

# CHINA'S STRUGGLE FOR A NATIVE-FINANCED RAILWAY SYSTEM, 1903-1911

LEE EN-HAN 李 恩 涵

The success of Chinese redemption of the American Canton-Hankow railway concession in August 1905 proved that any foreign concession could be canceled if the foreign concessionaires committed acts contrary to the provision of their original agreements. This belief was further strengthened by the enthusiastic efforts to boycott American goods in various major treaty-ports in 1905-1906 in protesting against the renewal of the American Chinese Exclusion Act in 1904. Both of these two nationalistic agitations show clearly the distinctive contemporaneous features of Chinese modern nationalism which was contrary to the turbulent anti-foreignism of the Boxer uprising in 1899-1900. However, the boycott movement did not achieve its pre-conceived goals, but showed that the Chinese, through peaceful and non-violent actions, could express their serious disagreement with an "unjust" policy of a great power. It also indicated that China, as a weak country, could deal a revengeful blow to those strong powers through

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## Abbreviations

<i>BPP</i>	<i>British Parliamentary Papers.</i>
<i>CWHKCC</i>	<i>Chang-wen-hsiang-kung chuan-chi</i> (Collected Works of Chang Chih-tung), (Peking, 1928).
<i>DUSM</i>	U. S. Department of State, <i>Dispatches from the U. S. Ministers to China</i> (Microfilmed by the National Archives, USA).
<i>HHKMWSCN</i>	<i>Hsin-hai-ko-ming wu-shih-chou-nien chi-nien lun-wen-chi</i> (A Symposium in Commemoration of the 50th Anniversary of the 1911 Revolution), (Peking, 1962).
<i>KCCYCP</i>	Yu-ch'uan-pu, ed. <i>Kuei-cheng chi-yao chu-pien</i> (First Collection of Documents Concerning China's Railway Affairs), (n. d., Peking).
<i>KCCYTP</i>	Yu-ch'uan-pu, ed. <i>Kuei-cheng chi-yao ts'e-pien</i> (Second Collection of Documents Concerning China's Railway Affairs), (n. d., Peking).

economic measures without the use of force. A theory of "civilized anti-foreignism" (*wen-ming p'ai-wai*) became a new weapon by which the Chinese could express their antagonism to foreign encroachment. The basic principle of this theory was that China should keep her undaunted spirit in struggling for her national independence vis-a-vis the aggressive foreign powers, but every step toward the nation's goal should be conducted in a "civilized" way, which denotes peaceful, non-violent, persuasive, and rational action. Contrary to the spontaneous, ethnocentric and nativistic anti-foreignism before 1900, this new theory was inspired by the Japanese precedent and derived in part from the ideas of Western nationalism; a nation's sovereignty was particularly stressed and national identification with the fulfillment of certain goals such as recovery of various political and economic privileges from foreign control was asserted.\* The struggle for achieving these goals were accompanied by a surge of national consciousness which would theoretically involve all of the people in the nation. However, these goals as proposed by the local gentry-merchant-student groups were quite limited in scope and dimension

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| KWT   | <i>K'uang-wu-tang</i> (Documents on China's Mineral Enterprises), 7 vols., (Taipei, 1960).   |
| LCP   | Tieh-tao-pu, ed. <i>Chiao-tung-shih, Lu-cheng-p'ien</i> (Section on Railways and Motor Roads, History of Communications in China), 17 vols., (Nanking, Prefaced 1930). |
| NCH   | <i>North China Herald</i> , Shanghai, 1895-1911.   |
| SSLYS | Fēng-kang-chi-min-ti-tse, ed. <i>San-shui Liang Yen-sen hsien-sheng nien-pu</i> (Chronological Events of Liang Shih-i), (n. p., 1939).                                 |
| TFTC  | <i>Tung-fang tsa-chih</i> (The Eastern Miscellany), Shanghai, 1904-1911.   |
| YCTK  | <i>Yu-ch'ai tsun-kao</i> (Collected Works of Sheng Hsuan-huai), (Reprinted in Taipei, 1963).   |

\*The expression of Chinese modern nationalism in reclaiming those foreign railway concessions has been fully examined in this author's forthcoming book, *China's Quest for Railway Autonomy. 1904-1911: A Study of Chinese Railway-Recovery Movement* (Singapore University Press).

(1) It championed only those defensive objectives, such as making efforts to preserve China's economic rights and to develop the Chinese material resources under her own control. The democratization and rationalization of the nationalistic movement were apparent in the period 1904-1911. It reflected an increasing involvement in Chinese politics by the middle class, mainly represented by the gentry-merchant-student groups and expressed in the right-recovering inspiration and the constitutional movement. The gentry-merchant-student groups tried to unite national political and economic interests with their own and viewed the foreign economic interests in China such as those railway and mining concessions as those of their competitors. They tried to eliminate them if they had the means to do so.

#### A. PUBLIC OPINIONS

Following the highlight of the Sino-American controversy over the Canton-Hankow railway concession, the Chinese middle class elsewhere in other provinces, quickly set as their primary goal the retaking of various foreign railway and mining concessions within their respective provincial boundaries. The existence of these foreign concessions according to their respective agreements, either preliminarily or formally approved by the Peking court, was viewed by these gentry-merchant-students as "bad," and was harmful to the sovereign rights of China. They generally ignored the beneficial effects of such concessions on the development of local commerce

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(1) The Journal of the American Association of China which was published in New York commented, in 1904, the new emerging Chinese spirit: "There is no doubt that China is stirring a public opinion such as never existed before is being aroused, Anti-foreign feeling seems to be directed now not against all foreigners but against those who are marauders on China's sovereign rights. It is doubtful China can be prevented by any likely combination of foreign powers from trying to use force to protect her own territory." (NCH, Feb. 12, 1904, p. 278).

and industry. Furthermore, these investments were viewed not merely as foreign economic enterprises in China, but were emphatically considered for their political significance. That means that the detrimental aspect of these foreign investment was stressed. As a consequence, the "recovery of the lost rights and privileges" (*shou-hui li-ch'uan*) became a popular slogan and it eventually involved a major part of the nation where foreign political or economic concessions existed. The officialdom and the local commercial businesses were deeply involved, too.

For a time the railway loan policy carried out by Sheng Hsüan-huai, director-general of the Imperial Chinese Railway Administration, was widely condemned as harmful to Chinese interests. Liang Ch'i-ch'ao, in his *Hsin-min ts'ung-pao*, charged that Sheng's foreign loan policy in 1897-1904 had actually led most of Chinese railways to be possessed by the foreign powers, and thus led the nation into a way toward political perishableness. He ridiculed that the railway strategy carried out by Sheng and Chang Chih-tung before 1904 in introducing more commercial railway investment of a third power to counterbalance the politically-oriented foreign railways in certain "sphere of influence" was childish and selfdeceiving, because there was no clear-cut difference between the political-and economic-oriented foreign investment. Furthermore, China was too weak to curb any fierce competition between them.<sup>(2)</sup> Liang recognized the need for China to make foreign loans for her economic development, but the important thing was that the loans should be used in productive purpose and their investment must be controlled by Chinese authority. Sheng's railway loans, he charged, had actually made foreign creditors to be managers and controllers of these railways. Liang proposed that the best

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(2) *Hsin-min ts'ung-pao*, 3:5

way for mustering foreign railway investment was to divide all the railway rights into three categories: monetary investment, construction engineering and railway management; and each category of these rights would be assigned separately to different foreign groups and be controlled finally by the Chinese. Furthermore, all the railway bonds should be directly sold by the Chinese in the major stock markets of Europe and America.<sup>(3)</sup> The *Chung-wai jih pao* (Sino-foreign Daily News) viewed great significance in reclaiming the American Canton-Hankow railway concession since this reclamation could prevent a possible Russo-French control of China through the inland provinces.<sup>(4)</sup> A Chekiang student in Japan, in a letter to that newspaper, denounced Sheng's policy in assigning various railway concessions to foreign powers because it had only strengthened the respective foreign spheres of interest and had not provided the anticipated advantages for the Chinese. The student-writer voiced an argument following the class line and appealed directly to the modern-minded Chinese businessmen and industrialists to do their best for the welfare of the nation. The later groups were told that they should not confide too much to the judgment of bureaucrats and the gentry people because the bureaucrat-gentry class was usually easy captives of foreign pressure.<sup>(5)</sup> The *Shih-pao* (The Times) of Shanghai took similar views. The existence of foreign railway was considered to be threatening to the independence of China since they provided basis for political domination of the foreign powers.<sup>(6)</sup> Thus, the newspaper championed an active policy in reclaiming all of the foreign railway

(3) Liang Ch'i-ch'ao, *Yin-ping-shih wen-chi* (Collected Works of Liang Ch'i-ch'ao), (Taipei, reprinted 1960), 16:95-98.

(4) *TFTC*, 1 : 5, Communications, 41-3.

(5) *TFTC*, 2 : 11, Communications, 109.

(6) *TFTC*, 1 : 10, Communications, 101-4.

rights, so that an eventual break-up of China could be prevented. The paper condemned all officials who made railway loans as "traitors" and asserted that since the railways were the nation's major lines of communications, they should be constructed and managed by the local people who lived along their routes and they should never be assigned to foreign control. In an attempt to solve the problem of capital supply, the newspaper suggested that all of the available funds in the provinces should be pooled for a single, massive investment on a specific railway, so that certain lines could be completed in time; and the profits earned from these lines would then be used as a revolving fund for further programs.<sup>(7)</sup>

Another idea championed by those bourgeois writers of this period was the connection of patriotism with the movement for the reclamation of railway and other economic rights. In his writings, Liang Ch'i-ch'ao repeated these points frequently. He indicated the necessity of expanding the popular involvement so that a patriotic nationalism would be solidly imprinted in the daily life of the common people and an energetic nationalism would be supported by the broader constituents of the society.<sup>(8)</sup> Liang, never an ultra-nationalist, was always ready to recognize the need to adjust China's national goals to the current international situation. He praised the just and reasonable struggle for reclamation of railway rights in the provinces but disapproved the xenophobic spirit expressed in the nationalistic agitations after 1905. These were futile, said Liang, because they were not supported by a strong military forces of China.<sup>(9)</sup> Liang compared Chinese anti-foreignism in the pre-1900 and post-1900 periods and considered that the

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(7) *Ibid.*, 1 : 10 Communications, 101-4.

(8) Liang Ch'i-ch'ao, *Yin-ping-shih wen-chi*, 18 : 77.

(9) *Ibid.*, 19 : 19.

former period was full of reactionary chauvinism and the later full of extravagant xenophobia. He advised his compatriots to be patient to the current, unequal Sino-foreign relationship but concentrating their efforts at strengthening the nation in the political and economic respects so that this unequal condition could be finally eliminated. However, as a devoted leader of the constitutional movement, Liang stressed more on China's internal reforms rather than piecemeal recovery of the railway or mining rights, because most of the Chinese officials were, as seen by Liang, weak-minded people and should not be fully confided. So, the internal constitutional reforms would provide in the long run, the only effective means to a final confrontation with the foreign-vested interests.<sup>(10)</sup> The *Hsin-wen Pao* (The Daily Post) viewed the foreign scramble for railway concessions in China as informal annexations, in contrast to the "formal" annexations which occurred in Africa and India. It considered foreign control of Chinese railways something like controlling the veins of blood and arteries of a man. The daily paper expressed great satisfaction with the increasing number of native railway companies being organized in many provinces. It expected that the formal annexation could be thus prevented by these patriotic measures.<sup>(11)</sup> The *Shih-pao* (The Times) of Shanghai took a similar viewpoint, championing an energetic policy and urging that China's best efforts be directed towards the reclamation of all foreign railway concessions. It praised highly the provincial gentry groups of Hunan, Kwangtung and Hupeh in their efforts to recover the American Canton-Hankow railway concession as the first expression of Chinese nationalism.<sup>(12)</sup> The paper, however, stressed that this

(10) *Ibid.*, 19 : 19-20, 38.

(11) *TFTC*, 1 : 8, Finance, 197-8.

(12) *TFTC*, 2 : 9, Editorial, 183-5.

patriotic spirit must be followed by making further efforts in economic, political and educational realms.<sup>(13)</sup> The *Tung-fang tsa-chih* considered Chinese control of railways important since they could be used to transport Chinese troops during emergency. It quoted the Russian domination of Manchurian railways as an example detrimental to Chinese security.<sup>(14)</sup> The journal suggested that Chinese authorities should prepare to train Chinese engineers for railway building and mineral exploitation by either sending students to study these subjects abroad or by establishing Chinese own schools in the provinces.<sup>(15)</sup> It expressed great discontent about the role of officials in various Sino-foreign confrontations and proposed that the merchant class should move forward to play a dominant role in the patriotic movement as they possessed greater ability than the official class, as exhibited in the organization of the boycott movement in 1905; and thus, the merchant were much more deserving of the confidence of the people.<sup>(16)</sup>

The boycott of American goods in 1905 was approved by these journals and newspapers, although some of the public opinion organs pointed out that certain larger goals should serve as the targets of China's continued efforts. The *Tung-fang tsa-chih* was satisfied with the result of the movement which in the main had achieved its originally secondary objective in protesting the American government's decision. The journal praised the movement as a standard form of "just" and "civilized" defensive action,<sup>(17)</sup> but it warned that any outright anti-foreign activity should be refrained

(13) Chang Nan et al. ed. *Hsin-hai-Ko-ming ch'ien shih-nien chien shih-lun hsuan-chi* (Selection of Articles on Current Affairs During the Ten Years Period Prior to the Revolution of 1911), (Peking, 1960), 1.

(14) *TFTC*, 1:6, Comments, 30; 1:7, Comments, 46-7.

(15) *Ibid.*, 1:7, Comments, 45.

(16) *Ibid.*, 1:10, Communications, 101-4.

(17) *Ibid.*, 3:2, Editorials, 25-7.



and that only the spirit of patriotism be preserved.<sup>(18)</sup> The *Wai-chiao pao* (The Journal of Diplomacy) used similar terms in evaluating the movement,<sup>(19)</sup> In an article printed in the *Hsin-min ts'ung pao*, Hsu Fo-su, a close friend and dedicated follower of Liang Ch'i-ch'ao in Tokyo, paid high tribute to the recent progress in China's economic, military and international affairs which had been made possible by the efforts of several prominent officials both at the central and provincial levels. He suggested that all those imbued with a spirit of true patriotism should turn their energy to working for some constructive projects and refrain from radically emotional activities which would only hurt the nation's cause.<sup>(20)</sup> Chiang Tsun-i, another associate of Liang's constitutional movement and a Chinese cadet trained at the Japanese Officers' Academy, confirmed the great significance of the redemption of the Canton-Hankow railway right and the boycott movement in stimulating the Chinese reform movement since 1905. He saw that all of these "civilized" activities had their origin in the Boxer uprisings and were continuances of this xenophobic disturbances. Because of those violent and "barbarous" experiences in 1899-1900 the Chinese had then turned, in the present cases, to a peaceful and rational course. Chiang praised the efforts made by the government officials and gentry-merchants in some provinces to plan construction of railways with Chinese capital and suggested that China should now enter into a new stage of national action, in which every aspect of China's domestic problems--political, economic, social, and cultural--should be meticulously examined. This would surely guarantee, he asserted, a greater progress for the nation in the future. Chiang also noted

(18) *Ibid.*, 3:12, Editorial, 227-9.

(19) *Ibid.*, 3:1.

(20) *Hsin-min ts'ung-pao*, 4:2, 57-8.

that any real confrontation with the foreign powers should be made by a revitalized Chinese nation, the existence of which could best be guaranteed by the establishment of a constitutional government in which the people's will could be suitably realized through the administrative decision-making process.<sup>(21)</sup> The *Tung-fang tsa-chih*, in an editorial, supported the theory of "civilized" anti-foreignism, but it also warned that any emotional confrontation with the existing foreign interests in China should be avoided.<sup>(22)</sup>

Such agitations for patriotism and nationalistic goals easily captured favorable response from the students in the newly established, modern-type schools. They were of a new class, only recently emerged as an active, but still auxiliary, force in Chinese national and local politics.<sup>(23)</sup> Together with the local gentry-merchants, they were important components in any of the patriotic movements of the period. Generally speaking, the force of a student group reflected the extent of economic development in a region, and conversely, the extent of local economic development determined the development of the local economic-right recovery movement. In a general analysis of the economic development of the nation in this period, it is apparent that a wide cleavage existed between provinces in the lower and middle Yangtze River regions and South China on the one hand, and the provinces in the northern and western parts of the nation on the other. Discrepancies existed also in the degree of influence exercised in the society of different provinces by the gentry-merchant-student class. Facts show that the railway-right recovery agitation in the lower and middle Yangtze

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(21) *Ibid.*, 3: 21: 74-8. (22) *TFTC*, 3: 12, Editorials, 227-9.

(23) John K. Fairbank, et al. *East Asia: The Modern Transformation*, (Boston, 1965), 16-7; J. O. P. Bland, *Recent Events and Present Politics in China* (London, 1912), 118.

regions and South China was more feverishly conducted than that in the northern and western regions of the nation. These regional differences corresponded to the level of economic development and coincided with the political development of the constitutional movement in the different provinces.

Of course, the middle class was not the only moving force in this nation-wide movement. officials at both central and local government levels were also deeply imbued with strong nationalistic sentiments and were readily influenced by public opinions as expressed in the current newspapers and journals. Many of them were also able to transfer this nationalistic spirit into action. From their experiences in public services, some of the government officials knew well certain detrimental effects of foreign railway interests to Chinese indigenous economy and they were psychologically ready to do their part to reclaim these foreign privileges if a favorable opportunity presented itself. Fact shows that these foreign railway concessions were concluded through various types of Sino-foreign agreements which were duly approved by the Peking court, and the foreign concessionaires in most cases would not easily abandon their established privileges under Chinese pressure. It was apparent that an elaborate process would have to be designed for achieving this goal. Thus, the precedent set by Sheng Hsüan-huai in 1902 in the establishment of the Shanghai Mineral Prospecting Company in an attempt to control all possible mineral deposits and the precedent set by Chao Erh-hsun, governor of Hunan, in the creation of a provincial mineral-monopoly Hunan Mining Company in 1903, were imitated in railways in many provinces.<sup>(24)</sup> These provincial railway companies in the provinces were

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(24) En-han Lee, "China's Response to Foreign Investment in Her Mining Industry, 1902-1911", *Journal of Asian Studies*, 28:1 (Nov. 1968), 60-1.

generally organized in the form of gentry-merchant-managed enterprises, but a number of them were actually official-managed. This is especially true for those founded in the northern and Manchurian provinces. The major objective for establishing these railway companies were to mass the necessary capital for construction work, so that a Chinese-controlled railway system could be completed and the intrusion of any further foreign railway investment could be effectively blocked. The institution of these companies were formally approved by the throne under recommendation of the Ministry of Commerce. They were the Anhui Railway Company which was formally approved by the court in July 1905, the T'ung-pu (Tat'ung to P'uchou) Railway Company of Shansi in August 1905, the Chekiang Railway Company in August 1905, the Fukien Railway Company in September 1905, the Kiangsi Railway Company in October 1905, the Kiangsu Railway Company in May 1906, the Kwangsi Railway Company in October 1907, and the Sian-Tungkuan Railway Company in May 1909.<sup>(25)</sup> Each of these provincial companies was assigned a monopolistic right covering the whole area of its respective province. Other merchant- or gentry-controlled lines projected since 1903 include the Swatow-Ch'aochow railway, the Hsinning-Sanchiahai railway, the two provincial Hunan and Kwangtung sections of the Canton-Hankow railway, the Loyang-T'ungkuan railway, the Tsitsihar-Ononhsi (Heilungchiang Province) railway and the Canton-Amoy railway.

An examination of the financial sources of these railway companies reveals that most of those gentry-managed companies should not be considered as purely commercial concerns. No doubt they were organized mainly either through the initiation of the local gentry-merchant groups or by officials who

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(25) *BPP*, Commercial Reports (1908), 101; *NCH*, Nov. 24, 1905, 417; Tseng Kung-Hua, *Chung-kuo tieh-lu shih* (History of Chinese Railway), 64.

originated from that particular province but were then serving in official positions in other provinces. They were all registered under the imperial company law as "purely" commercial enterprises. But, as commercial enterprises, they differed markedly from each other. Except for the Kwangtung Company (the Kwangtung section) of the Canton-Hankow Railway, the Chekiang Railway Company and the Kiangsu Railway Company, all of the other provincial railway companies received large official subsidies from local sources; some were even dependent on these funds as their sole or most reliable source of capital. They were actually semi-governmental enterprises although most of them maintained and registered as commercial businesses. The major organizational difference between these nominally commercial railway companies and those officially-run companies such as the Szechwan-Hankow line was that the former were managed by the gentry who were, in most cases, retired officials with intimate official connections with the local authorities, while the latter were managed by the current officials who supervised the lines. Furthermore, the official subsidies to the gentry-managed railway companies were actually a kind of surtax which placed an additional financial burden on the local people. As these taxes were being used to support the railway, many of the local people became interested and involved in the progress of their provincial railway company. As a consequence, the railway question became a focal point of Chinese national and provincial politics in the period.

## **B. RAILWAY PROGRAMS OF THE PROVINCIAL GENTRY AND MERCHANTS**

Among the first railway programs initiated by the provincial gentry and merchants in this period were two lines invested by overseas Chinese

businessmen—one from Swatow to Cháochow(Teochou) by Chang Yu-nan and another from Toushan to Kongmoon in the Hsinning county of the Pearl River delta of Kwangtung province.

The former line was the first commercial railway which had been approved to be built by the Peking court under the dynamic, mercantile policy of the Ministry of Commerce in 1903 and the later was generally supposed as one of the well-managed commercial railways built in this period, although it is only a short line of 36 miles and had never been connected to the city of Canton.<sup>(26)</sup>

Chang Yu-nan, a native of Chiayung prefect in eastern Kwangtung, was a cousin of Chang Chen-hsün(alia Pi-shih), the well-known overseas Chinese magnate, and had been a commercial agent of Chen-hsün in the Straits Settlements. Like Chang Chen-hsün, he first made his large fortune in Java and was then appointed to be the highly-honored Major of Chinese by the Dutch authorities in Sumatra. He also served briefly as a Chinese vice-consul in Penang.<sup>(27)</sup> In accord with the mercantile policy of the Peking government after 1900, Chang was summoned to Peking given special awards of a nominal title of third-class official for his economic achievement abroad. He was first persuaded to establish small factories to produce candles and soaps to compete with the imported items for sale in the native markets of the southern provinces. Then he was permitted to construct a railway in his native province of Kwangtung.<sup>(28)</sup> According to his charter ratified by the government, the

(26) Mongton C. Hsu, *Railway Problems in China*, 90; Michael R. Godley, "Chang Pi-shih and Nanyang Chinese Involvement in South China's Railroads, 1896-1911", *Journal of Southeast Asian Studies*, IV:1 (March 1973), 21.

(27) *Ibid.*

(28) Wang Ching-yu, et al., ed. *Chung-kuo chin-tai kung-yeh-shih tse-liao* (Materials on the Industries of Modern China), II:1007. *BPP, Accounts and Reports*, Vol. LXXXVII, Commercial Reports, China(1904), No. 3280, "Report for the year 1903 on the Foreign Trade of China", 69; Michael R. Godley, *op. cit.*, 21-2.

railway company would issue a total of 10,000 shares of stock with a capital investment of Ch\$2,000,000. Chang himself together with other friends of his would provide Ch\$1,000,000 for the enterprise and the balance would be supplied mainly by the Chinese businessmen in Southeast Asia. Each subscriber would provide an initial payment of Ch\$50 for a nominal share priced at Ch\$200, with the balance paid at a later time in two installments. All of the investment would be guaranteed an annual 6 per cent interest and all foreign investment in the business would be barred. The formal establishment of the enterprise was quickly approved by the Peking court under the strong recommendation of the Commerce Ministry. The projected line from Swatow to Ch'aochow extends only 25 miles in distance, but it was generally believed that the line could be eventually connected with Canton and Amoy as part of a grand railway along the coastal region of the two provinces.<sup>(29)</sup> It was the first commercial and totally Chinese-financed railway company ever established under the auspice of the Ministry of Commerce.

Chang, as the managing director-general, was enthusiastic in commencing the railway construction. In 1903, while still in North China, he traveled to Peking through Tientsin where he contacted Yuan Shih-k'ai, the powerful governor-general of Chihli, and expressed the desire to employ Jeme T'ien-yow in the task of railway construction. Jeme, a Cantonese engineer, received his training in the Sheffield Scientific Department of Yale University in the 1880's with a degree of Ph.B. and was then serving as one of Yuan's scientific staff.<sup>(30)</sup> Chang went back to his Southeast Asian base three times for the purpose of enlisting more Chinese funds

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(29) *Ibid.*, II:1009; *Nihon gaiko bunsho*, 38: 2:158-9. Godley, *op. cit.*, 21.

(30) Wang Ching-yu, et al., ed., *Ibid.*, II:1009; *NCH*, Feb. 23, 1906, 406.

for the enterprise, and he was successful to collect an investment of Ch\$500,000 from a rich HongKong millionaire named Wu and a further capital of Ch\$200,000 from an overseas Chinese merchant from Siam named Chang.<sup>(31)</sup>

Later, Chang Yu-nan decided to turn the railway company into a joint Sino-Japanese concern by accepting Japanese investment through Lin Li-sheng, a Formosan comprador for a Japanese corporation in Amoy and possessing Japanese citizenship.<sup>(32)</sup> The reason for this change was that Chang feared that the Chinese government might forfeit his railway if it should be successfully completed, as the Peking authorities had done in the case of the Imperial Telegraph Administration in December 1902. Lin was nominated manager of the company and a Japanese chief engineer named Sato was employed to start the work. The Japanese authorities in Taiwan even schemed to take actual control of the program under nominal Chinese ownership.<sup>(33)</sup>

This was severely condemned by the Chinese students in Japan who learned of the changed character of Chang's enterprise through the reports published in Japanese newspapers. They petitioned the Ministry of Commerce to take appropriate action. The people in Swatow also charged that such a Sino-Japanese enterprise was contrary to Chang's original plan and requested the governor-general of Liangkwan to repudiate the change.<sup>(34)</sup> The Ministry of Commerce, as a consequence, sent an official to investigate the case and Chang was urged to redeem all the Japanese shares in the company by paying an extra compensation.<sup>(35)</sup> Preparations for construction

(31) Tseng Kung-hua, *op. cit.*, 103; Godley, *op. cit.*, 22.

(32) *Nihon gaiko bunsho*, 38:2; 147.

(33) *Ibid.*, 38:2:147-8; 37:2:782 (No. 778).

(34) *NCH*, July 21, 1905, 134.

(35) Tsen Kung-hua, *Chung-kuo t'ieh-lu shih* (History of Chinese Railway), 103; Godley, *op. cit.*, 22-3.



of the railway began in March 1904 and all the surveying, land-purchasing and the assembly of construction materials were completed by August 1905. Actual construction commenced in September of the same year and completed in October 1907, with a total investment of more than Ch\$3,123,000. With only a length of 24 miles in standard gauge, the railway had originally six stations. In 1908, work began to extend the line further inland to connect with Canton but not a mile of rail had been laid. This line remained an orphan railway leading nowhere to any great city until it was finally demolished in 1939.<sup>(36)</sup>

Another overseas Chinese-initiated railway company was organized by Ch'en Yi-hsi in 1904, undertaking the 36-mile Hsinning line. Chen was born in Southeast Asia and had been a Chinese merchant in San Francisco and had many years of experience in actual railway construction in the United States, although he had never received any formal training. The original capital of his corporation's US\$600,000 was subscribed from the San Francisco area.<sup>(37)</sup> It was later increased to US\$2,500,000, about two-thirds of which was amassed in America. Chinese merchants in Hongkong and Singapore as well as in the Hsinning area also invested in it. Ch'en worked enthusiastically on the program and received only a nominal salary of CH\$80 per month for his director-generalship and chief engineership, the lowest salary collected by anyone holding such a position in the railway enterprises of China.<sup>(38)</sup> The construction and management of the railway

(36) *Chung-chih kuan-pao* (Official Bulletin of Political Affairs), Hsuan-tung, 2(1910), 6/25; Godley, *op. cit.*, 24.

(37) Mongton C. Hsu, *Railway Problems in China*, 93. Hsu set the capitalization of the Hsinning Railway Company at \$4,306,120. This is supposed by this author a too high estimation.

(38) *NCH*, Aug. 4, 1905, 268; March 15, 1907, 550; *TFTC*, Events, 433; *Chung-chih kuan-pao* (Official Bulletin of Political Affairs), Hsuan-tung, 2(1910) 3/25.

proceeded efficiently under the direction of Chinese personnel. Work on the line began in mid-1906 and it was completed in 1909, with a total expenditure of only Ch\$2,510,000. But the railway had never been approved for an extension to connect with the Canton-Hankow railway by the Ministry of Posts and Communications, the successor of the Ministry of Commerce, since the former Ministry changed the mercantile policy of its predecessor in 1909 by resuming a foreign loan policy for the nation's railway building programs.<sup>(39)</sup>

Two other commercial railway companies which claimed national attention in the initial period of railway-right recovery movement were the Hunan Railway Company and the Kwangtung Company of the Canton-Hankow line. Both were organized following the successful redemption of the railway rights from the American China Development Company..

Actually, the redemption of the Canton-Hankow line in August 1905 had created more problems for the gentry-merchants of the three concerned provinces than they had anticipated. The final conclusion of the Sino-American negotiations obligated the Chinese to a repayment of US\$6,750,000, an amount roughly equivalent to 10,000,000 taels. Excluding railway bonds valued at US\$2,222,000 for which only payment of interest was required, the immediate payment for the purpose of redemption amounted to more than US\$4,800,000, a sum roughly equivalent to 7,200,000 taels.<sup>(40)</sup> In addition, when the final Sino-American agreement was eventually approved at the general meeting of share-holders of the American company on August 29, 1905, the Chinese side was obliged to make an immediate payment of more than

(39) Godley *op. cit.*, 30; T'ang Wen-chih, *Ju-ching-t'ang wen-chi* (Collected Works of T'ang Wen-chih), 4th Supplement, 6:199-204.

(40) CWHKCC, telegrams, 71:28-9.

US\$2,000,000 within seven days. As both the official and private sources of the three provinces had no funds available for the purpose, Chang Chih-tung had to seek an emergency loan of 3,000,000 taels at a monthly interest rate of 5 per cent from the Hongkong and Shanghai Banking Corporation.<sup>(41)</sup> On September 9 of the same year, another loan of £1,100,000 (roughly equivalent to 7,200,000 taels) was concluded from the Hongkong government through the intermediary of the Hongkong and Shanghai Banking Corporation.<sup>(42)</sup> In turn, Chang promised in a written memorandum that should the Canton-Hankow railway be built through a foreign loan in the future, the British would be consulted first and had a right of first priority for supplying it. Furthermore, the British also used this opportunity to renew pressure for the construction of the Canton-Kowloon railway, so that the position of Hongkong as the sole ocean-going seaport in South China could be further safeguarded. Eventually, a special stipulation was inserted into the formal loan agreement for the Canton-Kowloon line stating that any branch lines of the Canton-Kowloon railway should be financed by British funds.<sup>(43)</sup>

The next urgent problem faced by the Chinese was how to finance the construction of the Canton-Hankow line. Chang Chih-tung considered that China should borrow more British capital for the purpose, but he maintained that the administrative, management and mining rights concerned should be

(41) *Ibid.*, memorials, 65:26-8; telegrams, 71:28-9; *Nihon gaiko bunsho*, 38:2:192, NCH, Sept. 15, 1905, 603.

(42) *Ibid.*, Wang Ching-ch'un, et al., ed. *Chung-kuo t'ieh-lu chieh-kuan ho-tung ch'uan-chi* (Complete Collection of Chinese Railway Loan Agreements), (Peking, 1916), 537-45.

(43) CWHKCC, letters, 22:4-5; telegrams, 72:3-4, 7-8, 19-20; Wang Ching-ch'un, et al. ed., 377-8; Feng-kang chi-min ti-tse, ed. *San-shui Liang Yen-sen hsien sheng nien-pu* (Chronological Events of Liang Shih-i), (1939), 129-30; Yeh Kung-cho, *Hsia-an hui-kao* (Collected Works of Yeh Kung-cho), 2:221; DUSN, 92:129, Rockhill to Secretary, Oct. 25, 1905.

preserved by the Chinese. At the same time, the German, French, and Japanese financiers as well as the American International Banking Corporation, which had a close relationship with the National City Bank of New York, also expressed their interest in the investment.<sup>(44)</sup> Financial backing from these foreign sources was firmly opposed by the gentry-merchants of the three concerned provinces. The Ministry of Foreign Affairs as well as the Ministry of Commerce in Peking also disapproved of the idea. The Hunan censor, Huang Ch'ang-nien, who was active in the reclamation movement of 1904-05, even impeached Chang, charging that his arrangement of the British loan was contrary to the will of the local people.<sup>(45)</sup> As a result, the court prohibited any foreign loan for the railway's construction. In December 1905, officials and representatives of the gentry-merchants of the three provinces met in Wuch'ang to conclude an agreement for a joint construction plan. They agreed that each of the the three provinces should organize and decide the organizational form and method of enlisting the required capital for its own company, and would build its own section within its provincial boundaries; and each agreed to refrain from constructing any branch line before the completion of the trunk line. They also agreed that the British loan of £1,100,000 for the redemption should be repaid at a rate of 3:3:1 by Kwangtung, Hunan, and Hupeh, respectively,<sup>(46)</sup>

Of the three provincial railway companies, the Hupeh Railway Company of the Canton-Hankow railway was the least commercial and its assigned

(44) *CWHKCC*, telegrams, 72:30-1; *Nihon gaiko bunsho*, 39:1:786-7; Sun, *Chinese Railways and British Interests*, 83-4, 94-6; *DUSM*, 92:128, Rockhill to Secretary (NO. 59), Aug. 17, 1905; Charles Vevier, "The Open Door: An Idea in Action, 1906-1913", *Pacific Historical Review*, XXIV:1 (Feb. 1944), 49-62.

(45) *CWHKCC*, telegrams, 73:28, 29-30; *TFTC*, 2:12, miscellaneous, 5; *Teh-tsung shih-lu* (Chronological Events of the Emperor Kuang-hsu Reign), 550:16.

(46) *CWHKCC*, telegrams, 74:14-5; *TFTC*, 3:9, communications, 179-82.

section of 500-*li* was the shortest. Originally, it was to be organized as an official-supervised and merchant-managed enterprise, but no interest was expressed in it by either the gentry or the merchants of the province. As a consequence, both the company's director-general and associate director-general were officials appointed by Chang Chih-tung. From the very beginning, its projected capitalization of 6,000,000 taels was scheduled to be subscribed through the management of the Hupeh Provincial Bank (*Kuan-ch'ien-chu*), meaning that the enterprise was an official-managed one. In addition, there was no provision in the company's preliminary charter for the establishment of a board of shareholders, nor were the shareholders given the right to elect officers of the Company.<sup>(47)</sup> The result was that few commercial funds were enlisted by the Company and its capital came almost completely from a relief surtax and the revenue from a lottery. The Company's real capital in 1909 amounted to only 656,900+ taels, an amount much behind its actual need of Ch\$16,000,000.<sup>(48)</sup>

The Hunan Company of the Canton-Hankow Railway was established by the Hunan Railway Investment Company (*Hunan ch'ou-k'uan kou-ti kung-ssu*) organized in November 1905. The latter was instituted by the provincial gentry members under an official-supervised and gentry-managed system.<sup>(49)</sup> Its co-director-general (*tsung-li*) were Lung Chan-lin and Wang Hsien-ch'ien, the two most active and influential gentry leaders in the province. Lung, a former vice-minister for both the Ministries of Punishment and Army, was instrumental for the successful campaign of recovering the

(47) *TFTC*, 3:9, communications, 192-4; Tseng Kung-hua, *op. cit.*, 800-1.

(48) Tseng Kung-hua, *op. cit.*, 800-1; Sun, *Chinese Railways and British Interests*, 97, *TFTC*, 6:2, Chronological Events, 356; *YCTK*, Memorials in the Posts Ministry, 1:16.

(49) *Hu-nan chin pei-nien ta-shih chi-shu* (Descriptions of the Major Events of the Past 100 Years in Hunan), 1:211.

American Canton-Hankow railway concession in 1905; but he died soon before the final conclusion of the negotiations. Wang, an ex-president of the Imperial Academy in Peking and a former educational commissioner in Kiangsu who had been so bold in impeaching the Empress Dowager's favorite eunuch Li Lien-ying in 1880's, was very influential in the provincial politics after his retirement to his native province. Indeed, he had single-handedly made the decision as a representative of the local gentry class to help the provincial authorities for levying a surtax to meet the obligation of the provincial treasury to pay the Boxer indemnity in 1900. Together with Lung, Wang initiated the strong response in challenging the conciliatory stand of Sheng Hsüan-huai toward the American concessionaires in 1904. Thenceforce, he was always active in the railway politics of Hunan province and was highly regarded as an influential tycoon of the province by every governor who had assumed office in Changsha.<sup>(50)</sup> Another powerful member of the gentry, Chang Tsu-t'ung, was an expectant taotai and a brother of Chang Po-hsi, the influential minister of the Ministry of Education in Peking. After Lung died in 1905, Wang, through his personal relationship with officials both in Peking and in the Hunan province, became the dominant figure in the provincial railway enterprise.<sup>(51)</sup>

According to the original plan, the Hunan Company's capital should be mainly collected from subscription of its railway bonds through free capital market. That means that every wealthy gentry member and merchant in the province was encouraged to buy these bonds in expression of their support of this locally-financed business. But this plan failed to take in any sizable

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(50) Min Erh-chang, ed. *Pei chuan chi pu* (Supplementary Collection of Biographies), (Prefaced 1923, Peking), "Biography of Lung Chan-lin".

(51) *Nihon Gaiko bunsho*, 38:2; 189.

amount of fund. The company was forced to rely on a provincial surtax on exported rice and imported salt for its revenue. With the co-operation of local officials, the company managed to take in approximately 600,000-800,000 taels annually.<sup>(52)</sup> Later, a surtax on all grain harvests of more than 50 piculs (a *shih* equals to 133½ lbs.) was set which would provide an additional, annual revenue of more than 700,000 taels. But this limited fund of 1,300,000-1,500,000 taels was still not sufficient to start construction of the railway since the Company was obliged to repay the principal and interest of the British loans amounted to 600,000 taels per annum for the redemption of the American concession. Furthermore, the administrative expenditure of the Company's gentry management was also large since there was no supervisory organ instituted. This resulted great disappointment to other gentry-merchant groups in the province who urged efficient management of the railway program. Furthermore, there were competitions among different groups of gentry leaders and each sought to control this funds for their individual purpose in the name of public good. Factional struggle ensued. Headed by the chairman of the provincial Chamber of Commerce in Changsha, Ch'en Wen-wei, the opposition group established their own Hunan Commercial Railway Company, Ltd. (*Shang-pan Hu-nan ch'uan-sheng t'ieh-lu yu-hsien kung-ssu*) in May 1906. They held an impressive meeting attended by more than one thousand supporters. They disregarded the existence of Wang Hsien-chien's Company and elected prestigious gentry-officials of Hunan origin as chief officers of their so-called commercial company. Among them were Yuan Shu-hsun, the Metropolitan Prefect of Peking, elected managing director-general, and Yu Chao-k'ang, the former judicial

(52) *Ibid.*; *Hu-nan chin pai-nien ta-shih chi-shu*, 1:242.

commissioner of Kiangsi, and Chang Tsu-p'eng, an expectant taotai and a close relative to Chu Hung-chi (former powerful Grand Councillor in Peking), were elected associate managing directors. According to the charter of this company, its capital would be completely supplied from commercial sources and the company would be managed as a truly commercial enterprise. The promoters announced their intention of investing an initial working capital of Ch\$2,000,000, which constituted about one-tenth of the railway's estimated investment.<sup>(53)</sup> The appearance of two competing railway companies undertaking construction of the same line reflected the factional struggle among the gentry-merchants in Hunan. Since Wang and his group had close relationship with the provincial authorities including the governor-general of Hukwang, Chang Chih-tung, this newly-emerged gentry group was apparently sponsored by some other powerful gentry-officials in the central government of Peking and elsewhere. The selection of Yuan Shu-hsun as a representative of this competing gentry group who was a rich pawnshops and real estates owner possessing a large family fortune of several million taels in Hunan and a true rising star in the Chinese officialdom while being recently promoted from the customs taotai of Shanghai to the Metropolitan Prefect of Peking, indicated that this gentry group intended to substitute Wang's position in the provincial politics. But Chang Chih-tung would not easily let the management of the Hunan Railway Company sliding beyond his control. In a memorial submitted to the throne on January 11, 1907, he suggested that the Company should be strictly supervised by officials although its management could remain in the hands of those local gentry-merchants. This was quickly approved by the Peking government and Chang took forceful intervention to solve the fierceful

(53) *TFTC*, 3:9, communications, 177-8, 194-200; *Hu-nan chin pai-nien ta-shih chi-shu*, 1:242.



dispute among various gentry groups.

The two competing companies were ordered to be merged into one under Chang's own direct supervision.<sup>(54)</sup> The leadership of the new company included all competing gentry leaders: Yuan, Wang and Yu were all being appointed directors and formed into a triumvirate to direct the company's operations. Later, Chang memorialized that Yuan should serve as supervising director (*chu-ch'e tsung-li*), Wang as honorary director (*ming-yu tsung-li*), and Yu as actual director (*tsueh-pan tsung-li*).<sup>(55)</sup> Unfortunately, such a panacea of compromise did not settle the conflict among the different gentry-merchant groups. As a result, the commercial investors who had supported Ch'en Wen-wei in opposing the gentry-officials' manipulation of the enterprise were much disappointed, and most of them withdrew their money from the program.<sup>(56)</sup> The Hunan Railway Company relied increasingly on the revenues from various public funds such as the surtaxes on land, rice, salt, and housing, as well as a deduction taken from officials' salaries. Until August 1910, these incomes came a total of 3,856,598.84 taels, while the company expenditures amounted to 3,487.59 taels, including the annual payment of interest and principal for the British loan and the investment for construction of a 35-odd-mile line between Ch'angsha and Chuchow.<sup>(57)</sup> The Company had only a deposit of 369,105.25 taels in August 1910 while its actual need for railway building was estimated to be Ch\$60,000,000 (Ch\$1.50=1 tael).<sup>(58)</sup>

(54) CWHKCC, memorials, 68:8.

(55) *Ibid.*

(56) *Hunan chin pei-nieh ta shih chi-shu*, 1:243.

(57) *Ibid.*, 1:243; Yu-Chuan-pu, ed., *Yu-chuan-pu tso-i hsu-tien* (Supplementary Collection of Memorials of the Yu-chuan-pu), railways(1910), 62-3; Mongton C. Hsu, *Railway Problems in China*, 91

The situation in Kwangtung was quite different from the experiences of Hupeh and Hunan. After the recovery of the American Canton-Hankow railway concession in August 1905, the provincial gentry-merchants soon fell into direct collision of interest with the local officials. According to their plan which was drawn up during the redemption of the railway, the gentry-merchants in the provinces proceeded dynamically to organize a commercial corporation to take charge of railway construction of their area.<sup>(59)</sup> A preliminary charter for the company was drawn up which put the management of the enterprise under the complete control of the shareholders who would invest their money in the undertaking; the voting power of a share-holder in the company could be solely decided by the number of shares subscribed by him, and the "commissioner" who has been commissioned by the company to collect shares from some social institutions, local communities or anonymous individuals would also be assigned voting power in the management according to the number of shares collected.<sup>(60)</sup> This plan was generally approved by Chang Chih-tung although he strongly recommended that the supervisory power of the provincial officials for the enterprise should be duly safeguarded and the power of those so-called "commissioners" should be severely checked. But this kind of organization was ferociously opposed by Tsen Chun-hsuan, the autocratic, influential governor-general of Liangkwang, who wanted the railway to be a joint official-merchant undertaking. To provide the necessary capital, Tsen proposed that an additional tax be levied on land crops, shipping licenses, salt-making and -selling and on fortress repair.<sup>(61)</sup> This was

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(58) *YCTK*, Memorials in the Posts Ministry, 1:15-6.

(59) *CWHKCC*, telegrams, 74:14-5.

(60) *Ibid.*, telegrams, 72:2, 73:1-2.

(61) *Ibid.*, telegrams, 72:2, 74:29-30; *TFTC*, 3:9, communications. 182.

firmly rejected by the local gentry-merchant groups because such a tax-raising program would increase the burden of the people and the officials would probably be the first group to benefit from these additional revenues through their corrupt management of public funds.<sup>(62)</sup> After repeated meetings between officials and gentry-merchants, no agreement was reached. The gentry-merchants became more suspicious of Tsen's intention because the governor-general also intended to seek a foreign loan for the railway construction. Both sides would not concede any point in their proposed program and fierce quarrels erupted in a meeting on January 12, 1906 between the two groups which led to Tsen's arbitrary arrest of a prominent gentry leader, Li Kuo-lien, a former taotai of Amoy. Tsen also put another influential local leader, Liang Ch'ing-kui, a member of the Hanlin Academy who had served as a junior chancellor of the Grand Secretariat in Peking before retiring to his native city, under house surveillance.<sup>(63)</sup> Following Tsen's suggestions, the Peking government even agreed that the official titles of both Li and Liang be deprived.<sup>(64)</sup> This action aroused great fury in the gentry camp and a general strike in the city of Canton was proposed in protesting such a blunt persecution. The opposition agitation was led by two retired high-ranking officials, Hsu Yung-k'uei, former governor-general of Minche (Fukien and Chekiang), and Teng Hua-hsi, former governor of Kweichow and Anhui. They urged the Peking government to punish Tsen and conciliate local sentiment.<sup>(65)</sup> Various powerful Cantonese officials in the capital also demanded that the governor-general

(62) *Ibid.*, I Ting, "Kuan-yu Yueh-Han tieh-lu feng-chao erh-san shih" (Notes on the Official-merchants Conflicts over the Canton-Hankow Railway), *I-lin ts'ung-lu* 3:257-9.

(63) *Ibid.*; *NCH*, Jan. 24, 1960, 177.

(64) *TFTC*, 2:12, Miscellany, 18.

(65) *TFTC*, 2:12, Miscellany, 18.

be reprimanded for his misconduct. A Cantonese censor even impeached Tsen's high-handed arrest of the two gentry leaders as "arbitrary" and "self-centered" since the champion for a merchant-managed corporation in charge of railway-building in the province was quite reasonable and had been widely supported by the influential gentry-merchants and populace. Cantonese elsewhere in the major cities of other provinces also echoed this charge. Public opinions in non-official circles too unanimously disapproved of Tsen's action.<sup>(66)</sup> Liang Ch'i-cháo, in his *Hsin-min ts'ung-pao*, denounced Tsen's scheme to amass capital for railway construction through foreign loans and other internal taxes as "financial ghosts" which would do more harm than good for China's industrial development. Liang suggested that the funds could be obtained through public subscription of the railway's sharebonds.<sup>(67)</sup>

The official-gentry conflict came to an end in February 1906. Through the influence of those powerful Cantonese officials in Peking, vice-minister T'ang Shao-i of the Foreign Affairs Ministry and vice-minister Wu T'ing-fang of the Commerce Ministry, it was decided that the railway company of Kwangtung should be a commercial enterprise managed solely in the hands of gentry-merchants. The court ordered Tsen to release Li and Liang immediately after an investigation of the affair made by a specially-commissioned provincial judge of Kiangsu, Yuan Shu-hsun, was announced. In April 1906, the Kwantung Company of the Canton-Hankow Railway (Ltd.) was formally established. The Ministry of Commerce granted special favor to the company, allowing it to exploit mineral deposits in a

(66) *Ibid.*, Kan Tu, "Kuang-hsu mo-nieh Kwangtung ti i-ta feng-chao" (A Large Political Crisis in Kwangtung in the late Kuanghsu Period). *I-lin tsung-lu*, 2(1962).

(67) *Hsin-min ts'ung-pao* 3:14:70.

limited area along the railway route.<sup>(68)</sup>

This impressive triumph of the gentry-merchants over the authoritative governor-general of Liangkwan stimulated the local people to subscribe to the share-bonds of the company. The enthusiastic rush to the support of the railway-building program expressed apparently in a mixed half-anti-official and half-patriotic sentiment. As reported by a reporter on the spot for the *North China Herald*:

"Not only are the monied class rushing to buy the shares, but the poorest of the poor and even those who are supposed of no cash to spare and hardly enough to keep body and soul together are buying up one or more shares. The accounts are very graphic, detailing as they do nuns, chair coolies, and even blind musicians, coming forward and securing a share or two in the enterprise".<sup>(69)</sup>

Within a few days the subscription came to a sum of Ch\$5,000,000. By June 21, 1906, it had reached Ch\$8,817,562.<sup>(70)</sup> The Cantonese overseas in Southeast Asia and Australia also expressed great interest in the investment.<sup>(71)</sup> As the above amount represented only an initial payment of Ch\$1.00 for a full share of Ch\$5.00 and the balance of which would be paid later in three installments, the nominal subscription had actually come to a phenomenal Ch\$44,087,810, an impressive and unprecedented success in enlisting the nation's capital for railway-building. But the Kwangtung Railway Company

(68) *TFTC*, 3:9, communications, 188-9; Chieh Teh-kung, et al. ed., *Hsin-hai Ko-ming* (The Revolution of 1911), (Shanghai, 1957), 4:550; *NCH*, Feb. 2, 1906, 227; Feb. 23, 1906, 407; Ting Wen-chiang, ed., *Liang Chi-ch'ao hsien-sheng nien-pu chang-pien chu-kao* (A Drafted Chronological Events of Liang Ch'i-ch'ao), (Taipei, 1958), 369.

(69) *NCH*, March 16, 1906, 582.

(70) *TFTC*, 3:4, communications, 118.

(71) *NCH*, Jan. 12, 1906, 53; June 8, 1906, 550.

soon faced great trouble in organizing an efficient management, and both the bureaucratic-oriented gentry-merchant group and the commercial-oriented gentry-merchant group competed for the position of the company's managing-directorship. This competition was usually conducted in an illegal way since the Company's charter included many loopholes which permitted intervention from either the collective shareholders such as the clan associations and merchants' guilds or the provincial officialdom.<sup>(72)</sup> At the Company's first meeting of shareholders, the bureaucratic-oriented gentry group controlled the scene under the strong auspice of governor-general Tsen. They elected Cheng Kuan-ying, the noted ex-comprador of the British Butterfield and Swire Co. and the Dent Co. who enjoyed a very close relationship with both Li Hung-chang and Sheng Hsüan-huai and had been an associate director of the Canton Chamber of Commerce, as the managing-director of the undertaking and Huang Ching-t'ang (Huang Shao-pint), an expectant taotai and a rich commercial-oriented merchant, as the associate managing-director.<sup>(73)</sup>

Cheng's election as head of the Company did not resolve the factional clashes between various gentry groups within the company, and his assumption of that position was repeatedly criticized as unlawful by another group headed by Hsu Yung-k'uei, a former governor-general of Min-che

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(72) *Ibid.*, April 6, 1905, 17; *TFTC*, 3:12, communications, 235; Sun, *Chinese Railways and British Interests*, 118, 195.

(73) Wang Ching-yu, et al. ed., *op. cit.*, 2:968-9; Yen-ping Hao, *The Comprador in Nineteenth Century China: Bridge Between East and West* (Cambridge, Mass., 1970), 35, 197, passim; *NCH*, May 4, 1906, 252; I Chiang, "Kuang-hsu mo-nien Yueh-Han tieh-lu feng-ch'ao ti ling-i-mien" (Another Aspect of the Official-Merchant Conflicts over the Canton-Hankow Railway During the late Kuanghsu Reign.), *I-lin Tsung-lu* (Collected Records of Arts), 3:253-7; Albert Feuerwerker, *China's Early Industrialization: Sheng Hsuan huai (1844-1916) and Mandarin Enterprise* (Cambridge, Mass., 1958), 116-7.

and ex-minister of Rites in Peking who was an irrevocable foe of Tsen.<sup>(74)</sup>

A Cantonese censor in Peking charged that Cheng was guilty of corruption by utilizing Company's fund for private purposes. There also existed personal conflicts and jealousy between Cheng and Huang.<sup>(75)</sup> Intrigues were rampant within and without the framework of the company. Governor-general Tsen memorialized to the throne, charging Hsu a "villian" of blocking the railway program of the province and the gentry groups also sent delegates to Peking, suing Tsen's unlawful interference of the commercial company.<sup>(76)</sup> For a time T'ang Shao-i, vice-minister of Foreign Affairs who was then taking over Sheng Hsüan-huai's position in charge of railway affairs, was urged to come to his native province to direct the construction of the railway. But T'ang declined the appointment.<sup>(77)</sup> Both Cheng and Huang resigned in November 1907 following Tsen's discomission of his governor-generalship of Liangkwan, and Wu T'ing-fang, the vice-minister of Commerce as well as of the Punishment Ministry and then on leave in Canton from his official posts, and Chang Chen-hsun, the well-known overseas Chinese entrepreneur, were temporarily appointed to the respective positions by the incoming governor-general Chou Fu.<sup>(78)</sup> But the gentry group of the clan and charitable associations as well as the merchants' guilds in Canton who had close relationship with Tsen continued to elect their men in the council of directors.<sup>(79)</sup> In September 1907, the Company was

(74) Kuō Ting-i *Chin-tai Chung-kuo shih-shih jih-chih* (Chronological Events in Modern China), (Taipei, 1963), 2:1253.

(75) *TFTC*, 4:3, communications, 70; *Yu-chuan-pu tsou-i lui-pien* (Collected Memorials of the Yu-chuan-pu), railways, 41.

(76) *Hsin-min Ts'ung-pao*, 4:9.

(77) *NCH*, June 1, 1906, 550; June 15, 1906, 633; Jan. 4, 1907, 9.

(78) *TFTC*, 3:11, miscellaneous, 49 *NCH*, May 3, 1907, 264.

(79) *Hsin-min Ts'ung-pao*, 4:24; *TFTC*, 4:9, 22.

taken over by Liang Ch'eng, former Chinese minister to the United States who had been in charge of the direct negotiations with the American concessionaires over the Canton-Hankow railway concession. K'uang Sun-mo, deputy chief-engineer under Jeme T'ien-yow in construction of the Peking-Kalgan railway, was nominated as chief-engineer for the Kwangtung railway.<sup>(80)</sup> Liang's appointment was actually resulted from an uneasy compromise between different groups. He had never been a merchant and had never contributed his personal money to the Company. Thus, his assumption of the Company's managing directorship was quite contrary to the spirit of a registered commercial corporation such as the Kwangtung Railway Company.

The management of the railway continued to deteriorate and the factional struggle within the company never ceased. The trouble originated from the Company's charter which stipulated that any shareholder owning more than one share should have voting power according to the number of shares he possessed. Consequently, although the large shareholders could control the corporation by the number of shares, the small shareholders would also have a voice in the meeting of shareholders through their presence at the meeting, although their voting power was limited. This provision was contrary to a stipulation of the national company law promulgated by the Ministry of Commerce in 1904 which stipulated that each ten or twenty shares of a corporation should have only one vote. Furthermore, contrary to another stipulation of the above-mentioned law which stated that every shareholder should register his name and place of birth on the bonds, the Kwangtung company allowed its bonds to be registered under the title of one's family

(80) *Yu-chuan-pu tsou-i lui-pien*, railways 1907, 41-56; *TFTC*, 4:9; miscellaneous, 17; 3:12, communications, 235.



or business. This considerably strengthened the power of small shareholders because it allowed them to concentrate their voting power in opposing those large shareholders during the company's general meetings.<sup>(81)</sup> As a consequence, any general meeting of shareholders usually resulted in serious quarrels among different factions of shareholders. Those rich merchants were enthusiastic in subscribing the sharebonds in the initial phase of the Company, now refused to pay the remaining installments for their shares and the value of the sharebonds depreciated drastically to a mere 70% of their face value.<sup>(82)</sup>

In addition, construction of the Kwangtung section of the Canton-Hankow railway was carried out in a wasteful and corrupt manner. Liang Cheng had proved himself not an efficient administrator but a bureaucrat of new type who had studied in the United States and had direct understanding of the modern world. By March 1909, only 42 miles (128 *li*) of the railroad had been completed, and this total mileage even included 12 miles of track built by the American China Development Company. The total expenditure for this section amounted to an exorbitant CH\$7,400,000+, an expenditure of Ch\$41,000+ per *li* in comparison with the originally planned expenditure of Ch\$20,000-29,000 per *li* by its chief-engineer. The salaries paid to the employees of the company alone totaled an annual sum of 400,000 taels.<sup>(83)</sup> The managing director received a monthly salary of 2,000 taels, while the chief-engineer got HK\$2,200 (equivalent roughly to 1,200 taels) per month. The expenditures for repairing the completed railway for a period

(81) *TFTC*, 6:12, events, 455; *NCH*, Dec. 14, 1906, 596.

(82) *Chung-Kuo Wai-chiao tang-an* (Diplomatic Archives of China: The Tsungli-Yamen and the Foreign Ministry, 1861-1926), 5th Month 25, 33rd Year, Kuanghsu Reign, telegram from Chinese traders in Singapore.

(83) *TFTC*, 6:4, events, 37-49; *Kuo-feng-pao* (Journal of Public opinions), 1:22, 100; *TFTC*, 9:12, Events, 438.

of four months totaled more than 170,000 taels, an unbelievable amount in consideration of the length of the railway.<sup>(84)</sup> Moreover, much corruption was uncovered by an investigation in 1909: the company's capital of more than 500,000 taels deposited in the local banks earned no interest at all, and the amount of capital found in the company's official accounts different from the amount actually deposited in foreign banks. Confused by a complicated currency system, the company's fund of Ch\$900,000+ in silver dollars was computed intentionally in copper cash so that more than 40,000+ taels of its interest was defrauded by the officers of the company. Many frauded receipts, totalling 2,400 taels, were found in the company's files. Furthermore, Liang Ch'eng himself was charged with nepotism, as one of his relatives had defrauded the company of more than 13,000 taels.<sup>(85)</sup>

Besides the difficulties faced by these three provincial branch companies of the Canton-Hankow railway, other commercial railway companies founded in other provinces encountered similar problems, especially in capitalization and management. The Anhui Railway Company was founded in July 1905 before the end of the Sino-American negotiations over the Canton-Hankow railway. It was also established by the provincial gentry leaders with the co-operation of their fellow-gentry member serving officials in the metropolitan area of Peking. Li Ching-fang, the stepson of Li Hung-chang who had closely associated with Sheng Hsüan-huai in railway affairs and serving as the associate director of the Shanghai-Nanking railway before 1905, was named managing director.<sup>(86)</sup> As the case of Hunan province, Anhui was

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(84) *Ibid.*, 6:12, events, 438.

(85) *Ibid.*

(86) Tseng Kung-hua, *op.cit.*, 845; *NCH*, Sept 1, 1905.

also noted for the existence of an omnipresent and powerful gentry class and Li and his group were especially influential in both the provincial and central governments. In comparison, the power of the provincial merchants were weaker and it is improbable for them to trust their money to the control of these gentry leaders. Thus, the railway company received strong sponsorship from the province's official circles although it maintained itself a commercial business. The major objective of this company, as its sister company, the Anhui Mining Company organized in 1904, was to check foreign railway investment in the province and to develop a Chinese railway system. The company's projected capital was set at 20,000,000 taels, with an initial scheduled subscription of 4,000,000 taels for constructing its first line from Wuhu to Kuanteh in South Anhui which was planned to extend eventually to Huchow in Chekiang.<sup>(87)</sup> The Company also decided to build various other railways, connecting some cities of northern Anhui with the Peking-Hankow railway in Honan as well as with the projected Tientsin-Chinkiang railway in northern Kiangsu. The capital was to be further recruited, in addition to the sources of the gentry-merchants' subscription of the company's sharebonds, by an extra duty of 0.05 tael for every picul of rice exported from the province. Similar surtaxes were to be levied on tea, lumber, and opium as well as on house rentals and stamps. In addition, a lottery plan was to be carried out. It was even proposed that a head tax of 0.01 tael per annum be levied on every adult in the province, but this proposal was dropped because of its unreasonable nature. The charter of the Anhui railway company prohibited any investment of foreign

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(87) *Ch'ing-chi tieh-lu hsiao-che* (Phamphlets on Late Ch'ing Railways), (No date of publication and no authors), deposited in the East Asiatic Library, Columbia University, "Maps and Description of the Railway System in Anhui", 2-12.

capital in the enterprise.<sup>(88)</sup>

From the very beginning the Company faced financial troubles. Few gentry-merchants of the province wanted to invest in it although Li Ching-fang himself led a subscription campaign by investing 20,000 taels himself.<sup>(89)</sup> The major source of its capitalization, as in the case of the Hunan Railway Company, came from an extra-duty on the exportation of rice, which amounted to 200,000 to 300,000 taels per year. Other sources of capital were very unstable and limited.<sup>(90)</sup> The lottery plan was modeled on the Cantonese precedent. By buying two tickets for 7 taels, the purchaser would stand a chance of winning a prize and possessing a share of the railway company which was supposedly worth 10 taels.<sup>(91)</sup> Until 1909, the capital accumulated amounted to only 872,787.77 taels, representing a subscription of 143,850+ taels from commercial sources, 441,764+ taels from rice surtaxes, 101,772+ taels from the tea tax, and 173,152+ taels from the profits of the lottery plan.<sup>(92)</sup>

The Company was continuously controlled by the provincial gentry who were actually officials serving concurrently in their official posts in other provinces. As a result, corruption and nepotism pervaded the enterprise. After Li Ching-fang was appointed Chinese minister to England in 1907, the managing position was offered to Li Ching-hsi, the former governor of Kwangsi who was also a relative of Li Hung-chang, but Li declined the post.<sup>(93)</sup> It was then nominally taken over by Chou Hsueh-hsi, the son of a former governor-general of Liangkiang and a close subordinate of Yüan Shih-k'ai in Chihli who played a very active role in

(88) *Ibid.*; *NCH*, Jan. 17, 1906, 123.

(89) *NCH*, June 1, 1906 550.

(90) *TFTC*, 3:3 communications, 67-72.

(91) *NCH*, Oct. 5, 1906, 14.

(92) *TFTC*, 6:6, investigations, 5-7.

(93) *Yu-chuan-pu tso-i lui-pien*, railways (1908), 182.

Yüan's industrial and financial modernization programs after 1901<sup>(94)</sup> Problems such as those facing other railway corporations also plagued the company. There was a struggle for personal gain and the regional competition between southern and northern factions within the province was particularly rife. Repeated clashes occurred at the Company's meetings.<sup>(95)</sup> As a result, although the actual construction of the line started in mid-1906, by 1909 only some three miles of earth-embanking near Wuhu, various cuttings and short stretches of earth work for a distance of some ten miles, a small bridge over the Wuhu Creek, and some stacks of sleepers had been completed. This represented a total expenditure of 808,917+ taels.<sup>(96)</sup> Commenting on the pace of construction, the *North China Herald* noted that it would require "2950 years to complete the 470 *li* (137 miles) of road from Wuhu to Kuanteh."<sup>(97)</sup>

The Chekiang Railway Company originated from the united efforts of the provincial gentry-merchant groups and the officials of the province who were serving at the Peking court. The first proposal for the organization of such a corporation came from the Chekiang gentry-merchants in Shanghai. Acting for the local interests, the Chekiang-born officials in Peking headed by Huang Shao-ch'i, a chancellor at the Hanlin Academy, petitioned the Ministry of Commerce in the summer of 1905 for permission to establish the company. They recommended T'ang Shou-ch'ien, a native of Chekiang well known for his far-sighted comments on China's modernization programs in the 1880's and who later served as salt commissioner in Kiangsu, being appointed director-general of the Chekiang Railway Company.

(94) *TFTC*, 7:11, events.

(95) *Ibid.*, 6:6, investigations, 5-7; *BPP*, Commercial Reports(1910), no. 4420, 12.

(96) *TFTC*, 6:6, investigations, 5-7.

(97) *NCH*, Nov. 1, 1907, 276.

(98) *TFTC*, 3:1, memorials, 25-9; Sung Tse-pao, "Tang Shou-chien chuan" (The Biography of

(98) This petition received strong support from influential Chekiang officials at the court such as Wang Wen-shao, a Grand Councillor and Grand Secretary; Ko Pao-hua, minister of the Punishment Ministry, Ch'en Pang-jui, vice-minister of the Revenue Ministry and Shen Chia-pin and Hu Chu-feng, both vice-ministers of the Punishment Ministry.<sup>(95)</sup> They announced that the company would be designed to control and monopolize railway development in the province so that any foreign domination of railway in the region would be excluded. It was soon ratified by the Ministry of Commerce and received formal imperial approval on August 26, 1905.<sup>(100)</sup>

Like the Anhui company, the Chekiang Railway Company obliged all Chinese companies and individuals interested in railway development in the province to register as branch companies or shareholders. The long-range goal was a grand one which included the designation of Hangchow as the center of a projected railway network. From there various railways to Soochow and Shanghai in the north, to Shaohsing and Ningpo in the east, and to Nanch'ang of Kiangsi province in the southwest were planned. Also planned were additional lines connecting other important commercial centers in the province to neighboring Fukien and Anhui provinces.<sup>(101)</sup> But the immediate objective of the Company was to construct a railway between Hangchow and Soochow, and then extend it eventually to Shanghai and Ningpo.<sup>(102)</sup>

Actually, this railway scheme was a direct denunciation of the British

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Tang Shou-chien), *Kuo-shih-kuan kan* (Bulletin of the Academia Historica), 1:2, 80-2; See also Lee En-Han, "The Chekiang Gentry-Merchants vs. Peking Court Officials: China's Struggle for Recovery of the British Soochow-Hangchow-Ningpo Railway Concession, 1895-1911", 中央研究院近代史研究所集刊, 第三期, 上册(July 1972), pp. 223-268.

(99) *TFTC*, 3:1, memorials, 25-9.

(100) *Ibid.*, Kuo Ting-i, *op. cit.*, II:1236.

(101) *KCCYCP*, I. railways, "memorial of the Ministry of posts and Communications".

(102) *Ibid.*

Soochow-Hangchow-Ningpo railway concession to which China had acceded in 1898. Accordingly a conflict arose between the Chekiang company and the British concessionaires who were then represented by the British and Chinese Corporation, a concern organized by the HongKong and Shanghai Banking Corporation, the Jardine, Matheson and Co. and other British firms. The dispute later developed into a serious confrontation between the local interests and the Peking court officials who were responsible for Chinese foreign affairs and influenced by strong diplomatic pressure from Britain. But the Chekiang Railway Company, under the management of T'ang Shou-ch'ien, was organized on a sounder basis than the Anhui company. From the very beginning, the Company promulgated a charter emphasizing the preservation of the interests and rights of shareholders. Its plans were more efficiently executed and its funds much more honestly spent.<sup>(103)</sup> Its initial capital of Ch\$4,000,000 was fully subscribed in 1907, and by early April of 1909, the section between Hangchow and Chiahsiung, a city on the Chekiang-Kiangsu border, was open to traffic.<sup>(104)</sup> Four months later, the railway had reached Shanghai.<sup>(105)</sup>

The Fukien Railway Company was instituted through a request submitted to the Ministry of Commerce by some high-ranking Fukien officials in Peking. The request quickly approved by the throne in September 1905. Ch'en Pao-chen, a prestigious gentry member who had been a noted official of the so-called "disinterested party" in the 1880's and a close friend of Chang Chih-tung, was selected to the director-generalship of the company. The company received support from the provincial governor-general since

(103) *Yu-chuan-pu tso-i lui-pien*, railways (1909): *TFTC*, 6:3 communications, 25; *Ibid.*, 7:9 supplement to major events, 67. See also Lee En-Han, "Chekiang Gentry-Merchants vs. Peking Court Officials", *Passim*.

(104) *BPP*, Commercial Reports(1909), 68.

(105) *Ibid.*, Commercial Repors (1910), 23.

the latter was also busy then in undertaking various measures to succumb foreign economic influence in the province, and emphasis was particularly put in preventing any further expansion of foreign railway and mining concessions. The French Ta-t'ung Company which received the Chinese approval in Oct. 1902, of digging any mine in the three western prefectures in Fukien, had been ordered to pay mining license dues under threat of annulling their mining right.<sup>(106)</sup> The establishment of this Fukien Railway Company was also an important step for a coordinated efforts between the local officials and gentry members to establish an important Chinese-financed enterprise for the province's economic development. However, factional disputes in the company erupted soon among the gentry leaders. Ch'en Pi, vice-minister of the Commerce Ministry, opposed Ch'en Pao-chen and favored Chang Chen-hsun's project of building the company's first line to connect Amoy with Canton. But this was opposed by Ch'en Pao-chen who envisaged a Foochow-centered railway system in the province. The Japanese attempt to induce Ch'en Pao-chen to accept their investment in various railway programs under a nominal Sino-Japanese co-operation was bluntly rejected.<sup>(107)</sup> For a time, the Japanese consul in Foochow plotted to send several secret agents to Peking, scheming to bribe officials in the central government to oppose Ch'en Pao-chen; his efforts, however, were to no avail.<sup>(108)</sup>

According to the Company's charter, the construction plan included three trunk lines. A line would link Foochow to Yenping in the northwestern Fukien and then to the Chekiang and Kiangsi borders, respectively; the provincial capital and Amoy would also be linked, with a further

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(106) Lee En-Han, "China's Response to Foreign Investment in Her Mining Industry", 57-64.

(107) *Nihon Gaiko Bunsho* 38:2:150, 66.

(108) *Ibid.*, 37:2:88.



extension to a city on the Fukien-Kwangtung border. The preliminary target of subscription was set at Ch\$6,000,000, so that construction could begin on a short line between Foochow and Mawei and one between Amoy and Ch'angchow in south Fukien.<sup>(109)</sup> From the early beginning, Ch'en had great hope of enlisting large investment from wealthy Fukien (Hokkien) businessmen both in Shanghai and in the Southeast Asian region. He went twice to Shanghai for the purpose as soon as the Company was formally instituted. He received promises for investment totaling Ch\$700,000 for the first line and Ch\$2,000,000 for the second. But the actual payment of these promises was quite disappointing, and a total of only Ch\$85,000 was received during the Company's existence.<sup>(110)</sup> In 1906, the director-general visited the British Straits Settlements, the Malay States, Rangoon, and Java to raise funds for the railway program. A total of Ch\$1,700,000 was collected and, in Singapore, he received an enthusiastic response and people subscribed 100,000 full-paid \$5.00 shares amounting to Ch\$500,000. Yet the available fund was still insufficient for the two initial projects, and Ch'en was compelled to concentrate the capital to construct the Amoy-Ch'angchow line only.<sup>(111)</sup> In cooperation with the investment of gentry-merchants, the provincial authorities also provided the income from surtaxes on land crops and salt, totaling Ch\$200,000 annually, for the payment of the annual interests to commercial shareholders.<sup>(112)</sup>

Railway construction began in 1907, but the capital was not spent

(109) *TFTC*, 3:9, communications, 196; *Chung-chih kuan-pao* (Official Journal of Political Affairs), Huan-t'ung period 2/3/25(1910)

(110) *Nihon Gaiko Bunsho*, 39:1:744.

(111) *The Times*, Dec. 20, 1906, 5; *YCTK*, memorials at the Yu-chuan-pu, 2:17-20.

(112) *Nihon Gaiko Bunsho*, 39:1, 739; Mongton C. Hsu presented a figure for the total revenues of these surtaxes in Fukien in his *Railway Problems in China*, 95. But it is supposed incorrect by this author.

economically and efficiently as had been the case with the Chekiang Railway Company. Ch'en Pao-chen was frequently charged with assigning lucrative positions in the Company to his relatives; thus some of the shareholders refused to make further subscription of sharebonds in 1908. The construction proceeded very slowly. By early 1910, only three miles of the 30-mile Amoy-Ch'angchow line had been laid, at the exorbitant cost of 1,344,000 taels.<sup>(113)</sup>

The Kiangsi Railway Company had a fate similar to that of its counterparts in Anhui and Fukien. It was mainly promoted by a group of local gentry headed by Li T'ai-feng, the former provincial treasurer at Nanking. The initiation of this railway company was strongly supported by two prominent Kiangsi officials, Li Sheng-tueh, one of the five imperial commissioners for an overseas study of constitutionalism in 1905, and Ts'ai Chün, former taotai of Shanghai and former Chinese minister to Japan who was then a sub-chancellor of the Grand Secretariat in Peking. Imperial approval of the plan was formally obtained through the recommendation of the Ministry of Commerce in November 1905.<sup>(114)</sup>

The Kiangsi company first borrowed Ch\$1,000,000 from two wealthy Kiangsi salt-merchants in Yangchow through the efforts of Li and Ts'ai. But the subscription of its sharebonds from commercial sources amounted to only 300,000 taels. It turned increasingly to rely on the public funds provided by various extra-taxes on rice, salt, opium and other commodities for capital.<sup>(115)</sup> Construction of the 76-mile Chiukiang-Nanch'ang line began

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(113) *Chung-chih kuan-pao* (Official Journal of Political Affairs), Huan-t'ung period 2/3/25 (1910).

(114) *KCCYCP*, regulations and contracts; *NCH*, Jan. 24, 1906, 177.

(115) *Chung-chih kuan-pao* (Official Journal of Political Affairs), Hsuan-t'ung period 1/3/26 (1909); *NCH*, Jan. 24, 1906, 177.

in 1907 under the supervision of Japanese engineers, and was scheduled to be completed in 1910. But by 1909, only ten miles of track had been laid, and 22 miles of embankment had been completed. The company's management was frequently disturbed by the successive, internal conflicts originated from a struggle among the gentry members for control of the public funds. Various gentry groups in the province made repeated efforts in an attempt to dominate the railway company for their personal interest on the pretext that their native counties had supplied public funds, although they themselves had never made any sizable investment in the enterprise. The situation became worse after the formal establishment of the provincial legislative assembly in October 1909. In the name of the democratic and representative principle, almost every assembly member intended to promote his own individual interest could interfere the affairs of the railway company. For a time, the market price of the company's bond declined to 40%-50% of its face value, and there were repeated suggestions in the provincial assembly that the railway company should be reorganized as a provincially-controlled public enterprise.<sup>(116)</sup> The Assembly had formally proposed in 1910, that a local loan of Ch\$3,000,000 should be made from public sources so that the railway construction could be started. But this suggestion was firmly declined by the company's officers on the ground that it would change the enterprise into an official-controlled one. The Kiukiang-Nanch'ang railway was finally completed with a Japanese loan in 1915.<sup>(117)</sup>

The Kiangsu Railway was the result of a petition by 256 Kiangsu officials in Peking submitted to the Ministry of Commerce under the leadership of Hui Yu-ting, a sub-chancellor of the Hanlin Academy. Its establishment was approved

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(116) *TFTC*, 6:13, events, 473-7; *BPP*, Commercial Reports(1909), 67.

(117) Tseng Kung-hua, *op.cit.*, 880; Mongton C. Hsu, *Railway Problems in China*, 93-4.

by the central government in May 1906. The Kiangsu gentry-officials elected Wang Ch'ing-mu, a senior councillor of the Commerce Ministry and a dominant figure in carrying out the Ministry's energetic mercantile policy, as the company's nominal director-general, and Chang Ch'ien, the noted scholar-industrialist, as its associate director-general.<sup>(118)</sup> The Kiangsu company's charter was one of the best. It stipulated in detail the organizational structure of the board of directors and the general council of shareholders and the elective process of the company's supervisors. The charter also set a ceiling on the voting power of the large shareholders, so that the voice of the small ones could be protected. Any investor who wanted to be elected to the Company's board of directors was required to make a minimum investment of 100 shares, a sum of 500 taels in total. Furthermore, similar to the case of the Fukien company, payment of the regular annual 7% interest to the subscribers was guaranteed by the public funds allocated to the railway company by the provincial authorities.<sup>(119)</sup>

The proposed capitalization of the Company was Ch\$10,000,000 for the construction of the Shanghai-Kiahsing-Soochow line. The actual subscription of its bonds totaled only Ch\$4,100,000, but even this was a tremendous achievement compared to the meager subscription of other provincial railway companies. The Kiangsu company also planned to initiate various railways in the northern part of the province, such as routes between Chingkiang and Hsuchow and from Hsuchow to Haichow.<sup>(120)</sup> The construction of the Shanghai-Kiahsing line, in cooperation with the Cheking Railway

(118) *TFTC*, 3:9, communications, 175-7; Concerning the life and career of Chang Ch'ien, see Samuel C. Chu, *Reformer in China: Chang Ch'ien, 1853-1926* (New York, 1965), *passim*.

(119) *TFTC*, 4:3, communications, 61-4.

(120) *Ibid.*

Company, was begun in 1907 and, before 1908, twenty miles had been opened to traffic, linking Shanghai and Sunkiang.<sup>(121)</sup> The whole section was completed in May 1909, and railway traffic between Shanghai and Hangchow was opened to public services in August 1909.<sup>(122)</sup>

Another commercial railway company was set up in Kwangsi through the promotion of officials of that province in Peking in November 1906. It was a nominally "commercial" company but, as the case of the Kiangsi Railway Company, was controlled by those absentee gentry members. It received enthusiastic approval from the provincial governor, Chang Ming-ch'i, who appreciated much the company's function of preventing further expansion of French railway interests in the province.<sup>(123)</sup> Under the director-generalship of Yu Shih-mei, then the educational commissioner of Kwangtung, and Liang T'ing-tung, a junior clerk at the Ministry of Rites in Peking, the company made plans to construct a railway network in the province. Unfortunately, the actual subscription of its capital was only Ch\$100,000 before 1909, although the large amount of Ch\$15,000,000 was registered as the company's preliminary goal of capitalization and Ch\$30,000,000 of its eventual goal. The governor allocated a large amount of public funds of 1,000,000 taels as its subsidy, but the money was never released from the provincial coffers.<sup>(124)</sup> The company was actually controlled by Liang since director-general Yu was soon appointed to be vice-minister of the Posts and Communications.<sup>(125)</sup> No concrete construction work was done before 1911, and the Kwangsi Railway Company only created many sinecure positions for the

(121) *BPP*, Commercial Reports (1909), 14; *NCH*, Jan. 25, 1907, 173-4.

(122) *TFTC*, 6:6, events, 287; *ibid*, 6:8, events, 408.

(123) *Yu-chuan-pu tso-i lui-pien*, Railways (1906), 140.

(124) *Ibid*.

(125) *Yu-ch'uan-pu tsou-ilui-pien*, railways, 140.

money-grabbing local gentry. It even established a branch office in Peking, more than two thousand miles away from the projected building site.<sup>(126)</sup>

The three commercial railway companies in the northern provinces were in even worse condition than their counterparts in southern and central China. They were generally more dominated by officials and they received much less capital investment from commercial sources. The T'ung-pu (from Tat'ung to P'uchow) Railway Company of Shansi was first initiated by a group of gentry leaders in August 1905 and was formally established under the recommendation of the provincial governor, Chang Tseng-i. The company was headed by Ho Fu-kun, a former provincial treasurer of Kansu who had great prestige in local politics and was the highest-ranking official in retirement at home. The same group of provincial gentry members also organized the T'ung-chi Mining Company in the same period, attempting to block the British intrusion in engaging any mineral exploitation in the province. Both of these efforts received enthusiastic support from the populace. The railway plan was to subscribe 20,000,000 taels for construction of the north-south line, and those organizing gentry leaders would be responsible to contribute an initiative fund of 300,000-500,000 taels, so that the first part of this railway linking the provincial capital, Taiyuan, with a nearby city could be built immediately.<sup>(127)</sup> The company possessed monopoly right to construct all branch lines from the trunk railway and any foreign subscription to its sharebonds as well as any foreign loans would be prohibited. In addition to commercial investment, the railway

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(126) *Hai-fang-tang* (Documents Concerning China's Maritime Defence), (Taipei, 1957) railways, 797; *YCPTY*, Railways, 140.

(127) *KCCYTP*, 3, 14.

obtained half of the revenues from the provisional 15% extra-land tax. The company's charter also assigned great power to its director-general. Although a Board of Directors was to be organized and its members who were elected from a general meeting of shareholders, would be divided into two groups for executive and advisory duties, but the director-general retained power for final decision.<sup>(128)</sup> As with other provincial railway companies, extra-duties on salt and opium as well as the regular corvee fee were earmarked as official subsidies for the enterprise. But the director-general of the company had no power to control these funds and little investment from both the gentry and merchant sources had been made. Fact shows that the promised contribution of the organizing gentry leaders to the Company were defaulted and director-general Ho Fu-kun proved to be not an effective and dynamic leader since he was too old. Furthermore, as a director-general of a commercial company he could not compel the shareholders to supply the remaining installments of shares after the latter lost confidence on the Company.<sup>(129)</sup> As a consequence, there was no actual construction done on the scheduled section between T'aiyuan and P'ingyao, and the company's capitalization from commercial sources amounted to only 27,000 taels. Together with the revenues from provincial surtaxes, an amount of 227,000+ taels had been accumulated.<sup>(130)</sup> Most of these incomes of the company was wasted on administrative expenses and in mid-1908 only 69,000 taels remained in the company's coffer.<sup>(131)</sup> In 1909, the Ministry of Posts and

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(128) *Ibid.*

(129) *TFTC*, 6:3, events, 100-1; *Chung-chih Kuan-pao* (Official Journal of Political Affairs), Kuanghsu period 34/7/15(1908); Tseng Kung-hua, *op. cit.*, 836-7.

(130) *TFTC*, Chronological Events, 405-6.

(131) *Chung-chih kuan-pao* (Official Journal of Political Affairs), Hsuan-t'ung period 1/6/8 (1909); *TFTC*, 6:8, events, 161.

Communications proposed a reorganization of the railway company as a government business, but the local gentry leaders resisted this government intervention. Under the leadership of Chu Pen-ch'iao who was a rich native banker as well as a dynamic gentry leader in organizing the Pao-chin Mining Company to exploit the coal resources of the province, the railway company was promised to borrow 2,000,000 taels from the local Chinese bankers so that the railway-building could be started. But this promise again was not carried out before 1911. <sup>(132)</sup>

Another nominally commercial company in the neighboring province of Honan, the Lo-t'ung (from Loyang to T'ungkuan) Railway Company, faced a similar fate. The program was a direct response to Belgian possession of the K'aifeng-Loyang railway concession agreed upon by Sheng Hsüan-huai and the *Compagnie General de Fer et de Tramways en Chine* in November 1903. The Belgians started construction of the railway in 1905. <sup>(133)</sup> In order to check further expansion of Belgian interests in the province, the Company was hurriedly organized under the auspice of the acting governor of Honan, Yuan Ta-hua, and Liu Kuo, a Honan senior councillor at the Ministry of Rites. Yuan K'o-ting, the eldest son of Yuan Shih-K'ai and a junior councillor at the Ministry of Agriculture, Industry and Commerce, was very active in the formation of the enterprise. Liu was soon nominated as director-general of the Company, and Yuan assumed the post as associate director-general. <sup>(134)</sup>

As other companies had done before it, the Honan Company announced grand plans to construct four major railways between Loyang and T'ungkuan, K'aifeng and Pengpu in northern Anhui, K'aifeng and Hsuehchow in northern

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(132) *TFTC*, 7:6, events, 161.

(133) *Yu-chuan-pu tso-i hsu-pien* (Supplementary Collection of Memorials of the Yu-chuan-pu), railways (1910), 87.

(134) *TFTC*, communications, 102-3.



Kiangsu, and K'aifeng and Tsinan in western Shantung. But the company concentrated its full efforts on the construction of the 134-mile Loyang T'ungkuan line and prohibited any foreign investment in all of the other railway routes which had been proposed on paper. The scheduled capital was set at Ch\$30,000,000 with the value of a share at Ch\$5.00, but, curiously enough, there was no announcement of a draft or approved charter for the company so that those prospective shareholders had the way of knowing the organizational structure of the company.<sup>(135)</sup> The Company's statute was only promulgated in 1908, but there was no stipulation regarding how its officers should be selected and how the executive board of the company should be supervised by the shareholders. Since the commercial investment was not duly guaranteed, it is apparent that the only reliable source of capital for the company was public funds which were collected through a surtax of four penses on the consumption of every catty of salt and which amounted to an annually estimated income of 400,000-500,000 taels. A decision supported by provincial authorities required landholders owning more than 50 *mu* to purchase one 5-tael share of railway stock for every 50 *mu* of land. Businesses with a capitalization of more than 300 taels were obliged to purchase one share of the company and those a capitalization of more than 500 taels two shares.<sup>(136)</sup> Various Honan officials in Peking made efforts to promote official investment in the Company.<sup>(137)</sup> But actual subscription of shares was extremely meagre and, by 1909, the Company had received only of 300,000 taels, including the income from public funds. This represented one-fiftieth of its projected capital only.<sup>(138)</sup> In 1910, some

(135) *Ibid.*, 5:6, communications, 111-7.

(136) *Ibid.*, 5:6 communications, 102-3; *NCH*, Feb. 28, 1908, 489.

(137) *NCH*, Feb. 28, 1908, 489.

(138) *Chung-chih kuan-pao* (Official Journal of Political Affairs), Hsuan-tung period 1/4/8(1909).

gentry members proposed to borrow a loan of Ch\$2,000,000 from a Chinese commercial corporation, and some even suggested to loan from foreign firms, but both were declined by the company officers. Under the urge of the Ministry of Posts and Communications in March 1909, the company had promised to complete the building of the line before 1912. But the capital received in early 1914 was amounted to only 1,500,387 taels only and no construction of the line had commenced.<sup>(139)</sup>

Another commercial railway company in north China was the Hsi-T'ung (Sian to T'ungkuan) Railway Company of Shensi province. It originated in 1905 as a government concern, but was reorganized in September 1907 as a gentry-merchant enterprise under official supervision.<sup>(140)</sup> Actually, the company was controlled by the provincial officials. Based on the Company's charter promulgated arbitrarily by the provincial authorities in 1907, a surtax of two pences for every catty of salt-production was set and an additional tax of 0.3 peck of grains on agricultural farming and of Ch\$0.12 per every ounce of opium-production were announced.<sup>(141)</sup> Eight months later, it was again reorganized as a completely commercial enterprise with several prominent gentry-officals of Shensi serving either in the province or in Peking as directors-general.<sup>(142)</sup> Although the Company's administrative expenses were defrayed by an annual government subsidy of 60,000 taels, the public funds from the surtaxes on salt, millet and opium which had been earmarked as provincial subsidies to the Company were later cancelled by the Peking government. In addition, the local allowances to the enterprise were managed by local officials, and all of these revenues before their eventual

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(139) *Chung-chih kuan-pao*, Hsuan-tung, 1/4/18; Tseng K'ung-hua, *op.cit.*, 821-2.

(140) *Yu-chuan-pu tso-i hsu-pien*, railways(1909), 61.

(141) *TFTC*, 4:1, "The Charter of the Shensi Railway Company."

(142) *Ibid.*

cancellation were wasted by the expenditures of many sinecure positions kept by the gentry-officials of the Company.<sup>(143)</sup> In a struggle for control of these government subsidies, the provincial authorities clashed with the gentry members who were selected to the Company posts, and thus the former took steps to prevent the latter from assuming their offices in the province.<sup>(144)</sup> The local people were too burdened financially with additional taxes and they failed to see any benefits which could be received by them from the gentry-official-controlled railway building. They rioted repeatedly in opposition to construction of the railway. One of the most serious riots involved several thousand men in Huayin, a city not far from the Shensi-Honan border, on the projected Sian-T'ungkuan line. The rioting villagers marched in the city and burned the offices of the Sian-T'ungkuan Railway Company there. They also tore down the city's newly established modern schools and several miles of telegraph lines and poles which symbolized the "establishment" being constructed with the money exploited from their "sweat and blood."<sup>(145)</sup>

The Company was also plagued with the problem of capital, because the local gentry knew well that they would probably get no return from their investment. For a time, there were reports that the railway would be powered with horses and mules and two Japanese were hired to supervise its construction work. But this plan was never carried out.<sup>(146)</sup> Up to 1911, no actual subscription had been paid although 800,000 taels were registered on paper for the Company's capitalization by the prospective investors. The Ministry of Posts and Communications in Peking first ordered that the

(143) *TFTC*, 4:8, communications, 163-5; *YCTK*, memorials at the Yu-chuan-pu, 3:47-8.

(144) *Hsin-min ts'ung-pao*, 4:20.

(145) *NCH*, Jan. 25, 1907, 73.

(146) *Ibid.*, Aug. 17, 1906, 376.

line should be completed before 1913. But before the deadline fulfilled, the provincial governor-general requested, in August 1911, that the company be reorganized into a governmental business and that the central government should assume the responsibility to build the line. The Ministry complied with this request and the company came to an end.<sup>(147)</sup>

In addition to these three Northern commercial railway companies, there was another merchant-initiated Cheefoo-Weihsien railway in Shantung in 1907. The proposal was approved by the provincial governor and the promoters in Chefoo met several times for the floating of the railway bonds valued at Ch\$8,000,000.<sup>(148)</sup> Many of them generously promised to invest a total of Ch\$4,000,000 for the construction of an initial section between Chefoo and Huanghsien. But the plan had never been carried out by 1911 because of internal jealousy and competition among different groups in the company. Furthermore, the railway company failed to win imperial approval before the final collapse of the Manchu dynasty.<sup>(149)</sup>

### C. RAILWAY PROGRAMS OF THE CENTRAL AND PROVINCIAL GOVERNMENTS

Besides the above-mentioned commercial railway companies organized by the local gentry and merchant groups in the provinces, government officials at the central and provincial levels also took active roles in various railway construction programs in the same period. The Ministry of Commerce was particularly determined to promote the establishment of provincial railway companies organized either by local gentry-officials or gentry-

(147) *Yu-chuan-pu tso-i hsu-pien*, railways (1911), 110-1.

(148) *TFTC*, 4:7, communications, 152.

(149) *Ibid.*, 6:10, events, 312; 6:11, events, 353; 7:9, events, 264.

merchants. Unfortunately, with the limited budget allocated from the financially-deficit central government and the Ministry's limited power in an institutional framework, the Ministry never developed a railway policy which was truly constructive and stimulating in providing reliable, official subsidies and control as the United States and Japan had done in their early stage of railway construction. The Ministry also failed to carry out its positive proposal for a centralized control of all existing foreign-financed railways under Yuan Shih-k'ai's opposition in 1906, since any centralization of railways would hurt Yuan's power as a provincial governor-general in controlling directly or indirectly these profit-making, foreign-financed railways which were still nominally controlled by Chinese officials.<sup>(150)</sup> In any case, the Ministry did begin to take steps to regulate all railway programs controlled either by the provincial gentry-merchant groups or local officials into a national system, and tried to break the artificial barriers of the provinces. The Ministry announced a schedule of priority in the construction of various trunk and branch lines.<sup>(151)</sup> It won the imperial approval, in June 1905, for an order prohibiting all provincial authorities from accepting any foreign investment in railway and mining enterprises.<sup>(152)</sup> But it was not successful in controlling effectively those commercial railway companies which represented the centrifugal force of Chinese provincialism. The basic reason for this failure was that those commercial codes and statutes promulgated by the Ministry were not so complete and many loopholes and contradictory points could be found. Furthermore, most of those provincial gentry-merchant-

(150) Wu K'ai-sheng, et al. ed., *Yung-an ti-tse chih* (Records Concerning Yuan Shih-k'ai), (Reprinted Taipei, 1962), 4:8-9.

(151) *LCP*, 852-3.

(152) *Teh-tsung shih-lu* (Veritable Records of the Emperor Kuang-hsu), (Reprinted Taipei, 1961), 550:16.

organized railway companies waived to organize their corporations according to the provision of these codes. They were not duly reprimanded by the Peking government. <sup>(153)</sup>

The Ministry of Commerce did not launch its own railway construction programs, but provided administrative regulations and control through Sheng Hsüan-huai's Imperial Railway administration for most of the foreign-financed lines and through the provincial companies for the Chinese-financed lines. With its nominal headquarters in Peking but its functional organ in Shanghai where Sheng stationed in his concurrent official position as imperial commissioner of commercial affairs and vic-minister of the Ministry of Public Works, Sheng's railway administration, was actually supervising all completed railways in China except for a few foreign-controlled railways in Manchuria, Yunnan, Shantung and the Peking-Newchwang (the Chinese Northern Railway) railway. Before the end of 1905, the foreign-loaned railways including the Peking-Hankow, the Peking-Newchwang, the Shanghai-Nanking, the Chengting-T'aiyuan, the K'aifeng-Loyang and the Taok'ou-Ch'inghua lines had all concluded their formal agreements, leaving those of the Tientsin-Chinkiang, the Soochow-Hangchow-Ningpo, the Canton-Kowloon and the P'ukow-Hsinyang lines unsettled with their preliminary agreements signed. Both the Peking-Newchwang and Peking-Hankow lines were in fine condition under the actual control of the respective British and Belgian concessionaires while supervised nominally by the Chinese directors-general deputed respectively by Yuan Shih-k'ai and Sheng Hsüan-huai. Both earned considerable profits for the Chinese imperial coffer. The Peking-Newchwang railway concentrated on transportation of goods and commodities and received a total income of

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(153) P. H. Kent, *The Passing of the Manchus* (London, 1912), 48.

Ch\$12,934,383<sup>+</sup> in 1904. Its expenditures in that year amounted to only Ch\$3,400,000. The revenues of the railway were recorded in 1905 at Ch\$13,822,858<sup>+</sup> and the expenditures at Ch\$3,400,000. Its incomes increased to Ch\$16,085,820<sup>+</sup> in 1906 but decreased to Ch\$15,062,142<sup>+</sup> in 1908, while the expenditures were Ch\$12,774,534<sup>+</sup> and Ch\$12,555,104<sup>+</sup>, respectively.<sup>(154)</sup> The Peking-Hankow railway, even before the final completion of its Yellow River bridge in 1906, earned a net-profit of 2,377,000<sup>+</sup> taels in 1905. In 1907, the sum fell to 1,213,024 taels (Ch\$1,687,044) and 1,250,925 taels (Ch\$1,762,089) was earned in 1908. The construction of Shanghai-Nanking railway began in early 1904 and completed in April 1908;<sup>(155)</sup> and the construction of the Chengting-T'aiyuan railway began in 1904 and was finished in 1907.<sup>(156)</sup>

With the rising tide of Chinese nationalism in 1905, Sheng became increasingly a target of popular resentment because of his role in the negotiations of foreign railway loans before this period. His old feud with Yüan Shih-k'ai continued and, after consolidation his power in Chihli in 1902, Yüan sought revenge. In January 1903, Sheng's control of the Imperial Telegraph Administration came to an end due to the intrigues of Yüan. Taking the opportunity of Sheng's temporary retirement during a period of mourning for his deceased father in 1903, Yüan proposed that he be dismissed from the management of railway affairs. This was opposed by Chang Chih-tung.<sup>(157)</sup> Yüan nevertheless succeeded in appointing one of his closest associates to take Sheng's position in the China Merchants Steam Navigation

(154) *Yu-chuan-pu tso-i hsu-pien*, railway (1911), 137; *Chung-chih kuan-pao* (Official Journal of Political Affairs), Hsuan-t'ung period 3/6B/1 (1911).

(155) Tseng Kung-hua, *op.cit.*, 697.

(156) *Ibid.*, 648.

(157) *Yung-an ti-tse chi* (Records Concerning Yuan Shih-k'ai), 3:1; *Hsin-min ts'ung pao*, 21:105.

Company.<sup>(158)</sup> After 1904, Chang, one of Sheng's stalwart supporters, turned against him following the start of the local reclamation movement for the American Canton-Hankow railway concession. Sheng was fiercely denounced by the gentry-merchant groups of the three provinces of Hunan, Kwangtung and Hupeh as the enemy of the movement. His supposedly corrupt management of the Peking-Hankow railway was bitterly attacked by various censors, including Huang Ch'ang-nien of Hunan who strongly supported the reclamation efforts.<sup>(159)</sup> As a consequence, the Ministry of Commerce was ordered by the court in October 1904, to make an intensive investigation of the case. The result was quite unfavorable to Sheng. Although he was not personally charged by the final decision of the imperial court, his closest subordinates were severely charged with corruption in the railway business. Sheng was soon ordered to turn the management of the Peking-Hankow railway over to the supervision of Yüan and the Ministry of Commerce.<sup>(160)</sup> He resigned his position in November 1905, and the director-generalship of the Imperial Chinese Railway Administration was soon taken over by T'ang Shao-i, one of the closest associates of Yüan. The Imperial Chinese Railway Administration was dissolved after T'ang's emergence as the dominant figure controlling the Peking-Hankow, the Shanghai-Nanking and the Chengting-T'aiyuan railways.<sup>(161)</sup> T'ang was also now in charge of all negotiations concerning the foreign-financed railway concessions. Through T'ang's faithful service as a protégé of Yüan and his own concurrent official titles as director-general of the Peking-Newchwang (the Northern Chinese Railway), the Peking-Hankow railway and the projected Tientsin-Chinkiang railway,

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(158) *Hsin-min ts'ung-pao*, 24:81-2; *YCTK*, telegrams, 36:12.

(159) Tseng Kung-hua, *op.cit.*, 76.

(160) *TFTC*, 2:8, finance, 131-46.

(161) *Ibid.*, 2:5, miscellaneous, 50; *SSLYS*, 54.



Yuan, the powerful governor-general of Chihli, played a very influential role in Chinese railway affairs.

With Yüan's sponsorship, preparation for constructing a railway linking Peking to Kalgan was formally begun in 1904. According to an agreement signed between China and Russia on June 1, 1899, the Chinese government was obliged to construct any railway "from Peking to the north or the northeast towards the Russian border with her own capital and under Chinese supervision, otherwise the Russian syndicate should have the first priority in case China should propose to construct it with foreign funds."<sup>(162)</sup> This railway, therefore, had to be built entirely by Chinese engineers. Yüan appointed Jeme T'ien-yow (Chan T'ien-yu) who was one of the Chinese boys sent to the United States in 1872 for studying Western sciences and received the degree of Ph.B. in civil engineering at Yale University, to investigate the route. With his many years of experiences in technical matters of the Imperial Chinese Northern Railway, Jeme's report was very satisfactory and he was soon appointed chief-engineer for the construction. Ch'en Chao-ch'ang, one of the ablest members of Yuan's administrative staff and who later served as governor of Kirin, was nominated director-general of the line. The cooperation between Jeme and Ch'en was so close that railway construction proceeded in a most efficient way. Actual field work started in early October 1905. Capital was completely supplied by the net-profits of the Peking-Newchwang railway and all of the expenditures were economically defrayed.<sup>(163)</sup>

The 125-mile line, with many long tunnels (the longest one was 3,580 feet)

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(162) MacMurray, *op. cit.*, I:207-8.

(163) Tseng Kung-hua, *op. cit.*, 622-3.

and technical breakthroughs was completed in September 1909, with a total expenditure of Ch\$10,459,552.<sup>(164)</sup> It represented the most economical investment of all government-supervised railways built during this period. The region it passes is rugged and mountainous one and many topographical and technical problems had to be solved. But its per mile construction expenses averaged Ch\$48,000 in comparison with Ch\$122,900 per mile for the Shanghai-Nanking railway, Ch\$119,000 for the Tientsin-P'ukow railway, and Ch\$95,600 and Ch\$94,000 for the Peking-Hankow railway and the Peking-Mukden railway, respectively.<sup>(165)</sup> Jeme was highly praised by foreign engineers as a Chinese engineering genius, and the Peking-Kalgan railway was viewed as a model for Chinese railway undertakings. Yüan Shih-kai suggested that the line be extended to Urga in Mongolia in 1907 and this was approved by the Ministry of Posts and Communications. Jeme was soon appointed to supervise the projected program.<sup>(166)</sup> The Ministry also decided to construct an extension of the line from Kalgan to Fengchen in northern Shansi, and then extended eventually to Kweisui (Hohohot), the largest city in western Inner Mongolia.<sup>(167)</sup> But Jeme left the position in 1910 to assume the director-generalship of the Kwangtung Company of the Canton-Hankow railway. The projected railway to Urga had not carried out by 1911. The extension to Kweisui also proceeded very slowly, and reached Fengchen only in 1915.<sup>(168)</sup>

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(164) Ibid.,

(165) Ling Hung-hsun. *Chan-tien-yu hsien-sheng nien-pu* (Chronological Events of Mr. Jeme Tien-yow), (Taipei), 96-7.

(166) *NCH*, March 15, 1907, 564; Nov. 22, 1907, 447.

(167) *TFTC*, 6:8, events, 409-10; Tseng Kung-hua, *op.cit.*, 752.

(168) Ling Hung-hsun, *op.cit.*, 68-9

The next government-initiated but commercially-controlled railway program was a branch line between P'inghsiang coalfield in Kiangsi and Chuchow, a river-port in the lower Hsiang River of Hunan. It was constructed for the major purpose of transporting coal to the Hangyang Ironworks near Hankow in Hupeh. The Ironworks complex was transformed into a commercial enterprise under Sheng Hsüan-huai's control after 1895 but the construction funds used for the P'inghsiang-Chuchow railway were provided by the central government's share of the net-profits of the Peking-Hankow railway. By 1906 a total of 2,523,400 taels had been spent for the 60-mile railway program,<sup>(169)</sup> and it was actually managed by the people commanded by the Hanyang Ironworks. The railway was further extended to Hsiangt'an in the same province in April 1908, but was soon reorganized into a formal government line under the direct control of the Ministry of Posts and Communications.<sup>(170)</sup>

The 180-mile Kirin-Ch'angchun railway, constructed with the aid of a Japanese loan arranged with the South Manchurian Railway in October 1908, was the result of a Sino-Japanese compromise over the issue of Chinese re-control of the Hsinmint'un-Mukden section of the Peking-Mukden railway. The Hsinmint'un-Mukden section was originally a light railway of 3-feet-6-inches gauge constructed by the Japanese military authorities during the Russo-Japanese war period, but the Japanese refused to turn it over to China without a settlement of other bilateral disputes in the region.<sup>(171)</sup> The Sino-Japanese negotiations over the issue failed to reach any conclusion for the time being. During the time immediately before the formal concl-

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(169) *TFTC*, 2:8, finance, 137-46.

(170) *KCCYHP*, railways, *passim*.

(171) *BPP*, Commercial Reports(1906), No. 3726, 109; Commercial Reports (1903), No. 3943, 94-5.

usion of the Russo-Japanese war, there were widely-spread rumors that the Russians intended to take a railway concession between Kirin (the capital city of Kirin province) and Ch'angchun (a major city in western Kirin on the trunk line of the Chinese Eastern Railway) from China, so that their tottering position in northern Manchuria could be consolidated. As a consequence, the Chinese of Kirin province took steps to check this possible Russian encroachment. A joint official-merchant enterprise was rushly organized under the director-generalship of Sung Ch'ung-ao, director of the province's Bureau of Foreign Affairs, with a scheduled capitalization of 4,000,000 taels. The initial capital of 800,000 taels would be supplied by the Kirin provincial bank (*yin-yuan-chu*) and the balance by local merchants.<sup>(172)</sup> The Russians had never presented their demand for the railway line.

This railway program received much attention from the Japanese authorities. As soon as the peace treaty ending the Russo-Japanese War was concluded, they started an aggressive policy to annex the eastern part of Kirin province bordering Korea, the so-called "*chien-tao*" region (the Intermediary Island"), and paid close attention to the Chinese plan for the Kirin-ch'angchun railway.<sup>(173)</sup> They first asked that the project be a joint Sino-Japanese undertaking but this proposal was declined by the Chinese authorities. T'ang Shao-i, the vice-minister of Posts and Communications in charge of railway affairs, announced that the line should be constructed solely with Chinese capital and engineers.<sup>(174)</sup> Lo Kuo-chun (K.S. Low), an American-educated engineer who had been responsible for construction

(172) *Nihon gaiko bunsho* 39:1: 670;40:2:337-8.

(173) *Ibid.*, 39:1:342-3.

(174) *Ibid.*, 39:1:667.

of the P'inghsiang-Chuchow railway under Sheng Hsüan-huai, was appointed to make a preliminary survey of the route in 1907.<sup>(175)</sup>

The Japanese refused continuously to return the Hsinmint'un-Mukden section of the Peking-Mukden railway to China as they had agreed to do so in the Sino-Japanese Convention of December 22, 1905. They even pushed a step further under Chinese protest, to turn that section of railway from a light military line into a regularly standard track providing passenger and merchandise services.<sup>(176)</sup> Later, the Japanese decided to use their military occupation of southern Manchuria as a powerful force to press the Chinese authorities to accept a compromise settlement involving both that section of the railway and the Kirin-Ch'angchun line. They agreed that China should redeem that section at a cost of ¥3,320,000 but demanded that one-half of the reconstruction expenses for the section and one-half of the construction expenses for the Kirin-Ch'angchun railway be borrowed from the Japanese South Manchurian Railway Company. In addition, they demanded that the chief engineers and accountants-general for the two lines be Japanese nominated by the Japanese company. China had no choice but to accept such a compromise.<sup>(177)</sup> An agreement was signed on April 15, 1907, by the Chinese minister of foreign affairs, Na-t'ung, and the Japanese minister to China, Hayashi Gonsuke, setting the redemption charge for the Hsinmingt'un-Mukden section at ¥1,660,000. On November 12, 1908, an additional contract was signed in which China borrowed ¥2,470,000 from the Japanese. Of this amount the Hsinmint'un-Mukden section of the Peking-Mukden railway was allotted ¥320,000 for reconstructing its track, and the Kirin-Ch'angchun

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(175) *Ibid.*, 40:2:371; 41:1:604; *NCH*, Aug. 8, 1908, 353-4.

(176) *Ibid.*, 39:1:682-3.

(177) *Ibid.*, 40:2:336; 41:1:603.

railway was provided with ¥2,150,000 for its construction needs.<sup>(178)</sup> Thus, the latter had actually been turned into an enterprise which was nominally managed by the Chinese but was actually invested and controlled by the Japanese through their control of the railway's two key positions, chief-engineership and accountant-generalship.

After the conclusion of these two agreements, the local gentry-merchant groups of Kirin organized an opposition campaign requesting the provincial authorities to cancel the Japanese loan. They established a Kirin Railway Company to preserve Chinese control of railway right in the whole province, and a Kirin Citizens' Railway Rights Protection Association was also instituted. But there was no possibility of fulfilling their avowed objective of achieving a monopoly over railway rights in the province as those provincial railway companies of the central and southern China had done in the presence of crushing pressure of Japanese military power and the expansive influence of the Japanese South Manchurian Railway Company.<sup>(179)</sup> Furthermore, the gentry-merchants of Kirin province also faced serious trouble in enlisting capital for the projected railway enterprise. Consequently, the campaign rapidly disintegrated. The construction of the Kirin-Ch'ang-ch'un line was begun in the spring of 1910 under the direction of a Japanese chief-engineer. It was completed before the end of 1911.<sup>(180)</sup> During the Sino-Japanese negotiations concerning the so-called "21-Demand" in 1915, Japan arbitrarily demanded that this railway's control and management be handed over to the Japanese government for a term of 99 years. This was complied with by the Chinese authorities.<sup>(181)</sup>

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(178) SSLYS, 80.

(179) Tseng Kung-hua, *op. cit.*, 65-8; NCH, Aug. 8, 1908, 354.

(180) Tseng Kung-hua, *op. cit.*, 657-8; NCH, Sept. 12, 1908, 657; BPP, Commercial Reports (1910), No. 4556, 24; Commercial Reports(1911), No. 4751, 22.

(181) H. F. MacNair, et al., *Modern Far Eastern International Relations* (New York, 2nd Ed. 1951).

Other railway programs initiated by the provincial authorities in Manchuria included a line between Hsinmint'un and Fakumen in 1907 and various lines in the province of Heilungchiang. There were reports that the Tartar-general of Heilungchiang province, Ch'eng Teh-ch'uan, had persuaded some rich gentry-merchants to invest a total of two million taels for construction of a line between Tsitsihar and Aigun, and an official was dispatched to Hankow to purchase rails and other metal materials from the Hanyang Ironworks. Ch'eng's intention was to carry out a railway program without Russian intervention, and an initial part of the plan was to build a short line linking Tsitsihar with one of its suburban towns with the aid of a German loan and the services of a British engineer. Earthwork on this short line started in October 1907 and was completed before 1911. But the line was never extended further to connect with other major cities.<sup>(182)</sup>

The Hupeh section of the Szechwan-Hankow railway was another program begun by the provincial authorities. Under Chang Chih-tung's leadership, the section was designed as part of a joint project between Szechwan and Hupeh provinces, connecting Ch'engtu via Chungking to Hankow. However, the Hupeh company was only formally organized in November 1905, although its Szechwan counterpart had been established as an officially-managed business twenty-two months before.<sup>(181)</sup> Chang, following his successful redemption of the American Canton-Hankow railway concession in August 1905, had proposed constructing both the Hunan and Hupeh sections of the Canton-Hankow line and the Hupeh section of the Szechwan-Hankow

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(182) *NCH*, March 22, 1907, 625; *BPP*, Commercial Reports(1908), No. 4152, 85.

(183) See Lee En-Han, "China's Response to the Foreign Scramble of Railway Concessions, 1895-1911", in the forthcoming issue of the *Journal of Oriental Studies* (Hongkong University, 1976).

line with foreign loans. But he maintained that foreign privileges should be strictly confined to the economic realm, and that China should control the railway's management as well as its other important administrative matters.

(184) This idea was opposed by the Ministry of Foreign Affairs in Peking as well as by the public opinions reflected in the fierce criticism of the censorate in the central government. The local gentry-merchant groups in the provinces also opposed such a proposal. Chang was compelled to proceed with a plan of an official supervised and merchant-managed system. He made efforts to enlist the necessary capital from commercial sources, and a rice surtax and the profits received from a lottery plan in Hankow were also used as sources for supporting this enterprise.<sup>(185)</sup> The projected capital for that section was set at Ch\$20,000,000, with an initial, scheduled subscription of Ch\$10,000,000. But Chang failed to obtain the needed amount.<sup>(186)</sup> As the Peking government gradually changed their railway policy in 1907 and 1908, Chang's renewed proposal for a foreign loan for both lines in the province prevailed at the Manchu court. In July 1908 he was first decreed to be the imperial director-general of the Canton-Hankow railway, and then, in August 1908, ordered to be responsible for the construction of the Hupeh section of the Szechwan-Hankow railway. The revitalization of a movement championing a foreign loan policy for Chinese railway after 1909 eventually aroused serious conflicts between the Peking central government and the local gentry-merchant groups in the provinces.

In addition, there were several railway programs proposed by the local authorities in Sinkiang. The line between Kashgar and Urumuchi had been

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(184) *CWHKCC*, telegrams, 73:28-9.

(185) *Ibid.*, memorials, 67:13-4.



approved by the Ministry of Commerce in March 1906.<sup>(186)</sup> In the following year, a Chinese merchant petitioned the Tartar-general of Ili as well as the governor of Sinkiang for permission to negotiate a British loan to construct a railway in Ili. But the request had never been approved. The Kashgar-Urumuchi project also remained untouched until even today.<sup>(188)</sup>

However, the largest native-financed railway program of the period with an alleged total capital of 16,000,000 taels was the Szechwan Railway Company of the Ch'uan-Han (Szechwan-Hankow)line. The company was one of the earliest railway companies after 1900. It was started in July 1903 and its organizer was Hsi-liang, governor-general of Szechwan. The projected 1200-mile line was the longest scheduled railway in China, connecting Chengtu, Wanh sien (in eastern Szechwan) and Hankow. The organization of the company was finally announced in November 1904 and an able provincial taotai, Chao Erh-feng, was appointed to be its director. Its capital would be solely amassed from Chinese public and commercial sources.<sup>(189)</sup> But during the first year of the company's existence, capital subscription amounted to only 800,000 taels, far less than its actual need.<sup>(190)</sup> Under a collective suggestion expressed in a petition by the Szechwan students in Japan, the railway company began to collect its capital in January 1905 by levying a grain surtax in the province. Regulations were passed by the provincial authorities with the approval of the throne stipulating that any grain harvest amounted to more than 100 pecks would be surcharged a 3%

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(186) KCCYCP, regulations and contracts, 1; Tseng Kung-hua, *op. cit.*, 800.

(187) Tseng Kung-hua, *op. cit.*, 867.

(188) *Ibid.*, 867-8.

(189) Hsi-liang, *Hsi-liang I-kao* (Collected Works of Hsi-liang), (Peking, 1959), 339-340, 442-3; Roger V. DesForges, *Hsi-Liang and the Chinese National Revolution* (New Haven, 1973), 60-2.

railway tax. This revenue, besides defraying the need of railway construction, would also be used for the establishment of a provincial copper mint so that its net-profit could also be invested in the railway-building.<sup>(191)</sup> Since Szechwan was very fertile agriculturally, the annual income from this surtax should be amounted to a substantial sum of 3,000,000 taels. It should be enough, according to the exports' estimation, to meet the financial need for the Szechwan section of the railway program.<sup>(192)</sup>

Following the commencement of collecting the grain surtax in 1905, the Szechwan Railway Company was partially reorganized to admit some local gentry leaders to its administration. A board of councilors was instituted serving as a consultative body for the company, and every county in the province would be represented by a gentry member in the council on the ground that the county had contributed funds to the project. Although Hsi-liang had appointed Ch'iao Shu-nan, a prestigious Szechwanese official who then held a position of senior-secretary in the Ministry of Punishment in Peking, and Shen P'ing-k'un, a former taotai of Chengtu region and then a salt controller of the province, as co-director in representing the gentry and official interests respectively, but the real power of the company was still held by the officials. This had clearly showed in the fact that Ch'iao was still permitted to be an official living in Peking while some powerful gentry leaders in the province were employed in various managerial positions of the company.<sup>(193)</sup> The railway company changed nominally into a jointly official-gentry-controlled business.

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(190) DesForges, *op. cit.*, 63.

(191) Hsi-liang, *op. cit.*, 455.

(192) *Chung-chi Kuan-pao*, Kuang-hsu, 3310/22: *Hsin-min Ts'ung-pao*, 4:17, "Share of the Szechwan Railway Company."

(193) Hsi-liang, *op. cit.*, 458, 498-9.

Similar with the majority of the official-run businesses of the times, the Szechwan Railway Company soon fell into serious corruption and nepotism. The company had never promulgated any charter upon which its organization and work could be based. Most of the gentry members admitted to the Board of Councilors and other managerial positions were official-inclined people who could be easily manipulated by the provincial officials. Indeed, the management of the company was full of bureaucratic stink and wastefulness from its very beginning, and a large amount of money was wasted in the administrative expenditures. One of the salient examples of this wastefulness could be found in the recruitment of several hundred soldiers as railway guards while no railroad building had ever begun. The institution of a branch office of the company in Ichang in western Hupeh with a staff constituting a high-ranking taotai and a retinue of four subordinates was another example of lavishness since there was no definite engineering obligations for them to do.<sup>(194)</sup> In addition, a great sum of railway fund had been illegally "borrowed" by various provincial bureaus. There were rumors that more than 2,000,000 taels had been spent in the building of a road linking the western Szechwan to the Tibetan border as well as for other military purposes in the region; and a further 100,000 taels was spent in the establishment of new schools in the province. Within a period of two years, it was said that the Szechwan railway Company had wasted more than 2,000,000 taels without starting any railway building.<sup>(195)</sup>

This led to fierce criticism from the local gentry class. Under their repeated pressures, the official-dominated company was again reorganized into a commercial corporation in March 1907. All the provincial officials were

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(194) *Hsin-min Ts'ung-pao*, 4:17, "Shares of the Szechwan Railway Company."

(195) *Ibid.*

withdrawn from the company and the company's management was thus transferred to the control of local gentry leaders. With Ch'iao as its sole director and Hu Chun who was a Szechwanese compiler of the Hanlin Academy as associate director, the Szechwan Commercial Ch'uan-Han Railway Company quickly announced a charter in imitating other existing commercial railway companies such as that of Chekiang and Kiangsu. It set its projected capitalization at 50,000,000 taels and regulated that the company would also make efforts to induce investment from other commercial sources although the provincial grain surtax should continue to serve as the main source of its funds. An assembly of shareholders would be organized and its meeting be held annually, discussing important matters concerning the company and electing its major officers; a board of councillors with thirteen members would serve as a supervisory organ for all shareholders and a committee of three financial overseers which was to be elected by the assembly of shareholders was in charge of supervising the financial affairs.<sup>(196)</sup> However, this reorganization did not check effectively the trend of corruption since the provision of the company's charter had never been fully carried out and all the high-ranking officers of the company were actually appointed by the Peking government under the recommandation of Hsi-Liang.<sup>(197)</sup>

Indeed, the company's management became deteriorated continuously and very few investment came from any private source after the reorganization. Most of the gentry leaders in the company were taking their share of spoils from this so-called "commercial" railway company which was mainly recruiting its capital from public funds of the province. Some local people

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(196) Hsi-liang, *op. cit.*, 652-9.

(197) *Ibid.*,

charged that some 30-40% of the income from the grain surtax had gone to the private pockets of different levels of official and gentry hierarchy who were in charge of collecting and preserving the fund, and it was alleged that a large amount of money had never been registered in the official account of the company after being collected from the peasants.<sup>(198)</sup> As a result, only 7,574,789+ taels had been registered as revenues of the grain surtax in the company's record before the end of June, 1907, while reliable estimation set a much higher amount of incomes for the same period. Based on the official statistics of the company published by the Ministry of Posts and Communications in 1907, about one-tenth of the above-mentioned incomes amounting to 743,400+ taels had been defrayed for administrative and interest payments such as spendings in sending students abroad and surveying railway routes. Fact shows that following the reorganization of the Szechwan company into a commercial enterprise, the "borrowings" by various provincial authorities, became even more frequent. These "commandatory loans" had proved to be the largest loophole of waste. The "loans" enumerated in the following were only prominent ones: 600,000+ taels to Hsi-Liang for paying the loss of the provincial copper mint; 100,000 taels to the Opium-suppressing Bureau of the province; 46,130+ taels to the Provincial Leather Company which was a newly-established official enterprise; 20,000 taels to the Provincial Szechwan Bank (Chun-ch'uan-yüan Kuan-yen-ho); 20,000 taels to the Hupeh Cement Works and 18,080+ taels to the Szechwan Paper Mill which was managed by the Provincial Bureau of Commerce.<sup>(199)</sup> All of these "loans" had apparently no hope of being repayed since all of these official-run businesses were losing money swiftly. Anyway, the

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(198) *Hsin-min Ts'ung-pao*, 3:9 'Petition from the Szechwan Students in Japan'.

(199) Chen Pi, *Wang-yen-t'ang-tsou-kao* (Collected Memorials of Chen Pi). (Peking, n. d.) 7:25.

largest "loan" disbursed by the Szechwan Railway Company was to the Provincial Copper Mint, totalling to an exorbitant 2,126,693+ taels. Most of this "loan" was defrauded and the railway was only entitled to be repaid 300,000 taels in cash because the Mint announced its bankruptcy after its machines which were bought from abroad sank accidentally in the gorge rapids of the Yangtze River.<sup>(200)</sup>

The worsening management of the Szechwan Railway Company was further exposed in the loss of more than three million taels in 1909-1910 which were deposited in the native banks in Shanghai. This large fund was preserved by the company's treasurer, Shih Tien-chang, who was an influential Szechwanese gentry leader and established his office for the Szechwan company in Shanghai. But Shih was so unscrupulous that this public fund was illegally invested in the local stock market purchasing sharebonds of various native and foreign enterprises. Also, part of the money was spent in the opportunist investment of real estates in that city. As a consequence, most of the money were lost following a financial depression in the Shanghai market in 1909-1910.<sup>(201)</sup> Fact shows that those gentry leaders of the Szechwan company had never managed the public fund honestly because they themselves had not be effectively supervised by the "peasant" shareholders. Factional struggle among them were rife and they had been easily "bought" or enticed to be involved into corrupt deals with the provincial officials. With the director Ch'iao Shu-nan serving concurrently in the Education Ministry as a senior councillor in far-away Peking, the Szechwan Railway Company's management was actually controlled by those gentry leaders who had close relationship with him and were appointed by him.

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(200) *Ibid.*, Bland, *Recent Events and Present Politics in China*, 246.

(201) *TFTC*, 7:10 "The Shanghai Financial Crisis".

But Ch'iao had never proved himself as an efficient and conscientious administrator, and he had been easily pressed by various governmental authorities in the province in agreeing to make "loans" to them. Thus, according to the official account of the company, the total revenues of the land surtax received until 1909 was only 11,000,000 taels on paper, rather than the alleged 16,000,000 taels as estimated by the well-informed "outside group" of the provincial gentry. <sup>(202)</sup>

Actual railroad construction in Szechwan proceeded very slowly. Before the Peking government started to carry out its railway nationalization scheme in 1911, only about 25-mile of embankment had been completed. <sup>(203)</sup>

#### D. PROBLEMS AND FAILURE OF THE NATIVE-FINANCED RAILWAY PROGRAMS

A general analysis of all these native-financed railway programs organized either by the central and provincial governments or by the gentry merchants finds that they could be conveniently divided into three categories:

- (1) Those which were purely organized and financed by the government.

The Peking-Kalgan railway was one of the prominent cases in this category. It was managed by the provincial authorities of Chihli in the construction period but the Ministry of Commerce also played a great role in the successful completion of the program. The Szechwan Railway Company before 1905 was another notable case.

- (2) Those which were purely organized and financed by the gentry-merchants. Swatow-Ch'aochow Railway, the Hsinning Railway, the Chekiang Railway Company before 1908 and the Kwangtung Company

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(202) Chen Pi, *op. cit.*, 7:25.

(203) DesForges, *op. cit.*, 69; Tseng Kung-hua, *op. cit.*, 802.

of the Canton-Hankow Railway before 1911 were major constituents of this category;

- (3) Those which were nominally organized and instituted by the provincial gentry-merchants but financed actually by the revenues of provincial funds such as surtaxes on rice, salt, tea, opium, etc. All those railway companies established in the provinces of Hunan, Hupeh, Anhui, Shansi, Kiangsi, Honan, Yunnan, and Szechwan (after 1905) were belonging to this category. They were generally controlled and managed by the local gentry leaders and had different degrees of official connection with the provincial authorities. The individual company's administrative and managerial relationship to the respective provincial government would largely depend on the political and personal relationship of the dominant gentry group of the company with the authoritative officials; and their mutual relationship sometimes grew extremely complicated since the collection of these surtaxes were mainly made through the management of the provincial officials. This gentry-official entanglement was especially strong in Hunan, Hupeh, Shansi, Kiangsi, Honan and Szechwan.

However, up to the end of 1908, except the Peking-Kalgan, the Hsinning and the Chekiang railways, all these native-financed railway programs fell into serious trouble. They were unable to complete their projected building programs as they had originally scheduled. One of the foremost troubles was the shortage of capital. Any attempt to rely solely on China's own financial and material resources for large-scale construction of a railway system in this period was unrealistic and improbable. The accumulation of Chinese native capital was still far from sufficiency for the need of a nation-wide railway building program. China was very handicapped by her limited



income of agriculturèl production and she also lacked a reliable, effecient credit system to muster all available capital for such a long-term investment. Furthermore, burdened by the obligation to pay a large amount of foreign indemnities and debts, both the Chinese central and provincial governments were unable to allocate much fund from their limited budgets for railway construction. According to an estimate made by a foreign expert, all Chinese financial obligations to the foreign governments and private corporations in 1909, excluding the pertinent interests, totaled £136,223,590, roughly equivalent to 908,163,933 taels.<sup>(204)</sup> In 1910, China was required to pay 51,640,962 taels to the foreign creditors, and this amount increased to Ch\$73,000,000 in 1911. Both the central and some major provincial governments were in serious budgetary deficit. A national budget made by the Ministry of Finance showed an annual income of 296,962,723 taels in 1910, but the total expenditures for the same year came to 333,056,364 taels, with a deficit of 36,095,841 taels.<sup>(205)</sup> The national revenues in 1911 were scheduled to receive a total of 296,000,000 taels, according to a preliminary budget made by the central government, but the expences for the same year were estimated at 381,000,000 taels, with a deficit of 85,000,000 taels.<sup>(206)</sup>

Furthermore, the Chinese investment in railway construction was much handicapped by the fact that most of the private capital of the gentry-merchants went to the traditional way of investment such as pawnshops and real estates. The compradors who had amassed considerable capital and

(204) *TFTC*, 6:4, events, 45, 48; 6:12, communications 437-8; Chia Shih-i, "Wu-shih-nien lai Chung-Kuo chih ts'ai-chung" (China's Finance in the Past 50 Years), Shen Pao, ed. *Tsui-chin chih wu-shih-nien* (China in the Past 50 Years), (Shanghai, 1923), 26.

(205) *TFTC*, 7:10, chronological events: 6:13, "Table of Chinese foreign debts"; NCH, Oct. 4, 1907, 56-61.

(206) Lee En-Han, *Wan Ch'ing ti shou-hui k'uang-ch'uan Yun-tung* (Late Ch'ing Movement for Recovery of the Mining Rights), 276.

received enterprising training under the tutelage of foreign traders in the treaty-ports were generally not so interested in railway construction. It involved too much political and administrative entanglement and they lacked confidence on any official and government-managed enterprises. Furthermore, most of the remaining Chinese commercial capital invested heavily in the rapidly developed textile and food-processing industries in the coastal treaty ports and various inland urban centers in 1904-11. Of the total capital of Ch\$113, 100,000 invested in the native-financed railways in the provinces during the period 1905-1913, it was estimated that only Ch\$51,900,000 originated from real commercial sources. Of the Ch\$51,900,000 commercial railway investment, the Kwangtung Company of the Canton-Hankow Railway obtained the largest sum totalling Ch\$27,000,000, the Chekiang Railway Company Ch\$10,600,000, the Swatow-Ch'aochow Railway Ch\$3,600,000, the Hsinning Railway Ch\$3,300,000<sup>+</sup>, the Kiangsu Railway Company Ch\$4,600,000<sup>+</sup>, the Kiangsi Railway Company Ch\$2,100,000, the Hunan Railway Ch\$1,400,000, the Shansi Railway Company Ch\$900,000<sup>+</sup>, the Honan Railway Company Ch\$900,000, the Hupeh Railway Company Ch\$400,000<sup>+</sup>, and the Anhui Railway Company Ch\$200,000<sup>+</sup>.<sup>(207)</sup> All the remaining Ch\$61,200,000 among the Ch\$113,100,000 were revenues of various provincial surtaxes. These surtaxes were either called *chuan* (contribution) or *ku* (sharebond). They included additional taxes on rice, millet, salt, tea, housing rent, opium, cultivated land, poll tax, *likin*, indigenous products, opium-smoking lamp, corvee services, officials' salary, lottery tickets, etc. In Hupeh, the railway company collected its revenues mainly from rice and lottery tickets; the Anhui company from salt, tea, lottery tickets and other local funds; the

(207) Hsieh Pin, *Chung-Kuo t'ieh-tao shih* (History of Chinese Railways), (Shanghai, 1929), 238-242.

Shansi company from salt, millet, opium, cultivated land and corvee services; the Szechwan company from rice, opium, and opium-smoking lamp; the Hunan company from rice, salt, poll tax, house rent, officials' salary and cultivated land; and the Honan company from salt.<sup>(208)</sup> The difficulties faced by China in her development of a railway system were well recognized by those responsible officials such as Yüan Shih-k'ai and T'ang Shao-i as well as by various foreign observers in China. The poor subscription of the sharebonds of some provincial railway companies was predictable.

The second serious problem faced by these Chinese commercial railway enterprises was their lack of engineering and technological talent. China did not train qualified engineers during this period, and the supply of engineering personnel largely came from the services of foreign engineers and the Chinese students who had studied abroad. With the nationalistic agitation in its high tide, the Chinese engineers were especially esteemed under the principle of "China for the Chinese." The Hunan gentry, after their successful redemption of the Canton-Hankow line, started the construction of the Hunan section of the railway on a plan submitted by Liang Huan-i, a Chinese engineer trained in the United States. They also decided to send some forty young men abroad to study railway and civil engineering.<sup>(210)</sup> The Kwangtung section of the same railway from the very beginning, had a deep-seated, strong aversion to any foreign stink with the railway, even to their suggestions on engineering matters.<sup>(211)</sup> The Szechwan-Hankow Railway Company hired a Chinese engineer, Hu Cháo-tung, a Cantonese who had studied engineering

(208) *Ibid.*, 238-9.

(209) *TFTC*, 4:8, communications, 163-5.

(210) Wang Hsien-ch'ien, *Hsu-shou-t'ang wen-chi* (Collected Works of Wang Hsien-ch'ien), (Changsha), letters, 2:37-9.

(211) *NCH*, Aug. 31, 1906, 521.

in the United States, as its chief-engineer. But he was charged with incompetence in designing and executing various engineering feats required in the construction of the railway.<sup>(212)</sup> The Chekiang Railway Company employed Lo Kuo-jui (Lo Kuo-shui) as its chief-engineer, who held the title of taotai at the time and was one of the earliest Chinese civil engineers trained in the United States. Lo was widely recognized as an efficient engineer by foreign experts. But he lacked qualified assistants, and some of the foremen and overseers hired formerly in the British-controlled Shanghai-Nanking railway were employed by him to do some important job in the Hangchow-Shanghai railway. The result was apparently unsatisfactory in term of engineering quality in comparison with the solidly constructed Shanghai-Nanking railway.

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During this period, many Chinese-financed railway companies preferred to employ Japanese engineers in the construction work, because their salaries were much lower than those of Westerners. The Szechwan students in Japan repeatedly urged the Szechwan Railway Company to hire qualified Japanese to undertake engineering works.<sup>(214)</sup> Both the Anhui and Kiangsi companies appointed Japanese as chief-engineers responsible for the major part of their construction work. But some of them were apparently unqualified to assume their duties. A bridge constructed by the Kiangsi company in 1910 near Tehan, a city not far from Nanch'ang, fell apart after completion because of faulty design and inadequate engineering knowledge.<sup>(215)</sup> After 1907, both the Hupeh and Hunan companies of the Canton-Hankow railway employed

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(212) *Hsin-min ts'ung-pao*, 4:9, Events in China.

(213) *NCH*, Oct. 12, 1906, 209; Nov. 22, 1907, 442, 465; Dec. 6, 1907, 565-6.

(214) *Hsin-min ts'ung-pao*, 3:9.

(215) *BPP*, *Commercial Reports* (1907), Foreign Trade of China (1907), 87; *Commercial Reports* (1911), 10.

either Japanese or British chief-engineers.<sup>(216)</sup> The Kwangtung section of the same line even began to hire a combined engineering force composed of Chinese, Japanese, British, Canadians, Norwegians and Swiss under the chief-engineership of Kwang Sun-mo, a graduate of an American university and for many years an engineer working on the British-controlled Tientsin-Newchwang railway.<sup>(217)</sup> The most outstanding engineering feat in railway construction done by the Chinese was the successful completion of the Peking-Kalgan line. It was under the technological design and supervision of Jeme T'ien-yow and was completely done by the concerted efforts of Chinese engineers, technicians, foremen and laborers. Many engineering troubles had been successfully solved by them. The efficient construction and management were praised highly by the qualified Western observers, and Jeme was called "China's only engineer" by the commercial attache of the British Legation in Peking. For a while he was so heavily engaged in railway projects that he was, at one time or another, placed nominally in charge of much of the railway construction in China.<sup>(218)</sup>

The third serious problem faced by the Chinese-invested railway corporations was their lack of managerial and organizational entrepreneurship. The railway corporation was a large-scale enterprise concerned with the investment of many shareholders. Its management needs modern entrepreneurship, efficient organization and the employment of qualified personnel. A perusal of the list of those managing directors and associate directors of all Chinese commercial and government-controlled railways finds that almost all of them were trained to be Chinese officials mastering Chinese classics and calligraphy

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(216) Tseng Kung-hua, *op. cit.*, 800-1.

(217) *BPP, Commercial Reports*(1908), 87; *The Times*, June 19, 1908, 9.

(218) *Ibid.*, *Trade of China*(1909), 25; *Trade of China*(1910), 21; *NCH*, April 16, 1908, 152.

but few of them been equipped with managerial and organizational training and experience in running a large-scale industrial and commercial enterprise. Jeme T'ien-yow of the Peking-Kalgan railway and Lo Kuo-jui of the southern section of the T'ientsin-P'ukow railway in 1908 were probably two exceptions, but they were basically engineers and trained only in that specialty. Ch'en Chao-ch'ang, the managing director of the Peking-Kalgan line in the period of construction, was a very efficient administrator who co-operated smoothly with Jeme in the undertaking. But he was too burdened with other administrative obligations and was too quickly promoted first to a senior councillor of the Ministry of Posts and Communications and then to the governor of Kirin in Manchuria. Many leading Chinese administrators serving the foreign-financed railways were experts in foreign languages and some of them had assumed diplomatic positions for China before being appointed to their railway position. Cheng Ch'ing-lien of the Peking-Hankow railway was the former Chinese managing director of the K'aifeng-Loyang railway who had expert knowledge of French language. <sup>(219)</sup> Chung Wen-yao (Chung Mun-yew) of the Shanghai-Nanking railway was the former Chinese consul-general in Manila. <sup>(220)</sup> Wei Han of the Canton-Kowloon railway, a former director of the Foochow Shipyard, was trained as a shipbuilding technician in France and had served under Tsen Ch'un-hsuan in Kwangtung in charge of the provincial Bureau of Foreign Affairs. <sup>(221)</sup> Li Teh-shun, the managing director of the northern section of the Tientsin-P'ukow railway before 1909, spoke German fluently and had served as a councillor at the Chinese Legation in Berlin under Lu

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(219) *TFTC*, 5:8, investigations, 32-4: *Yu-chuan-pu tso-i lui-pien* (Collected Memorials of the Yu-chuan-pu), railways(1907), 163; *The Times*, July 24, 1908, 15.

(220) *NCH*, Oct. 19, 1906, 180.

(221) *Yu-chuan-pu tso-i lui-pien*, railways(1908), 59.

Hai-huan, Chinese minister to Germany in 1897-1901.<sup>(222)</sup> They lacked the quality of being an efficient and astute entrepreneur for their country.

However, serious shortage of managerial talent was also found in the so-called commercial railway companies in the provinces. There were a few brilliant exceptions, such as the overseas Chinese capitalists: Ch'en Yi-hsi of the Hsining railway and Chang Yu-nan of the Swatow-Ch'aochow railway, as well as T'ang Shou-ch'ien of the Chekiang Railway Company, who was a traditionally-trained scholar-official but had also extensive knowledge of Western affairs together with an instinctive ability in entrepreneurship. Many managing directors of these provincial railway companies, were current high-ranking officials who were performing administrative duties elsewhere at the time but assumed concurrently this lucrative position in the railway company of their home province as absentee gentry members. They controlled the provincial railway companies of Szechwan, Hunan, Honan, Kwangsi and Shensi. Another group of managing directors controlling the rest of the provincial railway companies were retired resident gentry members holding great prestige in the respective provinces. Generally speaking, they were all scholar-officials and were enthusiastic in contributing their energy and some of their wealth to the railway development of their native provinces. Yet this enthusiasm evaporated rapidly when they faced various concrete problems in the subscription of the required capital for the enterprise as well as other thorny technical and managerial matters. The managing director of the Tat'ung-P'uchow railway of Shansi, Ho Fu-k'ung, was one of the typical examples of these unqualified leaders. Ho was placed in that position by

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(222) *Chung-chih Kuan-pao* (Official Journal of Political Affairs), Kuang-hsu Period, 34/6/16 (1908); *Hai-fang-tang*, railways, 594-6; Mongton C. Hsu, *Railway Problems in China*, 138-9.

the joint recommendation of the Shansi-born officials in Peking and the gentry groups in the province with the approval of the central governments. According to the provision of the charter of the railway company, the provincial enterprise should have the right of monopolizing construction of all branch lines connecting this trunk railway in the province and the capital needed for the railway-building would be supplied by the provincial sources including both commercial and public funds. The gentry promoters promised to invest a working capital of 300,000 to 500,000 taels, and Ho was assigned great power in managing the Company's affairs. But this working fund had never been received by the Company, and the construction of railway was thus indefinitely delayed.<sup>(223)</sup> The provincial subsidies in the form of revenues of surtaxes on salt, opium and other items were amounted to only 100,000 tael per annum and this was far from the actual need of railway construction. In 1906, the Shansi students in Japan launched a campaign to amass the necessary capital for the implementation of the project. They suggested that all the people in the province should be urged to subscribe to the railway bonds. But there was no response from the province.<sup>(224)</sup> The various provincial surtaxes which were earmarked by the provincial authorities as subsidies to the company were largely not given. Ho, an old man and a former provincial treasurer of Kansu, did not have enough energy and talent to tackle with these imminent problems. He even did not bother himself to present any concrete suggestions for solving the financial troubles, but relied heavily on the subsidies of the provincial

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(223) Tseng Kung-hua, *op. cit.*, 3:7-14; *TFTC*, 4:10, communications, 218-23.

(224) *KCCYTP*, 3:7-14; *TFTC*, 4:10, communications, 218-23; *ibid.*, 3:1, "Letter from the Shansi Students in Japan to the Elders of their Home Province."



authorities. He actually did nothing before his resignation in 1908. <sup>(225)</sup>

Most of the commercial railway companies were hotbeds of corruption and embezzlement. Usually, there were too many dominating officers in the administration of these corporations. The Kiangsi Railway had an honorary managing-director (*ming-yu tsung-li*), an executive managing-director (*chu-ch'e tsung-li*), and a resident managing-director (*tsueh-pan tsung-li*) at the same time in 1908. <sup>(226)</sup> The Hunan company of the Canton-Hankow railway had the same leadership trio. <sup>(227)</sup> Each of them had their own respective group of followers and they competed fiercely for an absolute control of the company. For some managing directors of the provincial railway companies, efforts were particularly made to control the revenues of public subsidies so they and their factions could be benefited financially. Worst of all, some of the corporations were never to be organized in accordance with the provision of the imperial company law, which was promulgated by the Ministry of Commerce in May 1904. Most of the charters of these commercial corporations were drafted and ratified arbitrarily by their respective promoters, contrary to the provision of the company law since the charter of a corporation, according to the law, should be drafted and approved by the council of shareholders. The Kiangsi company had never organized a council of shareholders during its first four years of existence. <sup>(228)</sup> Two salient examples in misorganization and maladministration were to be found in the Szechwan company of the Szechwan-Hankow Railway and the Kwangtung Company of the Canton-Hankow Railway. The former was a

(225) *Chung-chih kuan-pao* (Official Journal of Political Affairs), Kuang-hsu period 34/7/15 (1908).

(226) *Yu-chuan-pu tso-i lui-pien*, railways (1908), 207.

(227) *CWHKCC*, memorials, 68:13-6.

(228) *TFTC*, 6:11, events, 359-65.

typical sample of all provincially-initiated railway enterprises in the provinces, and the latter, a bad example of those provincial railway companies which were purely financed and organized by the gentry-merchants.

The Szechwan company was notorious for its corruption and mismanagement. The official subsidies collected mainly from the revenues of the land surtax was quite substantial, approximately 3,000,000 taels per annum. In the first three or four years, a sum of more than 16,000,000 taels was reported to have been collected.<sup>(229)</sup> But the fund under the control of the provincial officials and the gentry leaders was largely wasted. Actual revenues of the company had never been announced to the public, and no attempt was made to organize any democratically-elected supervising body before 1907, for checking the power of those controlling officials and gentry leaders. After April 1907, some organs composed of gentry leaders were to be instituted but all of them were appointed by the provincial authorities. Thus, a close relationship between these dominant gentry members and the provincial officials had established. As a result, a large amount of the company's funds was "borrowed" by the provincial authorities for administrative expenditures. The mismanagement of the company was so apparent that a large amount of money was wasted and embezzled by the gentry leaders. This aroused great dissatisfaction from various dissenting groups of gentry members. They charged that those dominating gentry leaders were not so qualified in managing such a modern business and demanded that the existing organization should be further re-organized to meet the provision of the imperial company law. After their suggestions were being rebuffed, they organized a council of shareholders representing all landlords and peasants of the province who had contributed fund for the compulsory land

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(229) See Section C. of this chapter.

surtax. The council of shareholders should be the highest authority of the company according to its charter of 1907, but it had never been organized before. Under the leadership of Pu Tien-chün who had studied in Japan and was later selected to be the first speaker of the Szechwan provincial assembly in 1909, the dissenting gentry group increased rapidly their influence in the province. They were the major organizers for initiating the opposition movement against the nationalization scheme of the Szechwan railway in 1911. <sup>(230)</sup>

The Kwangtung Company of the Canton-Hankow Railway faced similar problems like the Szechwan company did. The Kwangtung company was probably the most successful commercial railway in subscribing its capital from commercial sources. After its formal establishment as a full-fledged commercial business, all of its capital were actually financed by the gentry-merchants within and without of the province. Many wealthy overseas Chinese traders in Southeast Asia, Hongkong and Australia invested their money in it. But the company soon fell into serious troubles which mainly originated from its misorganization. According to the company's charter, any shareholder who made an investment of more than one share (this meant an actual payment of a minimum of one dollar, which was the initial 20 per cent of a share's price of Ch\$5) would have a voting power in the company's general council of shareholders. The number of voting powers would increase accordingly without any limitation if the shareholder should buy more shares. Furthermore, these sharebonds were not required to be registered the name and birthplace of the subscriber as stipulated in the nation's company law. As a result, the company's council of shareholders was completely controlled

(230) Tai Chih-li, ed. *Szechwan pao-lu yun-tung shih-liao* (Historical Materials on Szechwan Railway Preservation Movement), (Peking, 1959), 44-54, *TFTC*, 4:5, communications.

by various provincial charitable associations since they had been requested to be in charge of registering and selling a large amount of sharebonds. Under the manipulation and dominant control of these associations, the council of shareholders without any convention of public meeting elected Cheng Kuan-yung, president of the Canton Chamber of Commerce who had close relationship with the governor-general of Liangkwan, Tsen Ch'un-hsuan, as director-general of the company. This aroused angry opposition from those shareholders who were real investors to the enterprise. The factional struggle continued until the newly-convened council of shareholders, in July 1907, elected two of the largest shareholders, Lo Pao-chen and Huang Ching-t'ang as director-general and associate director-general respectively. Being as true merchants but lacking the charismatic authority in the society as well as without the official support of the provincial authorities, both Lo and Huang could not carry out the company's railroad-building program effectively. They were soon compelled to resign. This episode shows some real organizational problems of a purely commercial-financed railway corporation.

Furthermore, since the council of shareholders of the Kwangtung Company was effectively controlled by the large shareholders, the small shareholders defended themselves by uniting and combining their limited voting tickets into a collective force. The internal struggle between the large and smaller shareholders as well as among various large shareholders became increasingly intense and the meetings of the shareholders' council were frequently interrupted.<sup>(231)</sup> This anarchical situation precipitated interventions of provincial officials into the internal affairs of the company. Under the domination of various large shareholders and the director-generalship

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(231) Chen Pi, *Wang-lui-t'ang tso-kao* (Collected Memorials of Chen Pi), 7:25.

of Liang Ch'eng, the company was managed in an unscrupulous way. In 1909, a thorough investigation made under the joint sponsorship of Chang Chih-tung, who was then nominated to be an imperial commissioner-director of the Canton-Hankow Railway, and Yüan Shu-hsun, the governor-general of Liangkwang, charged that the company's accounting books were partially falsified and that a large amount of capital was embezzled by its officers. Expenditures for the purchase of rolling stock and other material of the railway exceeded the regular market price, and some of the defrayments for the same items were repeatedly registered in the accounting books. All of these corruptions could be attributed to the existence of an inefficient organization of the company. Deficiency of managerial skill on the part of the company's director-general and its council of directors could also be blamed.