930, with 50,000 spindles. Both were located in the Western Roads section of Shanghai and were bombed by the Japanese on the morning of October 27, 1937, heavily damaging the mills, killing over 70 workers, and injuring over 350. The Western Roads area had been the object of a long-standing dispute between Chinese and foreigners in Shanghai. Not part of the International Settlement, it nonetheless had many foreign residents. The foreign-dominated Shanghai Municipal Council therefore attempted to exercise jurisdiction over the area.¹²

When the fighting first began the Rongs halted production (on August 16) and contemplated moving the two mills. The managers gambled that this location would be protected by foreign presence and hence resumed operation on September 17. This strategy exposed the workers to great danger when the Japanese attacked and precluded removing equipment to a safer location in the International Settlement proper. Only about ten truckloads of raw cotton and cloth

were salvaged. Later the sites of these two mills were occupied by the Japanese military which turned them over to the Toyoda Textile Company which already owned an adjacent facility. Toyoda partially rebuilt the two; they had a combined 40,000 spindles and 1,300 looms.³

Three other Shenxin mills, #5, #6, and #7, escaped with only limited damage but were in areas occupied by the Japanese. The Shenxin #5 had been purchased by the Rongs in 1935 and had 49,000 spindles. Located in the Pudong section of Shanghai, it was abandoned almost immediately when an air battle occurred right over the plant, frightening the workers. Shortly thereafter, Chinese and then Japanese forces occupied the plant. Shenxin #6 and #7 were both located in the Yangshupu section of Shanghai and suffered only moderate damage in the fighting, but both quickly fell under Japanese control. Shenxin #6, which had over 75,000 yarn spindles, nearly 6,000 thread spindles, and 864 looms with 1,825 workers in 1937, lost several thousand spindles and 200-300 looms in the fighting. Shenxin #7, which had been purchased from European owners in 1929 and had nearly 54,000 spindles and 455 looms, suffered a warehouse fire which destroyed a large quantity of raw material.⁴

Despite this damage, these mills could easily be brought back into production. But by whom? Japanese military authorities sealed off the properties denying access to the Rongs. The family engaged a German firm to move the equipment from Shenxin #6 to the International Settlement, but the Japanese blocked this action in March 1938. For a time it appeared that the Japanese might allow the Rongs some stake in these mills in exchange for active collaboration with puppet regimes, but ultimately they fell victim to the Japanese policy of entrusting Chinese textile mills to Japanese concerns. This policy not only strengthened Japanese control over the economy of the occupied area, but was designed to compensate Japanese companies for losses of property elsewhere in China. Shenxin #5, #6, and #7 went to Japanese firms.⁵

After the fall of Shanghai, the Rongs thus retained control of only two of their Shenxin textile mills, #2 and #9. Both were in the International Settlement and not occupied until December 1941. The #2 mill had been founded in 1919 and by 1937 had over 53,000 spindles. The Rongs had purchased Shenxin #9 in 1931, and by 1937 it had more than 129,000 spindles and 615 looms. Despite pressure from the Guomindang government to relocate in the interior, the Rongs decided to make the Shanghai concessions the base of their operations. Following the death

of Rong Zongjing in 1938, Rong Desheng, the younger brother who had initially fled Wuxi for Hankou with his sons, returned to Shanghai to lead the family.⁶

The foreign concessions were "islands" of neutrality in a sea of Japanese control, yet Chinese firms were not fully secure. As an added measure of protection the Rongs, like many industrialists who stayed, turned to cover of foreign registration. The Rongs "leased" their two mills to foreign owners in paper transactions so as to provide the protection of a foreign flag. The Shenxin #2 was registered as American; Shenxin #9 as British. Fake foreign managers were hired to provide cover.⁷

Since the Rongs retained control of only two of their seven mills in Shanghai, one might suppose that their economic fortunes declined substantially. Yet in many respects the Rongs actually did rather well in the war. Plagued by overcapacity on the eve of the conflict, the Rongs were able to make fuller use of their remaining mills--both increased in output. Although Shenxin #2's capacity remained essentially unchanged, its output of yarn increased after 1937. The Rongs expanded the capacity of Shenxin #9, increasing the number of looms by 1940 to 815 and spindles to 148,220, making it the largest mill in China. Shenxin #9's output of both yarn and cloth increased substantially.⁸

But production and profit are not the same thing. Increased output from existing equipment, and a tilt in the supply-demand ratio was a formula for higher earnings. In 1936, Shenxin's seven mills in Shanghai earned a total profit of almost 1.6 million yuan, with Shenxin #1 being the most profitable. Shenxin #2 had lost over 150,000 yuan that year, while #9 earned only 417,000 yuan. In 1938, both earned substantial profits; #2 earned over 2.7 million yuan, #9 over 6.9 million. Thus from the standpoint of profits, the Rongs earned more with only two mills in "island Shanghai" in 1938, than they had from all seven Shanghai mills in the prewar period. War had reduced the supply of cotton yarn and cloth while demand remained firm. The good times did not last; the strains of war eventually drove profits down. In 1941, Shenxin #2 earned less than half the income of 1938 (adjusted for inflation); Shenxin #9 just over one-third as much. Still the Rongs did reasonably well during the first years of the war.⁹

The Rongs were also able to save some of their flour milling empire. In Shanghai the Rongs eight Fuxin mills with a total annual capacity of 15.4 million bags of flour. As with the Shenxin textiles, many of their Fuxin mills were heavily damaged. Fuxin #1, #3, and #6, all located in Zhabei, sustained some of the heaviest destruction. Japanese troops also occupied all three which were given in

early 1938 to the Japanese Mikyo flour company. Three other mills, Fuxin #2, #7, and #8, were in the foreign concessions and remained under Rong control. As a precaution, the family registered the mills as foreign enterprises.¹⁰

As with textiles, this remaining portion of the Fuxin system proved extraordinarily profitable during Shanghai's "flourishing" period of 1938 and 1939. The influx of refugees kept demand, and profits, high. Fuxin #2 and #8, which had produced 3.4 million bags of flour in 1937, produced 4.8 million in 1939. Fuxin #7 increased production from 2.5 million bags to 3.8 million during the same period. Profits rose even faster. Fuxin #2 and #8 had lost 323,720 yuan in 1937; Fuxin #7, 31,860 yuan. Both quickly turned profitable. Fuxin #2 and #8 earned 2.1 million yuan in 1939; Fuxin #7, 1.3 million.

The biggest difficulty for the mills was the source of wheat. Shipments from north China were disrupted by the war, so Fuxin turned to imported wheat. A negligible source before 1939, imported wheat accounted for almost 84 percent of the purchases of the three mills in that year. The outbreak of the war in Europe, however, played havoc with supplies, and output began to drop. Fuxin #2 and #8, which had produced 4.8 million bags in 1939, could only manage 1.4 million in

1940. Fuxin #7 dropped from 3.8 million in 1939 to 1.1 in 1940. High prices kept profits up, even on the smaller volume, until Pearl Harbor.¹¹

The foreign concessions were not totally "solitary islands." Especially after the outbreak of the European War, Japanese authorities intimidated the settlement authorities and exercised increasing dominance over Shanghai. Targets such as the lucrative Shenxin and Fuxin mills drew attention. The aloof attitude of Rong Desheng toward the occupation led to pressure from both the Japanese and Number 76 Jessfield Road, location of the secret police of the pro-Japanese puppet government. In the summer of 1941 Shenxin #9 manager Wu Kunsheng and his son were arrested by Japanese military police in the French Concession and held for more than a month until the Rongs paid a substantial sum for their release.¹²

When the Pacific War erupted, all vestiges of the sanctity of the International Settlement and French Concession evaporated. Shenxin #2 and #9 textile mills and Fuxin #2, #7, and #8 flour mills all came under Japanese control. The British and American registry, previously used to provide protection, now proved a detriment. Japanese military police arrived at the factories on December 13, seizing Shenxin #2 and #9, and five other textile mills in Shanghai, on the grounds that they were now enemy property. Rong Er'ren tried unsuccessfully to

forestall the takeover on the grounds that the firms were really Chinese. Both textile mills suffered some losses while occupied. An estimated 300-500,000 yuan of material was taken from the plants during this period, including raw cotton, yarn, and cloth.¹³

In contrast to 1937 when the Japanese parceled out seized property to Japanese firms, military leaders were now more ready to restore mills to Chinese industrialists prepared to work with the occupation. The Rongs, who had been reluctant to deal with the occupiers as long as they could operate in the "solitary island," now began a carefully orchestrated campaign of discrete overtures to the Japanese. They brought in new personnel with close ties to the Japanese. As an assistant manager, Shenxin hired Tong Luqing who had studied in Japan. Jiang Junhui, a Japanese language professor in Shanghai when war erupted, joined the board of directors of Shenxin #9. Jiang was a long-time associate of #9's manager Wu Kunsheng, both being natives of Changzhou. Not only did Tong and Jiang bring Japanese language skills to Shenxin, but Jiang eventually served as secretary of the Cotton Control Commission. Shenxin also invited Wen Lanting to join their board on February 1, 1942. Wen had accepted the Japanese offer to head the

cotton board. Shenxin #9 even engaged a Japanese adviser, Ogawa Goro, to smooth the regaining of its property.¹⁴

The Rongs and other groups which lost property in December 1941 opened direct negotiations with the Japanese military, which expressed a willingness to negotiate a return industries to Chinese control by late 1942. Opposition surfaced, however, from the Japanese Millowners Association in China which favored continued Japanese control over these properties. Jiang Shangda, a textile industrialist in Shanghai, began negotiations with the military on behalf of all seven mills which had been seized in December 1941, including Shenxin #2 and #9. (Others were the Yong'an mill, Anda, Baofeng, Defeng, and Hefeng.) Jiang attempted to drive a wedge between the Japanese millowners and the Japanese military. The latter had a vested interest in reviving the prosperity of the occupied areas and restoring production, not only to win over the Chinese population, but to provide the cloth, uniforms, and blankets needed by the Japanese army. Chinese manufacturers, it was argued, could more easily operate in the China market and gain access to cotton produced in rural areas than outside Japanese merchants. To press these arguments, Jiang Shangda dispatched Jiang Junhui to Tokyo.¹⁵

Jiang Shangda took advantage of one other tie, to Japanese right-wing leader Okawa Shumei. Okawa was a mainstay of the radical right, an earlier associate of Kita Ikki, and had been imprisoned for his role in the May 15 Incident in Tokyo. A strong advocate of Pan-Asianism, Okawa was highly regarded by many Japanese military commanders in China. (He was tried as a class A war criminal after the war.) Okawa came to Shanghai and negotiated between the Japanese Millowners Association and the military, pressing for the return of all seven plants to Chinese control. Such a policy was considered to be necessary for implementation of a true Pan-Asianist ideal.¹⁶

With this solid backing, the seven mills, including Shenxin #2 and #9, were returned to their Chinese owners. A formal ceremony of rendition occurred in May 1942. The group conspicuously left out of these negotiations had actually been the Nanjing puppet authorities, who nominally had real authority. Jiang Shangda and the Japanese did invite Mei Siping, Minister of Industry of the Nanjing government, to attend the rendition ceremony, but he had not been an active party in the negotiations.¹⁷

As the Japanese became even more interested in working with Chinese capitalists, the Rongs attempted to regain control over properties lost since 1937,

including the old Shenxin #5, #6, and #7 as well as the rebuilt #1 and #8. On April 7, 1942, after the Wang government issued a proclamation that property would be returned, Rong Hongyuan submitted a petition thanking the Japanese for "protecting" the properties during the war and asking for the return of these old mills under the broad principles of Sino-Japanese cooperation through the Greater East Asia Co-Prosperity Sphere. Obstacles remained, and the process of rendition moved slowly. Japanese firms had operated some of these mills for nearly five years and invested in extensive repairs. The Japanese Yuho Company objected to returning Shenxin #5 without compensation. Rong Er'ren opened negotiations with the firm, which culminated in its eventual agreement on July 24, 1943. Shenxin #6, which had been operated by Shanhai boseki, was returned at the same time, but was in poor shape. The Rongs called for workers to return on July 26 but except for making repairs and producing some wool yarn, the plant remained out of production until the end of the war. The Japanese navy blocked return of Shenxin #7, until convinced that its plans to use the site were not viable. The Rongs regained title in July 1943, but agree to lease the mill to a Japanese firm. Only in September 1945 would the Rongs resume management of the plant.¹⁸

Even more difficulties surrounded the return of Shenxin #1 and #8. Gutted in the early fighting, the two mills were rebuilt as one unit under the Toyoda company. The Japanese firm claimed that their repairs were equal to three-fourths of the value of the plant and demanded that the Rongs either sell the plant to them or compensate them for the repairs. Toyoda decided on a purchase price for the mill of 2.5 million yen. The Rong management contested Toyoda's figures saying that the major buildings were old facilities, as well most of the looms and spindles. Before the war the two mills contained 120,000 spindles, they noted. In 1943 only 40,000 remained.

The dispute with Toyoda made the return of the mills problematic. This situation exacerbated the stockholder dispute initiated by the minority stockholders in #1 and #8 (discussed above). Many of the stockholders were suspicious of the Rongs' leadership, feeling that they were pursuing the interests of the other mills, while writing off Shenxin #1 and #8. When the stockholders met on April 7, 1943, and again on July 10, 1943, they refused to sell their title to Toyoda or agree to a joint management proposal, despite the urging of the Wang government. Stockholders wanted to regain the property and reorganize it as a limited liability company, so they instructed Rong Hongyuan to demand full return of the facility.

Unable to reach an agreement, Shenxin did not regain control of the #1 and #8 plant until the war's end when only 5,000 spindles were found immediately usable.¹⁹

The post-Pearl Harbor situation was thus fraught with difficulties for the Rongs. Although they desired to regain as much of their property as possible, and revealed a willingness to work with puppet authorities and the Japanese military in doing so, they still rejected the idea of a junior partnership with a Japanese firm, and attempted to keep collaboration as low-key as possible.

Even with some of their mills restored, the Rongs found the glory days of "flourishing Shanghai" long over. The returned properties were not in good condition. Shenxin #5 had lost about one-half of its spindles, its south building totally destroyed. The #6 was partially gutted, and #7 had only 30,000 of the earlier 54,000 spindles remaining. A more serious problem was the general decline of the economy, including the development of hyperinflation, and the heavy demands of the Japanese procurement system. "Island Shanghai" had depended on imported cotton, and this supply by disrupted after Pearl Harbor.

The Japanese controlled the supply of raw cotton in China, and even after the Cotton Control Commission of the Wang government took nominal charge of

supplies, made little of this available to Chinese mills. In 1942, Rong Hongyuan complained that 60 percent of China's raw cotton was appropriated by the Japanese military for shipment to Japan, and three-fourths of the remaining portion given to Japanese mills in China. In the later war years, therefore, the Rong textile mills operated at only a fraction of capacity. Shenxin #2 and #9, for instance, resumed production in June 1942. Yet, Shenxin #2 produced only 10 percent of the cotton yarn and thread in 1942 that it had in 1936; Shenxin #9 only 7.5 percent. Shenxin #9 had used 321,812 piculs of cotton in 1940; only 12,050 in 1942. Overall the Rongs' mills operated at only twenty percent of capacity in 1942, and #5 and #6 later ceased production entirely.²⁰

As the Cotton Control Commission pressed Japanese procurement demands, while hyperinflation simultaneously gutted normal economy activity, the Rongs turned to speculation and black market activity to survive. Not only did the cotton commission keep procurement prices of raw cotton low, but it attempted to set the price for manufactured cotton products. In an era of hyperinflation, few manufacturers chose to produce at that price level. The commission set prices for the procurement of cotton yarn and cloth on August 9, 1943. For 20 count cotton yarn the price was 10,000 yuan per jian, while the market price in September was

over 35,000. By June of 1944, the government was only paying 6 to 7 percent of market value in its procurement purchases. Under these conditions Shenxin mills could not operate profitably; at least not without evading government rules.²¹

The Rongs farmed some of their equipment out to small scale enterprises, which could more easily evade control and taxes. By operating workshops in rural areas in particular, these could purchase raw cotton from farmers, often circumventing puppet and occupation authorities. Small workshops could also use diesel generators, easing some of the energy problems which plagued the urban plants. Shenxin #2, able to operate only a fraction of its spindles by 1944, helped establish three small workshop groups in nearby areas such as Pudong. Eventually it leased out almost 3,000 spindles.²²

The Rong "success" in regaining their properties from Japanese control was thus somewhat hollow. Their facilities were not in good condition and the lack of raw materials and the disruption of markets meant lean times during the late war period. Still, losses in production could be offset partially by hoarding of commodities and currency speculation. The Rongs seem to have had the resources and skills to survive in wartime.

In return for restoration of the textile and flour mills, the Japanese required a quid pro quo from the Rongs--public support for the Japanese and the Wang Jingwei regime. Rong Desheng attempted to minimize the family's involvement. Plant managers, most often not of the Rong surname, joined the control organizations of the puppet government. Many of these, such as Tong Luqing and Jiang Junhui, had been employed by Shenxin specifically because of their Japanese connections. Tong and Jiang, for instance, both served on Nanjing's Cotton Control Commission, Tong on the parent Commerce Control Commission. Fuxin's Shi Fuhou joined the Wheat Flour Control Commission.²³

Despite this cooperation with the Japanese, Rong Desheng strove to keep good relations with Chongqing, particularly after an allied victory looked certain. He sent his son Rong Er'ren, along with a delegation of ten, to Baoji and Chongqing in September 1943 to make contact with Guomindang authorities. Er'ren registered all of the Rongs' property with the Nationalist government to avoid being labeled a traitor. Rong Er'ren had also brought a substantial sum for investment in the interior, setting up a new company (controlled entirely by the Desheng branch of the family) and opening a hemp production factory in

Chongqing. Through this somewhat belated move to unoccupied China, the Rongs survived the postwar transition without loss of their property.²⁴

As victory appeared inevitable on August 10, 1945, the Rongs did reorganize the general headquarters and registered it as a limited liability corporation under the Republic of China's company law. Called the Maoxin Fuxin Shenxin Flour and Textile Company, Ltd. (Maoxin, Fuxin, Shenxin Mianfen Fangzhi Gufen Youxian Gongsi), this registration was undertaken primarily to protect Rong property from being confiscated as enemy property.²⁵

The Rong family emerged from the conflict as a major force in China. Through their early use of foreign registry and later substantial cooperation with puppet authorities, the Rong enterprises survived the war and even profited, especially before December 1941. After the war, the Rongs avoided being labeled traitors and losing their property. True, there were many problems in the postwar period. Rong Desheng would be kidnapped on April 20, 1946, and held until May 28, when the family paid a ransom of U.S.\$500,000. Rong Hongyuan was arrested in 1948 in Shanghai for unauthorized purchase of Hong Kong currency. After two months in jail (and payment of yet another U.S.\$500,000), he received a suspended

sentence and departed for the Crown Colony. The wealth of the Rongs made the family a target.²⁶

Despite these setbacks Shenxin, Fuxin, and Maoxin began to recover from the war. When the Communist Revolution occurred, the Rong family split into many directions, paralleling their movements during the war. This strategy divided the family but also gave it opportunities to survive in different environments. As a consequence the Rong family name remains prominent both within the People's Republic of China and without. Rong Zongjing's son Hongqing and son-in-law Wang Yuncheng became major textile industrialists in Hong Kong. Li Guowei established the Kowloon Mill using capital from Shenxin #4 but remained in China, serving in various official capacities in Hubei and Beijing. Rong Hongyuan opened a mill in Hong Kong and then relocated to Brazil, where he focused on the flour milling industry. Hongsan went to the United States. Rong Desheng's branch set up a factory in Thailand in March 1949 managed by Yanren, while Er'ren moved to America and Hongren to Australia. Not all of these efforts succeeded. The Thai mill failed in 1950, and an effort by Hongyuan to set up a mill in Taiwan was dashed because he could not secure electricity for the venture.²⁷ Rong Desheng himself retired in 1949 at age 74 and died three years later. In September

1985, the Wuxi City government held a special commemorative service in honor of the one hundred tenth anniversary of Desheng's birth.²⁸

Perhaps the most famous of Desheng's sons was Rong Yiren who remained in China. As his older brother Er'ren wrote in 1949 from Hong Kong, "One stays in China; one goes overseas. If there are no problems, then I can return."²⁹ But soon the wall between the capitalist world and People's China became a major barrier. Er'ren went on to the United States while Yiren found a prominent (if somewhat volatile) career in industry and politics. As Tahirih V. Lee has recently written, "The Rong family's acumen and its networks built in Shanghai during the Republican period survived fifty years of Communist rule to give rise to mainland China's most powerful promoter of capitalist-style economic development in the 1980s and 1990s--Vice Premier Rong Yiren."³⁰ The fourth son of Desheng, he survived some difficult years during the Cultural Revolution to emerge in 1978 as a vice-chairman of the Standing Committee of the National People's Congress.

Rong Yiren's political rise opened the door to a renewed Rong prominence in China. He headed the China International Trust and Investment Corporation (CITIC, Zhongguo guoji xintuo zi gongsi) which became a major player in China's economy. Family members thus had access to strong government connections. Yiren's son Rong Zhijian, for instance, moved to Hong Kong in 1978 following a few rough years during the Cultural Revolution. Tapping into Rong connections and capital, he organized a joint venture in 1982 with IBM, including a plant in

San Jose, California. Eventually he came to head the CITIC branch in Hong Kong, CITIC Pacific.³¹

Many of Rong Desheng's grandsons are prominent. One of the most successful has been Rong Zhixin, son of Weiren, who moved to Hong Kong and studied electrical engineering in the United States. After a brief stint working in America, he returned to Hong Kong where in 1960 he founded a company which distributed American cigarettes. Ten years later the American Lorillard Company bought Zhixin out, providing a capital base for new investments. In 1975, he and some associates began a computer firm (Rongwen keji youxian gongsi) which went public in 1982. When China began to open up under Deng Xiaoping's reforms, Zhixin began reinvesting in the mainland, establishing production plants in Shanghai and Guangzhou.³²

Another grandson, Rong Zhiqin, had been part of the Brazil branch of the family. The opening of China fueled his interest, which led to eight visits to China during the early 1980s. Eventually he set up a joint venture in Wuxi to manufacture shoes, and pursued other interests in the lower Yangzi area. He moved his family to Hong Kong from Brazil to be closer to the Rong revival.³³

The Rong clan now extends to six generations, with over 400 Rong relatives scattered over the world. On June 15, 1986, nearly 200 gathered in Beijing for a

reunion which included a personal greeting by Deng Xiaoping. Although the gathering included sightseeing trips to Wuxi and Shanghai, the Rong clan is obviously not the tightly knit group of Zongjing and Desheng's day. The long years of separation created barriers between a figure like Rong Yiren who had become for all intents and purposes an official of the People's Republic, and someone such as his brother Er'ren, who was a retired industrialist in Brazil. The family unit provided a basis for the earlier unity but could not bridge such large gaps.³⁴

The experiences of the Rong family reveal the enormous flexibility and enterprising spirit of Chinese businessmen, particularly those who gravitated to Shanghai before the Communist Revolution. Despite the strong suppression of capitalism under Chairman Mao, the entrepreneurial culture was not eradicated. When the reform era began in 1978, Chinese entrepreneurs flourished anew, giving rise to the “Shanghai miracle.”

Notes

². For additional information on disputes between Chinese and the Shanghai Municipal Council see Nicholas Clifford, Spoilt Children of Empire: Westerners in Shanghai and the Chinese Revolution of the 1920s (Hanover and London: University Press of New England, 1991). For information on the Western Roads issue see Frederic Wakeman, Jr., Policing Shanghai, 1927-1937, passim.

³. SASS, Rong Collection, R01-2, p. 59 and R03-2, Shenxin xitong qiye shiliao, vol. 3, no. 1, pp. 26-32; SASS, Rongjia qiye shiliao, vol. 2, pp. 3-4, 120; M. C. Bergere, "Zhongguo de minzu qiye yu Zhongri zhanzheng: Rongjia Shenxin fangzhi chang" (China's national industry and the Sino-Japanese War, the Rong family's Shenxin textile company), in Zhang Xianwen, et al. eds. Minguo dang'an yu minguo shixue shu taolun lunwen ji (A collection of essays on the study of Republican history and the Republican archives; Beijing: Dang'an chubanshe, 1988), pp. 533-534; Chen Zhen, Yao Luo, eds., Zhongguo jindai gongye shi ziliao, vol. 1, p. 384; Xu Weiyong, Huang Hanmin, Rongjia qiye fazhan shi, pp. 132-134.

⁴. SASS, Rong Collection, R05, Shenxin 2, 5 chang juan, pp. 32-34.

⁵. SASS, Rongjia qiye shiliao, vol. 2, pp. 5-7, 36-37; Chen Zhen, Yao Luo, Zhongguo jindai gongye shi ziliao, vol. 1, pp. 391, 394; M. C. Bergere, "Zhongguo de minzu qiye yu Zhongri zhanzheng," pp. 533-536; Xu Weiyong, Huang Hanmin, Rongjia qiye fazhan shi, p. 137; Rong Collection, SASS, R03-2, Shenxin xitong, vol. 3, no. 1, pp. 13-17, 65-66.

⁶. SASS, Rong Collection, R05, p. 42; R08, p. 44.

⁷. SASS, Rongjia qiye shiliao, vol. 2, pp. 43-46; Chen Zhen, Yao Luo, Zhongguo jindai gongye shi ziliao, p. 394.

⁸. The number of spindles in Shenxin #2 did increase slightly from 53,123 in 1937 to 55,707 in 1940.

⁹. SASS, Rongjia qiye shiliao, vol. 2, pp. 68, 73-74, 191; SASS, Rong Collection, R08, pp. 48, 52-53, R05, pp. 35-41.

¹⁰. Xu Weiyong, Huang Hanmin, Rongjia qiye fazhan shi, p. 132; Shanghai shi liangshi ju, Zhongguo jindai mianfen gongye shi, p. 155.

¹¹. Fuxin #2 and #8 earned almost as much in 1940 as 1939 (1.9 million yuan versus 2.1 million), while Fuxin #7 even earned a bit more (1.6 million for 1940 compared with 1.3 million in 1939). These figures, however, partially reflect inflation. Expressed in ounces of gold, the figures for profits for Fuxin #2 and #8 were: 1937--loss of 2,822; 1938--profit of 2,525; 1939--profit of 7,052; 1940--profit of 3,558; 1941--loss of 46; 1942--loss of 288; 1943--profit of 205; 1944--profit of 90; 1945--profit of 4.4; for Fuxin #7: 1937--loss of 278; 1938--profit of 3,835; 1939--profit of 4,501; 1940--profit of 2,996; 1941--profit of 119; 1942--loss of 48; 1943--profit of 153; 1944--profit of 93; 1945--profit of 4.3. See SASS, Rongjia qiye shiliao, vol. 2, pp. 10, 37, 46, 75-76, 79, 164, 193; Chen Zhen, Zhongguo jindai gongye shiliao, vol. 4, pt. 1, pp. 423-424.

¹². Xu Weiyong, Huang Hanmin, Rongjia qiye fazhan shi, p. 156.

¹³. SASS, Rongjia qiye shiliao, vol. 2, p. 104-105; SASS, Rong Collection, R08, p. 27.

¹⁴. SASS, Rongjia qiye shiliao, vol. 2, pp. 106-107; Qian Zhonghan, "Wuxi wuge zhuyao chanye," p. 118; Huang Hanmin, "Rongjia qiye dizao zhe," vol. 1, p. 109.

¹⁵. SASS, Rongjia qiye shiliao, vol. 2, p. 107-108; SASS, Rong Collection, R01-3, pp. 73-74.

¹⁶. SASS, Rongjia qiye shiliao, vol. 2, pp. 107-108.

¹⁷. SASS, Rongjia qiye shiliao, vol. 2, pp. 107-108; SASS, Rong Collection, R01-2, pp. 186-187; R01-3, pp. 76-77; R03-2, Shenxin xitong, vol. 3, no. 1, p. 67.

¹⁸. SASS, Rongjia qiye shiliao, vol. 2, pp. 115-123; SASS, Rong Collection, R01-3, p. 81; R03-3, Shenxin xitong, vol. 4, no. 1, p. 41-45; Qian Zhonghan, "Wuxi wuge zhuyao chanye," p. 118; Sherman Cochran, "Business, Governments, and War in China," p. 124; Chen Zhen, Yao Luo, Zhongguo jindai gongye shi ziliao, vol. 1, pp. 391-395.

¹⁹. SASS, Rongjia qiye shiliao, vol. 2, pp. 124-131; 172; 188; SASS, Rong Collection, R03-2, Shenxin xitong, vol. 3, no. 1, pp. 75-79.

²⁰. SASS, Rong Collection, R03-3, Shenxin xitong, vol. 4, no. 1, p. 22-23; R05, p. 70; R08, pp. 52-54; M. C. Bergere, "Zhongguo de minzu qiye yu Zhongri zhanzheng," p. 539; SASS, Rongjia qiye shiliao, vol. 2, pp. 121-123, 139-141; 188-189. In September 1943, for instance, Shenxin #2 had 56,584 spindles but only 3,993 in operation. The number of workers employed was only 152.

²¹. Xu Weiyong, Huang Hanmin, Rongjia qiye fazhan shi, pp. 165-167.

²². SASS, Rong Collection, R03-2, Shenxin xitong, vol. 3, no. 1, p. 87; R05, p. 45; Xu Weiyong, Huang Hanmin, Rongjia qiye fazhan shi, p. 167.

²³. Qian Zhonghan, "Wuxi wuge zhuyao chanye," p. 118; Tang Zhenchang,, Shanghai shi, p. 803; SASS, Rongjia qiye shiliao, vol. 2, pp. 106-108.

²⁴. The Chongqing factory was moved to Shanghai in 1946. SASS, Rong Collection, R01-3, pp. 141-142; R03-2, Shenxin xitong, vol. 3, no. 1, pp. 91-92; Qian Zhonghan, "Wuxi wuge zhuyao chanye ziben," p. 118; Sherman Cochran, "Business, Governments, and War in China," p. 125; SASS, Rongjia qiye shiliao, vol. 2, pp. 179-180; Xu Weiyong, Huang Manmin, Rongjia qiye fazhan shi, pp. 195-196.

²⁵. SASS, Rong Collection, R03-3, Shenxin xitong, vol. 3, no. 1, p. 98; vol. 4, no. 2, pp. 111-113.

²⁶. SASS, Rong Collection, SASS, R16, pp. 8-15, 64; Wong Siu-lun, Emigrant Entrepreneurs: Shanghai Industrialists in Hong Kong (Hong Kong: Oxford University Press, 1988), p. 19; SASS, Rongjia qiye shiliao, vol. 2, pp. 470-474, 608-615.

²⁷. Wong Siu-lun, Emigrant Entrepreneurs, pp. 21-22; 29-31; Ma Kefeng, Rongshi jiazu (The Rong family; Guangzhou: Guangzhou chuban she, 1997), pp. 248-249. Li Guowei died on October 1, 1978 in Beijing at 85 sui.

²⁸. Ma Kefeng, Rongshi jiazhu, p. 245.

²⁹. Ma Kefeng, Rongshi jiazhu, p. 249.

³⁰. Tahirih V. Lee, "Coping with Shanghai," p. 13; SASS, Rong Collection, R15, p. 81; Wan Lin, "Wuxi Rongshi jiazhu baofa shi," pp. 1-5; Zhou Zhengang, "Wuhan de Rongjia qiye," pp. 75-80; Qian Zhonghan, "Wuxi wuge zhuyao chanye," pp. 118-119; Wong Siu-lun, Emigrant Entrepreneurs, pp. 28; 30-31; SASS, Rongjia qiye shiliao, vol. 2, pp. 178-179, 645-664.

³¹. Rong Zhijian goes by Larry Yung in English. Far Eastern Economic Review, Feb. 6, 1997, p. 43; Wong Siu-lun, Emigrant Entrepreneurs, p. 31.

³². Ma Kefeng, Rongshi jiazhu, p. 254-256.

³³. Ma Kefeng, Rongshi jiazhu, p. 256.

³⁴. Ma Kefeng, Rongshi jiazhu, pp. 256-257.