

## Germany and the Railway Problem in China after the Russo-Japanese War (1905–1906)<sup>1</sup>

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Over the whole 19<sup>th</sup> century, the Great Powers, and Great Britain in particular, consolidated their position within China<sup>2</sup> so that at the end of the century, and the beginning of the 20<sup>th</sup> century, there was a marked weakening of the ruling Qing, or Manchu, dynasty<sup>3</sup> with the Chinese government having to consent to the presence of foreign armies in Beijing (Peking) in order to protect the diplomatic quarter, or be forced to pay a high fine.<sup>4</sup> Immediately upon signature of the so-called Boxer Protocol in September 1901, diplomatic representatives of Great Britain, Germany and France realised that it was absolutely fundamental that the imperial court and local political elite proceeded to undertake essential reforms. The British Legation in Beijing

<sup>1</sup> The study has been prepared under the students' scientific conference Central Europe and Overseas – Economic Relations (SVK1–2014–016), solved in the Department of Historical Sciences at the Faculty of Philosophy and Arts of the University of West Bohemia.

<sup>2</sup> Cf. for example Opium Wars (1839–1842, 1856–1858, 1859–1860).

<sup>3</sup> The Boxer Rebellion (1899–1901).

<sup>4</sup> More in detail cf. J. KOČVAR, *Boxerské povstání v Číně, 1899–1900*, in: *Historický obzor*, Vol. 19, No. 9/10, 2008, pp. 204–205. “*The Manchurian dynasty again demonstrated its inability to protect China from foreign interference. [...] They also controlled territory in a number of provinces and with the imperial court watching powerlessly, punished Chinese subjects as they saw fit for atrocities initiated by the court committed on foreigners and Chinese Christians. The dynasty was powerless.*” Ibidem, p. 205. “*Furthermore, the Boxer Rebellion gave China a bad reputation in the West, presenting the Chinese as unpredictable savages. It was now clear that the old order had gone. The question remained to what extent and with what to replace it.*” F. SATRAPA, *Mezi tradicí, reformou a revolucí: Čína na sklonku císařské éry*, in: *Historický obzor*, Vol. 15, No. 1/2, 2004, p. 265.

came to the conclusion “*that radical changes are necessary to enable this ancient empire to maintain a place among the nations*”. According to the Minister, Ernest Satow, it was nothing more than the first step.<sup>5</sup> Another important factor illustrating the crucial changes taking place at the beginning of the 20th century, was the gradual advocacy of idea of reclaiming “China for the Chinese” and the rejection of special rights for the European Powers, who therefore supported the imperial court and its attempts at reforms from above which would miss out a wide section of the people and ensure they could maintain the concessions and influence they had held until then.<sup>6</sup>

The Russo-Japanese War on dominance in Korea and northern China (in Manchuria, from where the last ruling dynasty came from) in 1904–1905 represented a key milestone in the evolution of international relations and the politics of power, even beyond the Far East. The conflict between the two undoubted great powers in the region, Tsarist Russia and Japan, a country still underestimated (at least in Europe), had somewhat surprising results. In early September 1905, St Petersburg had to recognise its defeat in Portsmouth, America, and the Land of the Rising Sun took on the status of a great power in the Far East alongside Great Britain.

The results of this armed conflict, which at first sight paradoxically played out within the territory of a third state, China, undoubtedly affected events in China itself. The simple fact that Beijing had to suffer a war on its territory, although it was not a party to the conflict, was a clear declaration of its weakness and the bygone fame of this once great Far East power. The victory of an Asian Power against a European one not only rid China of pressure from Russia, but also provided a new impetus

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<sup>5</sup> N. P. PETERSSON, *Imperialismus und Modernisierung. Siam, China und die europäischen Mächte 1895–1914*, München 2000, p. 178. “*Im Westen hatte man praktisch nach jedem größeren Krieg und jeder neuen chinesischen Niederlage den endgültigen Durchbruch westlicher Ideen, westlicher Institutionen und westlicher Waren erwartet, und nach dieser krassesten Niederlage Chinas erwartete man ihn erst recht.*” W. STINGL, *Der Ferne Osten in der deutschen Politik vor dem Ersten Weltkrieg (1902–1914)*, Bd. 2, Frankfurt am Main 1978, p. 377.

<sup>6</sup> PETERSSON, p. 188; STINGL, pp. 379–380.

for attempts at reform in the country, and as such as we can concur with the idea: “*Modernisierung war von nun an nicht mehr nur eine von außen an China gestellte Forderung oder das Anliegen eines kleinen Teils der Eliten, sondern das bestimmende Thema der chinesischen Innen- wie Außenpolitik [...] Die Reformpolitik griff auf fast alle Bereiche des gesellschaftlichen Lebens über und entwickelte eine eigene, von ihren Initiatoren bald nicht mehr zu kontrollierende Dynamik.*“<sup>7</sup>

Japanese victory literally made China “wake up”, specifically arousing its political and social life. For perhaps the first time in the country’s history, the wider public spoke out, not just the educated and officials. Students<sup>8</sup> and graduates of Japanese universities, traders who were particularly sensitive to European competition and members of the landed gentry got involved. Tokyo’s success in the war with Tsarist Russia demonstrated that Asian states too could set out on a path to becoming a great power.<sup>9</sup> The imperial court, however, realised that the methods being used at the time for undertaking reforms were insufficient and they would have to rely more on support from the above-mentioned sections of society.<sup>10</sup> The great powers were well aware of the new situation, and talk of China “awakening” did not remain hidden from them. Their diplomatic representatives understood the situation, and in their declarations they regularly warned that this time it was not the usual resistance of officials and parts of the local conservative elite, but rather it was a completely new political factor, an upheaval amongst wider sections of society, and a rise of national awareness. As such, Europeans suspected,

<sup>7</sup> PETERSSON, p. 201.

<sup>8</sup> More students decided to study abroad. More in detail cf. D. TWITCHETT – J. K. FAIRBANK, *The Cambridge History of China, Vol. II, Late Ch’ing, 1800–1911, Part 2*, Cambridge UP 1980, p. 376.

<sup>9</sup> It should be noted that most politicians, including, e.g. British Prime Minister, Arthur Balfour, believed in the victory of Russia and feared an impingement of China’s territorial integrity. Cf. E. W. EDWARDS, *British Diplomacy and Finance in China, 1895–1914*, Oxford 1987, p. 62; K. C. CHAN, *British Policy in the Reorganization Loan to China 1912–1913*, in: *Modern Asian Studies*, Vol. 5, No. 4, 1971, p. 356.

<sup>10</sup> Cf. PETERSSON, pp. 201–204.

*“daß sich das erwachsende Nationalgefühl in China zuerst gegen ihre wirtschaftliche Präsenz und ihre Privilegien wandte”*.<sup>11</sup>

One of the by-products of the Chinese government’s new course was their attempts at financing the construction of the railway using their own funds. The other side of the coin, however, was that it proved impossible to collect enough finances, meaning most ambitious plans remained just on paper; the local gentry in the various provinces were unable to raise the money necessary and they had to face the fact that without foreign capital the railways could not be built.<sup>12</sup> Conversely, the great powers also had to deal with new conditions for their activities. The period subsequent to 1905 was a period of gradual co-operation, which reached its zenith in 1909–1910 with the formation of a banking consortium (of British, German, French and American banks), which provided China with the necessary finances.<sup>13</sup>

The first decade of the 20<sup>th</sup> century saw a fundamental change in Chinese history. The imperial court *“together with provincial dignitaries made an attempt at real and deep reform, a kind of revolutionary transformation of the state and civilisation at a speed probably unprecedented in human history”*.<sup>14</sup> There was to be a complete overturning of the social and economic order nationwide in response to the situation it found itself in. The question

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<sup>11</sup> Ibidem, p. 210. British Minister in Beijing, Ernest Satow, gave an apt description in his letter to the Foreign Secretary, Edward Grey: *“I mean that China is no longer as ready to submit to all and every demand of the Powers as she was, and unless she gets another knock-down blow, will in the future be less and less tractable.”* The National Archives, London, Kew (hereafter TNA), Foreign Office (hereafter FO) 800/44 (Private Offices: Various Ministers’ and Officials’ Papers, Grey, Sir Edward (Viscount), China), Satow to Grey, Peking, 31<sup>st</sup> March 1906, fol. 61. The German Military Attaché in Beijing, Major von Clear, had the same feeling, noting that China had been reserved until the end of the war, but the situation had changed after signature of the peace treaty. Increased national self-confidence, boycotts of foreign goods and a new foreign policy were all clear proof of this change, in his opinion. Cf. Politisches Archiv des Auswärtigen Amtes, Berlin (hereafter PA AA), China No. 1, R 17686, Claer an das Königlich Preussische Kriegsministerium, 20th Dezember 1905, f. 000092.

<sup>12</sup> Cf. A. SKŘIVAN, *Výstavba železniční sítě v Číně do světové hospodářské krize*, in: Acta Universitatis Carolinae, Philosophica et Historica 1, Studia Historica XII, 1974, p. 17.

<sup>13</sup> EDWARDS, p. 89.

<sup>14</sup> SATRAPA, p. 265.

remained, however, as to whether the transformation required would usher in the desired results.

### **Germany's Position and its Economic Interests in China**

After its founding (18 January 1871), the German Empire took over Prussian interests in China, and focused in particular on supplying combat materials; they also sent their military trainers to China. In general, however, Berlin's opinions even in this region were governed by Bismarck's cautious policies in the 1880s and early 1890s, which differentiated the diplomatic sphere from economic matters. Despite this, however, *“konnten die wirtschaftlichen Kontakte sogar gut ausgebaut werden, insbesondere auf dem Gebiet der Chemie- und Metallwaren. Auch die Einfuhren aus China – Häute, Galläpfel, Federn, Eiprodukte – stiegen beträchtlich”*.<sup>15</sup> The final three decades of the 19<sup>th</sup> century were fundamental in terms of Chinese history. The revolutionary processes which were occurring in Europe and beyond it (the unification of Germany and Italy, the beginning of Meiji Restoration in Japan and events in France) focused the interests of the European powers on the Far East. Germany wasn't left out either, although its position was nowhere near as strong as that of Great Britain, the largest hegemon in the Far East. In the mid-1880s, for example, London and Beijing refused to allow Berlin to participate in the war loan. Despite state support and growth in Germany's share of foreign trade, results remained somewhat below expectations. By the mid-1890s, however, successes were seen at least in the weapons industry field, where Berlin was even comparable to London according to Udo Ratenhof.<sup>16</sup>

The key event of the last decade of the 19<sup>th</sup> century was the Sino-Japanese War,<sup>17</sup> which finally did away with China's position as, at least

<sup>15</sup> U. RATENHOF, *Die Chinapolitik des Deutschen Reiches 1871 bis 1945. Wirtschaft – Rüstung – Militär*, Boppard am Rhein 1987, p. 106.

<sup>16</sup> Cf. *ibidem*, pp. 107–108, 110, 125–126.

<sup>17</sup> More in detail cf. e.g. S. C. M. PAINE, *The Sino-Japanese War of 1894–1895. Perceptions, Power, and Primacy*, Cambridge, New York, Melbourne, Madrid, Cape Town, Singapore, São Paulo, Delhi 2003.

verbally and theoretically, the key Asian major power, and marked the entrance of Japan. China's defeat undermined its traditionally high self-confidence and allowed the Western Powers to begin to fight for concessions and influence.<sup>18</sup> The Powers' attempts focused on acquiring naval footholds, railway and mining concessions and attaining "recognised" spheres of influence. By the end of 1898, the powers had acquired railway concessions for the construction of thousands of kilometres of lines in China, mining monopolies for whole provinces were awarded to European powers or private concession "hunters", and it appeared that all of China's modernisation had fallen into the hands of Europeans. Russia, France and Great Britain acquired lease of a number of Chinese ports.<sup>19</sup> Germany was determined not to stand aside, especially when other powers already had influence in Asia – Britain in Hong Kong, France in Tonkin and Russia in Vladivostok. Beijing first of all rejected Germany's initiative, but in 1897 two German missionaries were murdered (Franz Nies and Richard Henle) in the province of Shandong, and a year later Berlin forced the Chinese government to lease it territory in Jiaozhou (Kiautschou) Bay along with the village of Qingdao (Tsingtau), which became the administrative centre and base for Germany's concession in China.<sup>20</sup>

In terms of railway policy, specifically the construction of the railway network, which can be considered an important agent in economic development and results in a boom for each state, the first to declare their "place in the sun" was Great Britain, beginning from the 1860s. In terms of kilometres of railway

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<sup>18</sup> The era of co-operation ended and an era of competition began. PETERSSON, p. 35.

<sup>19</sup> Ibidem, p. 61. "As is well-established in the scholarly literature, the battle for railway and mining concessions in China reached its height between 1895 and 1900, that is, in the years after the Sino-Japanese War and the end of the Boxer Rising." I. PHIMISTER, *Foreign Devils, Finance and International Empire: Britain and China c. 1900–1912*, in: *Modern Asian Studies*, Vol. 40, No. 3, 2006, p. 738.

<sup>20</sup> Cf. e.g. TWITCHETT – FAIRBANK, p. 112. This occurred with an agreement dated 6 March 1898. Cf. J. V. A. MACMURRAY (ed.), *Treaties and Agreements with and concerning China 1894–1919, Vol. I., Manchu Period (1894–1911)*, New York, Oxford UP 1921, pp. 112–118. In terms of the railways, the second section was significant, where it awarded concessions for two railway lines. Ibidem, pp. 115–116. The agreement was signed by Baron Gustav von Heyking for Germany and Li Hongzhang and Weng Tonghe for China.

line, China had amongst the fewest, with just 320 km of railway lines in its territory in 1890.<sup>21</sup> A trigger for increasing economic penetration of China was the above mentioned Sino-Japanese War. The great powers realised there were opportunities for suitable investments which could guarantee high and fairly easy to attain profits. Berlin wasn't left behind, and after the occupation of Jiaozhou asked for a licence to be granted to them to construct the railway from Jiaozhou to Shandong Province's capital city of Jinan.<sup>22</sup> Beijing granted this request, and the construction, which was completed in 1903, was taken over by the combined *Schantung Eisenbahn Gesellschaft*, which was founded by *Deutschasiatische Bank* in June 1899 and had share capital of 54 million marks and was headquartered both in Berlin and in Qingdao.<sup>23</sup>

So it was that at the end of the 19<sup>th</sup> century, Germany too had influence and concessions for railway construction and in the mining field which it consolidated in the early 20<sup>th</sup> century. The region of its interests was the province of Shandong, where Berlin decided to build up its strategic domain: railways from the province might be able to open a route to the Yangtze valley for German companies, an area under the British sphere of influence. On the other hand, Niels Petersson claims that the prevailing opinion in Germany was that Berlin had been outmanoeuvred in the region. Industrial and business circles as such were still interested in the Yangtze region and rejected the

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<sup>21</sup> SKŘIVAN, p. 7; A. L. ROSENBAUM, *The Manchuria Bridgehead: Anglo-Russian Rivalry and the Imperial Railways of North China, 1897–1902*, in: *Modern Asian Studies*, Vol. 10, No. 1, 1976, p. 42. The impossibility of mobilising domestic capital for railway construction forced China to ask for foreign capital to modernise its infrastructure. It had to accede to their terms and conditions in providing better interest rates, and also the condition that until the debt was paid the foreign subjects would also control the lines and supply material for their construction. These circumstances allowed European governments to enforce better conditions for their businesses. It was agreed that after payment of the debt, the lines would transfer to Chinese ownership and that profits from operating the lines would then be used to pay off other debts. PETERSSON, p. 56.

<sup>22</sup> We can concur with the opinion which was prevalent in June 1902 and which stated that construction of the railway in the Shandong province meant a lot for Germany, specifically confirming its position of power in Asia. C. WENDELS, *Die Schantung Eisenbahn. Das Interesse der Finanzwelt an der deutschen Bahnlinie in Ostchina*, Siegburg 2012, p. 19.

<sup>23</sup> SKŘIVAN, p. 11; WENDELS, p. 37.

idea that the Yangtze valley would remain with the British and that Germany should be satisfied with Shandong.<sup>24</sup> As such, Germany and the other Great Powers announced their support for an open door policy, while at the same time clearly guarding over their own spheres of influence. After the Boxer Rebellion, which suspended all work on the railways, it became clear that it would be counterproductive to deal with the new problems in the old manner, and that China would have to undergo a fundamental transformation. This didn't happen and the Sino-Japanese War denied both China and the Great Powers new challenges both in the political and economic fields.

### **Germany and the Railway Problem following the End of the Russo-Japanese War**

When the Russo-Japanese War ended with signature of the peace agreement in Portsmouth, America, in September 1905, it represented a crucial point not just for China, but also for the economic interests of the Great Powers. Chambers of commerce began to be set up in China, providing space for forming the opinion that it was necessary to take on the challenge of foreign powers, and to fight and beat them using their own means. *“Sie lehnten den ihnen ‘barbarisch’ erscheinenden Fremdenhaß der Boxer ab und propagierten das ‘zivilisierte Hinausdrängen der Fremden’, ‘Konkurrenzfähigkeit’ und das ‘Aufholen’ gegenüber den Mächten,”* is how Niels Petersson described it.<sup>25</sup> The imperial government had had to helplessly watch as the Great Powers fought for control over Manchuria, the region its own ruling dynasty came from. In terms of railway construction, it was important that the Western powers had the technical and organisational superiority over the Chinese, who were behind in this respect. A key deficiency of the Chinese side was also their continuing lack of sufficient capital, which resulted in an absence of modern lending, high interest rates and very low legal certainty. The idea of constructing the railways using only Chinese resources and workers was as such entirely unrealistic.

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<sup>24</sup> PETERSSON, p. 81.

<sup>25</sup> Ibidem, p. 202.

Each Great Power responded differently to the turnaround in 1905 in line with their own ideas. For Great Britain, the Portsmouth peace meant the end of their fears of Russian expansion in Manchuria, and in a wider context the end of great power rivalry with the Tsarist Empire in China; London could now focus on co-operation with Japan, who had won but were financially drained. France justifiably felt weakened, and its politicians feared that Tokyo would now focus on its area of interest, Indochina. The defeat of its ally, Russia, naturally affected its position in the Concert of Europe. Neither could Germany claim that the result of the Russo-Japanese War had strengthened its position in China. Its zone of influence, Jiaozhou, could in future become an easy target for Japan. All three great powers, however, realised that the awakening Chinese nationalism would primarily turn against their influencing of Chinese economics and the privileges they had attained in the past.<sup>26</sup>

Just a few days before peace was concluded in Portsmouth, American President Theodore Roosevelt announced that more than a year of discussions between the Chinese Minister in Washington and representatives of the *American China Development Company* which related to a railway from Canton (Guangzhou) to Shanshui had ended. The agreement led to the result that the concession “*held by the company for the construction of this important trunk line is cancelled and the Chinese obtain full ownership and control of the 21-mile section of completed railway running from Canton*”.<sup>27</sup> The author of an article in *The Times* added correctly that such a step would undoubtedly affect the future approach to all railway concessions within China and that it would have to be very carefully considered by all.<sup>28</sup>

There were immediately rumours that Great Britain had closely monitored the Chinese approach, and had been involved in buying back the

<sup>26</sup> Ibidem, p. 210.

<sup>27</sup> *The Times*, 4<sup>th</sup> September 1905.

<sup>28</sup> Ibidem. Two days earlier, the German Embassy in Washington reported this: “*Die Frage der Hankow-Canton-Bahn-Konzession ist nunmehr durch Rückkauf der Konzession seitens der Chinesischen Regierung aus der Welt geschafft.*” PA AA, China No. 4, R 17827, Kaiserlich Deutsche Botschaft an Bülrow, 2<sup>nd</sup> September 1905, f. 000112.

concession. This suspicion was denied by the German Embassy's counsellor in London, Johann Heinrich von Bernstorff, who informed the Auswärtiges Amt that according to his sources London had had nothing to do with it and Beijing was determined to continue in this approach. He also added that for the railways in the provinces of Yunnan and Sichuan (Szechwan) there was a valid British-French contract which guaranteed standard co-operation of both countries. "*Von neuen Konzessionen sei aber vorläufig noch nicht die Rede,*" added the diplomat.<sup>29</sup>

This information from the German Embassies in Washington and London just confirmed the sentiments present in the Chinese public in relation to the end of the Russo-Japanese War. Attempts at buying back concessions which had been provided, and at continuing railway construction through their own means, reflected a generally widespread demand that China lift itself out from the influence of foreign capital and Great Power guardians.

Johann Heinrich von Bernstorff, however, continued in discussions with British bankers and politicians on London's policy in regard to the railways in China. He met the head of the Foreign Office's China section, Francis Alexander Campbell, who told him that the situation in China had changed and that the Chinese had decided either to build the railways themselves or to abandon everything. At the end of the discussion, Campbell declared that the discussion on "*deutsch-englische Konzession schienen leidlich vorwärts zu gehen*". At first, the British banks hesitated, but once *Deutschiatische Bank* provided guarantees for further construction, all doubts vanished.<sup>30</sup>

In late September 1905, Berlin received a report from the German consulate in Jinan which confirmed local authorities' attempts at getting the railway construction under Chinese control: "*Nach der in Übersetzung gehorsamst beigefügten Notiz in der hiesigen 'Chienpao' haben am 16. d. M. einflußreiche Notabeln mit den Direktoren der Ämter für Handel, Eisenbahnen und Auswärtiges eine Beratung über den Bau von Eisenbahnen in Schantung*

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<sup>29</sup> Ibidem, Bernstorff an Bülow, 14<sup>th</sup> September 1905, f. 000125. Cf. also ibidem, Bernstorff an Bülow, 19<sup>th</sup> September 1905, ff. 000137–000140.

<sup>30</sup> Ibidem, 19<sup>th</sup> September 1905, ff. 000148–000149.

*mit in der Provinz selbst aufgebrachtten Mitteln abgehalten.*"<sup>31</sup> The report continued with the claim that acting governor Yang was also in favour of the step. On the other hand, the report's author (Dr. Betz) informed the German Minister in Beijing, Philipp Alfons von Mumm<sup>32</sup> that he didn't need to take the issue too seriously, because there was a general opinion that the Chinese would not be able to raise sufficient capital take such a step.<sup>33</sup>

As can be seen, Germany and Shandong province weren't exempt from Chinese attempts at gaining control of railway construction. As for the other Great Powers, these were mainly naïve ideas which didn't take hard economic facts into account. As such, the German side, aware that Chinese demands were unrealistic, decided that it wouldn't even protest against any such steps taken by the local elite. Minister, Mumm, was willing to consider such an approach only if the Auswärtiges Amt empowered him to do so.<sup>34</sup>

A broader report on the continuing situation following the end of the Russo-Japanese War was given by German Consul-General in Shanghai, Wilhelm Knappe, in early October 1905.<sup>35</sup> He began by stating that the above detailed attempts could be observed right from the beginning of the conflict and that here and there, there were figureheads who were to secure China at least parity in shareholding for railway and mining companies. "*Der Wahlspruch 'China für die Chinesen' ist heute in allen Kreisen der Bevölkerung so stark geworden, dass die Regierung es kaum wagen kann, Konzessionen für Bergwerks Eisenbahnen an Fremde zu vergeben,*" added the Consul.<sup>36</sup> Germany's diplomat claimed that the foreign concessionaries themselves bore some of the blame for the situation, because the Chinese government, forced by circumstances, had provided one concession after another but the great

<sup>31</sup> Ibidem, Betz an Mumm, 19<sup>th</sup> September 1905, f. 000229.

<sup>32</sup> Philipp Alfons Freiherr Mumm von Schwarzenstein (1859–1924), in the years 1900–1905 the German Minister in Beijing.

<sup>33</sup> PA AA, China No. 4, R 17827, fol. 000229–000230. Translation of article in Chienpao paper cf. ibidem, f. 000231.

<sup>34</sup> Ibidem, Mumm an Betz, 29<sup>th</sup> September 1905, f. 000232.

<sup>35</sup> He held the post from 1898 to 1905.

<sup>36</sup> PA AA, China No. 4, R 17827, Knappe an Bülow, 5<sup>th</sup> Oktober 1905, ff. 000243–000244.

powers hadn't take full advantage of this. He claimed that the English held concessions for railway construction with a total length of 2,800 English miles in 1898, but had so far built only 570 English miles and had begun work on a further 180 miles. "*Es ist ganz begreiflich, dass den Chinesen schliesslich die Geduld ausging,*" was the Consul's logical conclusion.<sup>37</sup> It was an interesting conclusion, and on China's general attempts at getting railway construction under its own control the diplomat added that the Great Powers were partially unable to fulfil their commitments and take advantage of the concessions awarded to them. It was no wonder that China wanted to buy them back.

In mid-October, Mumm sent out a report on the German railways in Shandong which informed the Chancellor of Germany that construction of "*einer Eisenbahn von Weihsien nach Tschifu, die bezwecken soll, die Waren, die jetzt auf der Shantung Eisenbahn von und nach Tsingtau befördert werden, nach Tschifu abzuziehen, wird von den Neidern der Entwicklung des deutschen Handels in Shantung immer wieder von neuem geplant, ohne dass das Projekt bisher der Ausführung näher gekommen wäre*".<sup>38</sup> And he continued with the claim that a number of Chinese businessmen had expressed interest in construction of the above detailed line, although in the opposite direction, but that its implementation would not be possible in the near future. The Minister also added that he had found out from de Marteau, an Austrian engineer who was working in the region for a number of French companies, that one particular Chinese general was interested in construction of a railway from Yantai (Chefoo) to Weifang, which was to compete with the German Shandong line. In the end, everything was explained, as it was shown that the general mentioned was a fraudster who had absolutely no money.<sup>39</sup>

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<sup>37</sup> Ibidem, f. 000244. The Consul also recognised that Great Britain's position in the Yangtze River valley was steadfast, even though this hadn't been the case two years previously. Cf. ibidem, f. 000248. Mumm also informed Chancellor Bülow of Japan's growing pressure not just in Nanjing but also in other Chinese provinces. Cf. PA AA, China No. 1, R 17684, Mumm an Bülow, 12<sup>th</sup> Oktober 1905, f. 000088. "*Wie an anderen bedeutenderen Plätzen Chinas sind die Japaner auch in Nanking seit mehreren Jahren bestrebt auf die inneren Verhältnisse Einfluss zu gewinnen.*" Ibidem, Gebattel an Mumm, 8th Oktober 1905, f. 000089.

<sup>38</sup> PA AA, China No. 4, R 17828, Mumm an Bülow, 16<sup>th</sup> Oktober 1905, f. 000029.

<sup>39</sup> Ibidem, f. 000030.

At the end of October 1905, Mumm returned to the above mentioned repurchasing of the railway concession from Canton to Shanshui, informing Chancellor Bülow of the method with which eminent statesman, Zhang Zhidong, had acquired money for this transaction. According to the German diplomat, he had agreed with the governor of Hong Kong and further Zhang had been authorised by imperial decree to undertake all steps necessary. *“Die getroffenen Vereinbarungen sind von dem Kaiser von China genehmigt worden, wie sich auch die englische Regierung mit der leihweisen Hergabe des Anleihebetrages von 1.100.000 £ einverstanden erklärt hat,”* added Mumm.<sup>40</sup> Naturally, he didn’t speak of English inspiration or participation, continued the Minister, further informing the Chancellor that according to his sources, in this way London’s co-operation with Paris had clearly suffered.<sup>41</sup>

At the end of 1905 then, the Chinese policy of attempting to regain its concessions for railway construction which Beijing had handed out for foreign capital at the end of the 19<sup>th</sup> century was in full flow. German diplomatic representatives in China, however, repeatedly stated that China didn’t have enough resources to build the railways themselves. According to Mumm’s report, Beijing had succeeded in beginning construction of two short lines.<sup>42</sup> On the other hand, the great powers were also competing, with, e.g., money for buying back the concession for the railway from Canton to Shanshui provided by English banks, although this information was not officially disseminated. This approach naturally affected relations between Britain and France above all.

In February 1906, German Consul in Canton, Heintges returned to the problem of acquiring money for repurchasing the railway concession from Canton to Shanshui when he informed Chancellor Bülow that while the

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<sup>40</sup> Ibidem, Mumm an Bülow, 24<sup>th</sup> Oktober 1905, f. 000032. Income from the taxing of domestic opium in the provinces of Hubei, Hunan and Guangdong was pledged as compensation for providing the loans. Ibidem.

<sup>41</sup> Ibidem, f. 000033. In another report, Mumm told Bülow that the Chinese side was obliged to turn primarily to English banks should further capital be required. Cf. ibidem, Mumm an Bülow, 1<sup>st</sup> November 1905, f. 000044.

<sup>42</sup> Ibidem, Mumm an Bülow, 18<sup>th</sup> Dezember 1905, f. 000071.

projects of the Governor General Zhang Zhidong had only resulted in state debts growing further, or its funds being used for other purposes, “*ist jetzt nur noch von der Aufbringung des für die gennante Bahn erforderlichen Kapitals die Rede*”.<sup>43</sup> The Consul reasoned that the local gentry had issued lists for subscribing to shares, and portrayed any profits rather rosily to the owners of these shares. “*Das hat die Gewinnsucht der Bevölkerung gereizt, und es ist nun von nichts anderem mehr die Rede,*” stated Heintges.<sup>44</sup> As can be seen, people’s movements and the clever propaganda of local elites had managed to rouse enthusiasts enough to make them purchase shares and fall for the prospect of profit, which did not, however, correspond to reality.

The first four months of 1906 showed that the trend seen since the end of the Russo-Japanese War was continuing. China had decided to buy back the concessions it had provided for railway construction, and as the above detailed case showed, in a small number of cases it was even succeeding. It was also demonstrated that if it was possible, the Great Powers wanted to come to an agreement with Beijing, possibly inflicting damage on their competitors. German diplomats repeated, elaborated and gave detailed information to their superiors on the activities not just of the Chinese, but also other foreigners, in particular from the perspective of the German sphere of influence.<sup>45</sup>

At the end of April 1906, Mumm travelled from Beijing to Shanshui accompanied by attaché, Waldamar von Sheven, along the new railway about which the Minister said much had already been written. Nevertheless, he attempted once again to briefly summarise its basic technical details to Chancellor Bülow. His report said the length of the line was 1,250 km, the material used in its construction came mainly from Belgium, the engines from France. The main engineer came from Belgium and was called Jean Jadot,

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<sup>43</sup> Ibidem, Heintges an Bülow, 20<sup>th</sup> Februar 1906, f. 000109.

<sup>44</sup> Ibidem. For further information on this problem, cf. ibidem Heintges an Bülow, 26<sup>th</sup> März 1906, ff. 000112–000113.

<sup>45</sup> They were also well aware of the importance of protecting German trade. Cf. e.g. PA AA, China No. 1, R 17688, Kaiserlich Deutsche Gesandtschaft Peking an das Königlich Preussische Kriegsministerium, 20<sup>th</sup> Februar 1906, ff. 000033–000035.

wrote Mumm, and added that the initial capital amounted to 124.5 million francs.<sup>46</sup> The German diplomat also referred to one point of interest when he noted: *“Der Zug, mit dem ich von Peking abfuhr, ist der erste Eisenbahnzug in China, der fahrplanmässig auch des Nachts fährt. Er geht einmal wöchentlich, ab Peking Montags um 9,30 Abends, und durchmisst die Strecke bis Hankau, wo er Mittwoch Morgen um 10,15 ankommt, in etwas über 36 Stunden.”*<sup>47</sup> Mumm continued his description of further technical parameters; his report said the trains travelled at 55 km per hour during the day, and 30 km/hr at night. The train had undertaken its first journey on 16 April 1906, *“so dass ich, als ich am 23. d. M. abfuhr, noch den Reiz der Neuheit genoss,”* added the Ambassador. He said the food and service were good. 11 people travelled in first class, with at least 10 covering costs for the journey. A ticket in first class from Beijing to Shanshui cost after conversion roughly 141 marks, added Mumm.<sup>48</sup> Although this report from the German Minister in Beijing was not devoid of interest, it was more informative in nature and did not contain any fundamental assessment of Berlin’s interests in China, nor of its railway policy.

Great Power policies in the field of railways in China was more obviously on Berlin’s agenda in mid-June 1906 when an employee of the German Embassy in London, Wilhelm zu Stolberg-Wernigerode informed Chancellor Bülow of a speech by the British Parliamentary Under-Secretary of State for the Colonies, Winston Churchill, who in the House of Commons had declared that discussions were still ongoing between the British and Chinese governments in regard to the construction and operation of the railway line between Canton and Kowloon. Enclosed with his report, Stolberg mentioned an article in *The Times* newspaper, which quoted Churchill’s declaration in which amongst other items the British politician declared that: *“The British section, which is in active progress, has been constructed from the first under the supervision of the consulting engineer, and there has been no change of*

<sup>46</sup> PA AA, China No. 4, R 17828, Mumm an Bülow, 26<sup>th</sup> April 1906, f. 000132.

<sup>47</sup> Ibidem, f. 000133.

<sup>48</sup> Ibidem.

*policy in this respect. All the steps taken have had the full concurrence of the Governor of Hong-Kong.*"<sup>49</sup>

Churchill was clearly responding to worrying reports regarding the development of the above-mentioned line. A month earlier, German Consul in Canton, Heintges, had informed Berlin of disputes which had broken out between the "Gentry" and "Kaufmannschaft". According to the diplomat, the former group had complained to the Ministry of Trade, which requested an explanation from the Governor General. The whole dispute revolved around power conflicts between the two groups where one was taking advantage of the weakness of the other and perfectly illustrated the Chinese environment for railway construction. In concluding his report, the Consul stated that they would have to await further developments.<sup>50</sup>

German diplomatic representatives didn't just follow the trading and political interests of their great competitor, Great Britain, in the Far East and China however, as their diplomats also took note of the new and post-1905 growing Great Power of Japan. An Embassy employee in Tokyo reported to Berlin that on the basis of an imperial decree, the South Manchuria Railway Company (Südmanchurische Eisenbahn-Aktiengesellschaft) had been founded, which was to be headquartered in Tokyo and have a branch in Dalian. "*Als Aktionäre werden nur die Regierungen von Japan und China sowie die beiderseitigen Staatsangehörigen zugelassen (§2),*" added the diplomat.<sup>51</sup> The Japanese press welcomed the formation of the company as another step towards peace penetrating Manchuria. An important factor proved to be the absence of foreign capital, which was also naturally noticed by the Embassy employee. He added, however, that a way was sure to be found to change this state.<sup>52</sup>

<sup>49</sup> Cf. *ibidem*, Stolberg an Bülow, 14<sup>th</sup> Juni 1906, ff. 000135–000136. Cf. also f. 000143.

<sup>50</sup> The full report cf. *ibidem*, Heintges an Bülow, 19<sup>th</sup> Mai 1906, ff. 000146–000153.

<sup>51</sup> *Ibidem*, Erckert an Bülow, 15<sup>th</sup> Juni 1906, ff. 000159–000160. For details on revenue cf. *ibidem*, f. 000160.

<sup>52</sup> *Ibidem*, f. 000161. For an English translation of the imperial revenue cf. *ibidem*, ff. 000163–000164.

Mid-1906 confirmed the growing interest of both Great Britain and Japan in railway policy in China. Both London and Tokyo were clearly monitoring their interests in spheres of influence, something Berlin was aware of. On the other hand, it should be noted that, at least according to reports from German diplomats in China from the first half of 1906, Germany had somewhat eased back in attempting to implement a more offensive policy in the railway field, or at least the intensity of reports from China suggest this.

But Berlin was ever more monitoring the competition between other great powers, in particular Great Britain and France. A newspaper report from *Kölnische Zeitung* responded to the many years of clashes between London and Paris in the provinces of south and south-west China. According to the paper, from the mid-1880s “*hat ein beständig zunehmender englisch-französischer Wettlauf nach den Märkten von Jünnan, Ssetschuan und Kuangsi eingesetzt*”.<sup>53</sup> The article author declared the key reason for conflict to be railway construction, where now France was at an advantage having managing to build the 445 km Laokai-Jünnanfu line it had received a concession for in 1898 without any major problems and despite the unfavourable climate. In contrast, Great Britain had achieved almost nothing in terms of railways and it seemed that its plans could not easily be estimated. The paper said that relations between both countries in the region were not good, but immediately added that the disciplined English press had toned down somewhat its anti-French tone with the signing of the Entente Cordiale (1904). Reports from the French capital, however, gave a different impression, and *Kölnische Zeitung* wrote that if there was no peaceful settlement an escalation of tension could be expected.<sup>54</sup>

At the end of June 1906, the German consulate in Shanshui wrote of the situation upstream on the Yangtze, where river currents made meaningful trade between Sichuan and the provinces downstream on the Yangtze impossible. Consulate employee, Walter Rößler said that since a German steamship had sunk there in 1900, “*hat kein Handelsdampfer mehr gewagt, die Fahrt auf*

<sup>53</sup> *Kölnische Zeitung*, 28<sup>th</sup> Juli 1906.

<sup>54</sup> *Ibidem*.

*dem oberen Yangtse wieder aufzunehmen*".<sup>55</sup> As such there had been general agreement for a number of years that the only possible link to Sichuan could be rail, said Rößler, adding that after a long dispute Great Britain and France had come to a joint approach. He claimed, however, that the Chinese government had decided, "*die Bahn mit eigenen Mitteln zu bauen und Fremde grundsätzlich von dem Unternehmen auszuschliessen*".<sup>56</sup>

Once again, attempts of the imperial government to boost its position compared to the foreign powers by performing railway construction itself were observed. And once again China's clear financial weakness was seen because, according to Walter Rößler's report, construction of the railway would require capital of roughly 50 million taels (153,500,000 marks) according to preliminary estimates. The status at the time, however, suggested that in an optimistic scenario the government had altogether a mere 800 million taels (2,456,000 marks). "*Die Begeisterung, die unter dem Stichwort 'China für die Chinesen' anfangs hohe Flammen schlug, beginnt zu verrauchen,*" stated the diplomat correctly.<sup>57</sup> Instead of enthusiasm, he said, conflict, envy and mistrust were seen, and it was now clear that the construction of this important railway to the province of Sichuan would not get going. Despite this, local authorities in Wuchang were of the opinion that something must happen, stated Rößler.<sup>58</sup> It was, however, clear that without foreign capital the process of railway construction in China could not be effectively managed. Not just British and French, but also German money should await their opportunity, which was sure to be expressed according to the diplomat.

The issue of the railways was at the forefront of German diplomats' interests once again in mid-August 1906 when Krüger, Consul in Hong Kong

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<sup>55</sup> PA AA, China No. 4, R 17828, Rößler an Bülow, 29<sup>th</sup> Juni 1906, f. 000180.

<sup>56</sup> Ibidem, f. 000181.

<sup>57</sup> Ibidem, f. 000182. Goltz, chargé d'affaires at the Beijing Legation, said much the same in a letter to Chancellor Bülow a few months later, writing that initial hopes of modernisation in China were fading because conservative circles were acting against it. Cf. PA AA, China No. 1, R 17690, Goltz an Bülow, 4<sup>th</sup> Oktober 1906, f. 000013.

<sup>58</sup> Srv. PA AA, China No. 4, R 17828, Rößler an Bülow, 29<sup>th</sup> Juni 1906, ff. 000182–000184.

wrote that the management of the local branch of “*Deutsch Asiatischen Bank* [H. Suter – authors’ note] *hatte in den letzten Tagen Verhandlungen mit einigen massgebenden Chinesen der Canton-Hankau Bahnbaugesellschaft über die Berufung eines deutschen Eisenbahntechnikers als Chefingenieur*”.<sup>59</sup> He further pondered whether it was even possible for such a post to be held by anyone other than an Englishman. His ironic and biting remarks, however, came to the conclusion that such an eventuality was highly unlikely.<sup>60</sup>

The question of the main engineer was naturally of some importance. The most likely option appeared to be certain Englishman, and also under consideration was a Belgian and the already mentioned German. It was a well-known fact that the English and French weren’t particularly popular, while Belgium lacked the political influence to be able to get their man into this important post. A Japanese candidate was completely out of the question. The German engineer would certainly meet the professional criteria, he would be backed by real political weight and it could be expected that there would be no great protests against him in the construction of the Shandong railway. In the end, engineer Peter Hildebrand, who had already had experience with construction of the Jiaozhou-Jinan railway, expressed his willingness to take part in the implementation of the line from Canton to Shanshui. Not even Beijing proved to be against his engagement.<sup>61</sup>

If this option had happened, it would naturally have meant significant success not just for Hildebrand himself, but also for potential German suppliers, as the main engineer was naturally able to influence the method and form of supplies of necessary commodities without which the construction couldn’t go ahead, and Germany’s importance would be boosted in an area which wasn’t directly under its influence, being rather under British influence.

*The Daily Press* newspaper, which was published in Hong Kong, discussed this problem (published 15 August 1906), and it wrote than in

<sup>59</sup> PA AA, China No. 4, R 17829, Krüger an Bülow, 17<sup>th</sup> August 1906, f. 000015.

<sup>60</sup> Ibidem, f. 000016.

<sup>61</sup> Cf. ibidem, ff. 000017–000019.

building the Canton-Shanshui railway line, problems could be expected in acquiring Chinese engineers. “*Then came the amusing correspondence as to the relative merits of different foreign engineers, and the unconsciously disrespectful way in which the Chinese referred to some as being cheaper than others made Englishmen smile,*” says the article’s author.<sup>62</sup> He then developed the idea that choosing a Belgian engineer for a railway which is to a certain extent dependent on British capital lacks logic. Astonishingly, the article doesn’t mention the option of naming German engineer, Peter Hildebrand. Nevertheless, it is written in the spirit of the dominance of British capital and experience over anything else and ends with an informal recommendation that calm will reign in the Canton region only once a new Chinese viceroy is named.<sup>63</sup>

German diplomats monitored British interests in the region around Canton with increased attention. At the end of September 1906, Goltz, the chargé d’affaires at the Embassy in Beijing, handed a report to Chancellor Bülow from an employee of the Canton consulate on the railway line project from Canton to Huangpu (formerly Whampoa), where following replacement of the Chinese Governor General, London’s hopes for implementing construction of this line were raised.<sup>64</sup> The consulate in Canton informed the Beijing Embassy that while the Canton-Kowloon railway project had come to a halt, the line from Canton to Huangpu was a priority. The Governor General, Tsen, apparently ordered the purchase of the land necessary and the punishment of any citizens who resist. “*Tsen, der seinen letzten Erholungsurlaub grösstenteils in Whampoa verbracht hatte, scheint sich dort von dem Nutzen des vielerörterten Projekts, aus Whampoa*

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<sup>62</sup> *The Daily Press*, 15<sup>th</sup> August 1906

<sup>63</sup> *Ibidem*.

<sup>64</sup> PA AA, China No. 4, R 17829, Goltz an Bülow, 26<sup>th</sup> September 1906, f. 000080. Already in December 1905, Consul Heintges in Canton had written to Mumm that the company Carlowitz & Co. had presented its plan and that discussions were going well. The Consul saw an opportunity for German capital here. Cf. PA AA, China No. 1, R 17686, Heintges an Mumm, 8<sup>th</sup> Dezember 1905, ff. 000084–000085.

*einen Seehafen zu machen und hiermit einen erheblichen Teil des Handels von Hongkong abzulenken, überzeugt zu haben,*” adds the report’s author, Dr Walter.<sup>65</sup>

It then continues with a description of British protests against the arbitrariness of the Chinese official, with the British chargé d’affaires in Beijing making a complaint and claiming that the plan to construct the line from Canton to Huangpu contravened British-Chinese agreements and must be stopped. Walter branded the protest obscure, but in his opinion London was right to fear not just damage to its interests in Hong Kong, but also the reduced importance of the Canton-Kowloon line.<sup>66</sup>

As can be seen, attempts by the local Chinese elite to build the railway using their own means, or attempts to extricate themselves from the influence of British capital, were met with the resistance of British diplomats. Whether it was regarding the Canton-Shanshui line, or the railway from Canton to Huangpu, London always kept a close eye on everything and given its position responded in an appropriate manner. It was clear, however, that Beijing was determined to follow the Japanese example and strive for independence in railway construction. German diplomats noted Chinese attempts with due attention, but one cannot detect a clear preference for one side or the other in their reports.

But Germany too had to keep an eye on its interests. In mid-October 1906, Consul Merklinhaus from Jinan informed the Beijing Embassy that the Japanese Consul in Yantai, Obata, had offered to provide the Chinese with engineers and capital to construct the railway from Yantai to Weifang, something Merklinhaus’s report says didn’t work out. The local governor rejected it because it was counter to the contract on lease of the enclave of Jiaozhou. The German Consul added at the end that the Japanese attempt at creating a counterbalance to Qingdao did not need to be perceived as a

<sup>65</sup> PA AA, China No. 4, R 17829, Goltz an Bülow, 26<sup>th</sup> September 1906, f. 000081.

<sup>66</sup> Ibidem, ff. 000082–000083. In the end, an agreement was reached. Cf. ibidem, Krüger an Bülow, 27<sup>th</sup> November 1906, ff. 000164–000166.

real threat.<sup>67</sup> President of the USA spoke from a wider perspective, not just of Japanese policies in China, when he noted that he was reassured by the clear evidence of the impossibility of the Japanisation of the country and the reduced intensity of anti-foreign diatribe. The president added that the Chinese government distinguished between the Great Powers as enemies of the East and of the West, with Japan clearly dominant in the first group.<sup>68</sup>

It wasn't just the American president's opinion, but almost more widely felt that at that time Beijing could not afford to behave in a dismissive or offensive manner to foreigners. The country was not in a situation in which it could afford such an attitude. As such, Great Britain, Germany and the other Great Powers did not need to change their policies regarding the Far East, and China specifically, at that time in any fundamental manner, and could focus on their priorities.

## **Conclusion**

At the end of the Russo-Japanese War, China found itself in a situation where not only local elites, but even the imperial court itself, were aware that the country had to modernise, because if they didn't China would be in danger of becoming a state of little significance. One of the key areas Beijing decided to engage with was the issue of railway and mining concessions. However, the Western powers had clear technological and organisational dominance in this field, and had no intention of giving up the rights they had acquired at the end of the 19<sup>th</sup> century. Furthermore, the Chinese lacked sufficient capital so that the dream of building the railways using only Chinese funding and Chinese workers seemed unrealistic. Germany, a great power which had also acquired influence in China at the end of the 19<sup>th</sup> century, was not immune to attempts by the local elite to gain control over railway construction. It should be noted, however, that as for other great powers (Great Britain in particular), these attempts were naïve ideas from Chinese politicians at either a central or

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<sup>67</sup> Cf. *ibidem*, Merklinghaus an Goltz, 16<sup>th</sup> Oktober 1906, ff. 000131–000132.

<sup>68</sup> PA AA, China No. 1, R 17689, 12<sup>th</sup> September 1906, f. 000040.

local level. As such, German diplomatic representatives in China were able to repeatedly state in late 1905 and during 1906 that China did not have sufficient resources to implement railway construction themselves. They also carefully monitored the activities of London and Tokyo, who were potentially able to threaten Berlin's interests. The Great Powers realised that Beijing could not threaten their railway concessions in any fundamental manner, and as such focused on their spheres of influence and bided their time.

### **Abstract**

The contribution aims to present and analyze the German view of the complicated question of railway-building in China at the end of the Qing Empire era – concretely in the years 1905–1906. The authors plan to start at the end of the Russo-Japanese war, which was a key event in the transformation of the Great Powers policy in China, with the concentration on the German policy in the Middle Kingdom. They will then turn their attention to the German economic interests in this country with special regard to the building of the Chinese railways, which were conducted by foreign companies. They will define the construction of railways as a policy of following the political and economic interests of the Great Powers in China. The contribution will also focus on the question of the German methods to gain railway concession and how successful Germany was in its policy and whether it was able to take advantage of its opportunities.

### **Keywords**

China; Railway Problem; Germany; Economy; 1910s