

French Finance and Railway Construction in Northern China, 1895–1905

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The Political Context of Railway Building in China in the 1890s

The much delayed building of China's first major railways by foreign companies at the very end of the nineteenth century was part of a wider political process. This 'scramble for concessions' in China was the climax of the period of the new imperialism, when Western ambitions throughout the world were at their zenith. It was prompted by the Treaty of Shimonoseki, which ended the Sino-Japanese War of 1894-1895 but which also set the stage for two future wars, the Russo-Japanese War of 1904-1905 and the wider war in the Pacific between 1937 and 1945. The scramble was brought to an abrupt end by Chinese popular resistance in the Boxer Rebellion of 1900. While Western ambitions and their empires peaked at this time, the seeds of their decay already were sprouting. The rise of Japan as a great power (at least in an Asian and Pacific context) and the emergence of violent anti-Western mass movements showed that the imperialist game was up even before the last cards had been dealt.

For a time, though, as the nineteenth century waned, it appeared as though the rapid division of the world into half a dozen or so Western empires would extend through East Asia (and especially China) just as it had in the previous two decades through Africa, South and Southeast Asia and the Pacific. This was the period of the division of China into 'spheres of influence', areas where one or more powers would claim a preponderance of economic privileges and political authority, even though Chinese authorities would retain nominal sovereignty. This appeared briefly to anticipate a division of China among the powers, the 'slicing of the Chinese melon'. It did not happen, essentially for three reasons. First, the Western powers were never able to agree on what should constitute their spheres of influence, as most of them had interests of some sort throughout China. Grabbing an exclusive a sphere of influence in one part of China would mean surrendering influence elsewhere, and, except for Russia

(whose interests were geographically concentrated in Manchuria), that was not a good deal for any of the Western powers. Therefore, in 1898 they rallied to the US idea of an 'open door' for the free competitive economic exploitation of China by all powers.

Second, Japan's victory over China in 1895 showed that Japan was an important power in Asia, whose views could not be ignored. Western countries actually had very limited military and naval power in East Asia, and had no special desire to invest in expanding it. This meant that from as early as 1895 Japan virtually had a veto over Western ambitions in China. This was true even though, paradoxically, it had been a combined veto of Germany, Russia and France over Japan's more onerous peace terms on China which sparked the scramble for concessions. Third, popular resistance was a real factor inhibiting Western ambitions from the time of the Boxer Rebellion. France already had experienced the difficulties of subduing a determined population in Vietnam between 1883 and 1900, and Britain would have a similar bloody sobering experience in South Africa between 1899 and 1902. These experiences, together with the certainty that the Chinese population would resist Western rule, cooled any enthusiasm for turning China into a collection of Western colonies.¹⁴²

While the notion of 'spheres of influence' ultimately came to nothing (at least so far as the Western powers were concerned), it was a potent idea during the critical years from 1895 to 1900. This was also the high point of technological domination of the railway. The motor age began with the twentieth century, but in the 1890s the railway was utterly dominant as the most efficient, effective and fast means of land transport the planet ever had seen. Therefore, railway building was an important element of the scramble for concessions, especially since at that time China had not yet built any significant railways. In many

¹⁴² The classic account of the scramble for concessions from the perspective of great power diplomacy is Albert Langer, *The Diplomacy of Imperialism*, New York, Alfred A. Knopf, 1951. A more recent account from a scholar of the Chinese perspective is Frederic E. Wakeman, *The Fall of Imperial China*, New York, Free Press, 1975.

respects, the scramble for concessions was all about securing railway concessions, together with related privileges such as mining concessions and leases on ports where the railways would meet the coast. Railway concessions always involved certain political privileges, notably the guarantee that tax revenue would be used to pay interest on railway loans if the project's operating revenue was insufficient, and the right to police the railway. This policing privilege often involved deploying foreign troops along railways. Its most extreme consequence was the later transformation of the protection force for the South Manchurian Railway into the massive Japanese Kwantung Army. This Army's officers later would push their country into war with China (in 1937) and with the United States, the British Empire and the Netherlands in 1941, so the political consequences of railway protection forces proved to be enormous.

French interests in Chinese railway building at this time were of two sorts. In the provinces bordering on Vietnam, France acquired railway rights which fitted the model of the 'sphere of influence'. These allowed France to build railways from Vietnam into the provinces of Guangxi, Guangdong and Yunnan, anticipating a measure of French economic and political domination over that part of China. In fact, only the railway into Yunnan was ever built and the wider political and economic privileges were never realised. Thus, nothing came of the hopes of some French officials for Yunnan to be incorporated into French Indochina, using the railway from Hanoi to the provincial capital of Kunming as the fulcrum. However, France had interests all over China, partly through the network of French schools, partly through French concessions (in the other sense of the word, meaning zones of cities under foreign control if not foreign sovereignty) in Shanghai and other Chinese port cities, and partly through Article 7 of the 1885 Treaty of Tianjin, which had ended the war between France and China over the status of Vietnam. This obliged China to consult France when it came to develop its railway network. For some French officials this represented some claim to a French monopoly over railway construction in China. In practice, it never meant quite that much, but it did give France leverage over China in negotiations for railway concessions in the late 1890s. These dispersed interests were what persuaded the French to rally to the US idea of the 'open

door' in 1898. Thus, diverse French railway interests corresponded to the two (conflicting) models for French activity in China from which France, in common with all the Western powers, would need to choose.¹⁴³

The Beijing-Hankou Concession

Defeat by Japan in 1895 was a huge psychological shock for Beijing, from which the imperial government never really recovered. Nonetheless, its more progressive members used it as an opportunity to push for greater modernisation. Railways were chief among their priorities. In 1894, the only railway in China was a line from Tianjin to Shanhaiguan in the north, owned by a provincial government and run by a British engineer. It had been built to serve the Tangshan coalmines, and had only secured authorisation on the pretext that this was its only function. It had been a pet project of the northern viceroy, Li Hongzhang, who was far keener on modernisation than the government in Beijing and had set up all sorts of westernised industries and businesses in his bailiwick. He could do this because at the time Chinese provincial authorities enjoyed a large degree of autonomy. Li, though, had been weakened by the defeat by Japan, since he had co-ordinated Chinese forces during the war, and his southern rival and fellow moderniser, Zhang Zhidong, seized the opportunity to advance his own schemes. Since 1889 Zhang had been governor general in Wuhan, the pivotal central city on the Yangzi, where he had set up the Hanyang Iron Works, China's first modern metallurgical industry. A crucial defector from Li to Zhang was Sheng Xuanhuai, China's first modern industrialist and director both of the Chinese telegraphs and the China Merchants Steam Navigation Company. In 1896 Sheng bought Zhang's unprofitable Hanyang Iron Works and in return Zhang had him appointed director general of the new Chinese Imperial

¹⁴³ This model, seeing French interests (and railway policy in particular) from these two conflicting forms the basis of my larger work, Robert Lee, *France and the Exploitation of China, 1885-1901*, Hong Kong, Oxford University Press, 1989.

Railway Administration, established to plan, build and operate mainline railways.¹⁴⁴

Sheng and Zhang planned the first railway from Wuhan (or, more accurately Hankou)¹⁴⁵ to Lugouzhiao on the outskirts of Beijing. At that time the imperial government would not countenance the idea of something as Western as a railway at the walls of the capital. They knew foreign capital, expertise and equipment would be essential to build the railway, but wished to avoid involving great powers with overt political ambitions in China. Belgian engineers had assisted in managing the Hanyang Iron Works, so Sheng proposed to look there for what was needed, as 'Belgium was but an iron and steel manufactory, and acknowledged to be a small country without any wish for aggrandisement, and ... borrowing money from them would be most advantageous and attended with but little risk.'¹⁴⁶ In discussions with the Belgian Minister¹⁴⁷ in Beijing, Baron de Vinck, Sheng revealed he was willing to accept a deal whereby financial and industrial aspects of the project were linked, meaning that, in return for advancing the capital, Belgian industry would be rewarded with the lion's share of the orders. However, he wanted the railway to remain under Chinese control. De Vinck did not believe Belgian financiers would be willing to accept Chinese control, since Belgium lacked the political and military clout to protect the railway if things went bad; and also feared that the huge size of the proposed loan (at least 20 million taels or 80 million francs or £3.2 million) was more than the Belgian capital market readily could digest.

Leopold II, King of the Belgians, was enamoured of the idea, as it gave him another chance to play the imperialist game he was finding so profitable in the Congo Free State. He even appointed one of his favourites and former Congo

¹⁴⁴ On Sheng, see Albert Feuerwerker, *China's Early Industrialization: Sheng Hsüan-huai and Mandarin Enterprise*, New York, Atheneum, 1970.

¹⁴⁵ Wuhan is the name of the conglomerate of three cities at the confluence of the Yangzi and Han Rivers. They are Wuchang (then the political centre), Hankou and Hanyang.

¹⁴⁶ Sheng's memorial to the Throne, 12 October 1896, quoted in Percy H. Kent, *Railway Enterprise in China*, London, Edward Arnold, 1907, p 98.

¹⁴⁷ Heads of diplomatic missions to countries other than great powers were then styled minister, not ambassador.

agent, Emile Francqui, as Belgian consul in Hankou, to push the project. Meanwhile, de Vinck conceived the idea of Franco-Belgian co-operation on the railway to overcome what he felt were obstacles too great for Belgium to handle alone. He approached his French colleague in Beijing, Auguste Gérard, about such co-operation, and found a willing accomplice. For Gérard, working with Belgium was a way of having Article 7 of the 1885 Treaty honoured, and he put the proposal to Foreign Minister Gabriel Hanotaux, who proved to be equally enthusiastic. Working through the Comité des Forges, Hanotaux was midwife to the birth of the French element of a consortium, led by Jules Gouin, president of the Banque de Paris et des Pays-Bas and a director of the heavy engineering Batignolles company, and Baron Hély d'Oissel of the French Société Générale. On the Belgian side the Société John Cockerill and the Belgian Société Générale would head the consortium. They agreed that orders of equipment would be equally divided between France and Belgium, as their contributions to the cost of the surveys was equal.¹⁴⁸

The perhaps unexpected and certainly fascinating thing about this process is that it was driven not by the bankers or industrialists, but was conceived by two diplomats in Beijing and pushed onto the capitalists by the French Foreign Minister and the King of the Belgians. In short, the initiative was political. Indeed, the French consul in Shanghai despairingly observed that, 'China will escape from us like India escaped from us before, only this time not because of the inferiority of our arms or of our diplomacy, but because of the invincible inertia of our capital.'¹⁴⁹ In China, it was the diplomats rather than representatives of the consortium who negotiated with Sheng, despite his professed wish to deal directly with bankers and industrialists. Sheng, of course, knew it was governments which ultimately would determine matters, since the whole business of building Chinese railways was so political, and, moreover,

¹⁴⁸ De Pinguet à Hanotaux, 5 janvier 1897, Archives, Ministère des Affaires Extérieures, Correspondance politique et commerciale, Chine, Nouvelle série [henceforth MAE NS] 465, 119.

despite his preference for the Belgians, he also was talking to British, Americans and Germans about the deal.¹⁵⁰ For Sheng, though, the critical thing was that powerful countries appeared not to have a role in financing and building the railway, although he had no objection to French assistance to the Belgians. As he told the French consul in Shanghai:

In approaching Belgium, China is finding a way of eluding the exactions and competition of the great powers. We have found it equally dangerous to displease or satisfy them... Your country's capitalists may form partnerships with the Belgians and help them. In that case it would be important to act secretly to avoid awakening the susceptibilities of the Imperial government. I am strongly in favour of this partnership, but openly I can and I will deal only with the Belgians.¹⁵¹

The French and Belgians took Sheng's advice, and in March 1897 formed the Société d'études des chemins de fer en China, capitalised at 250,000 francs and comprising seven French banks, the Belgian Société Générale and the Société John Cockerill.¹⁵² In May Sheng signed a provisional contract with two engineers the Société d'études sent to Wuhan, but this clearly would need revision, as its interest rate was too low at four percent and the guarantee on its

¹⁴⁹ 'La Chine nous échappera comme l'Inde nous a jadis échappé, non cette fois par l'infériorité de nos armes ou de notre diplomatie, mais par l'invincible inertie de nos capitaux. Dépêche commerciale No 110 de Bezaure à Hanotaux, 16 mai 1898, MAE NS 514, 13.

¹⁵⁰ Dépêche commerciale No 67 de Gérard à Hanotaux, 23 novembre 1896, MAE NS 465, 65-69.

¹⁵¹ 'La Chine, en s'adressant à la Belgique, trouve un moyen d'échapper à la fois aux exigences et aux compétitions des grandes Puissances. Elle trouve qu'il est également dangereux de les méconter ou de les satisfaire... Les capitalistes de votre pays pourraient, peut-être, s'entendre avec les Belges et les aider. Dans ce cas, il serait très important d'agir secrètement afin de ne pas éveiller la susceptibilité du Gouvernement Impériale. Je favoriserais cette entente de tout mon pouvoir, mais ouvertement, je ne puis et je ne veux traiter qu'avec les Belges.' Dépêche No 67 de Bezaure à Hanotaux, 19 janvier 1897, MAE NS 465, 135-137.

¹⁵² The French banks were the Banque de Paris et des Pays-Bas, the Société Générale, the Comptoir national d'escompte, the Société de Crédit industriel et commercial, the Banque Parisienne, the Banque Internationale, and MM. Höttinguer et cie. An important omission was the Banque Russo-Chinoise, which had been invited to participate but declined, as it was fully committed funding the Chinese Eastern Railway across Manchuria. This was a Russian project funded by French capital. Thus the benevolent neutrality of this powerful

payment quite inadequate to attract many investors.¹⁵³ Its main aim was to exclude other potential rivals. In this it succeeded possibly too well, for the British prime minister, Lord Salisbury, wanted the Belgian concession blocked, feeling it would be used as a joint Franco-Russian project to link French interests in Yunnan with Russian interests in Manchuria, thereby cutting across Britain's position in central China. He told his minister in Beijing, Sir Claude Macdonald, to put this to the Chinese in no uncertain terms:

...it would be impossible for Her Majesty's Government to continue friendly relations with them in regard to their fleet and other matters if, ... they offered ... other foreign Powers special privileges or openings in the Yangtze region. If the Peking-Hankow line were to be financed by the Russo-Chinese Bank, as seemed probable, it ceased to be a commercial or industrial enterprise, and became a political movement against British interests in the Yangtze region.¹⁵⁴

Salisbury need not have worried so much. Neither France nor Belgium had any territorial designs on central China, although Russia certainly had designs on Manchuria and some (at the end of the day uninfluential) French officials had similar aspirations for Yunnan. Meanwhile, negotiations aimed at improving the loan contract for the investors continued. The real profits were to be made from the orders for the railway's equipment, but the loan's terms needed to be sufficiently attractive to attract the capital. At that time Chinese loans were a real novelty and considered very insecure. As Gérard observed, 'The success of the industrial enterprise is ultimately dependent on the acceptance of the

bank was assured. Note, sans date, Archives, Ministère des Finances, F30, 372, 2/A. See also *Quinzaine coloniale*, 1, 7, 10 avril 1897, 220.

¹⁵³ Dépêches commerciales Nos 34, 45 de Gérard à Hanotaux, 12, 16 mai 1897, MAE NS 466, 9-10, 23-26.

¹⁵⁴ Salisbury to Macdonald, 9 June 1897, Memorandum respecting Railway Concessions in China, September 1898, Public Record Office Kew, Foreign Office [henceforth FO] 17, 1362, 107-108.

financial scheme. It is not therefore our industrialists but our bankers who need to be persuaded,¹⁵⁵

Hanotaux was well aware of this and so organised for Gérard to return to France in the summer of 1897 on what amounted to a sales tour for the loan. Gérard found French financiers indifferent if not downright hostile to funding the railway, and acidly observed, 'I discovered that, after not without trouble convincing the Chinese, I now had to preach to and convert the French.'¹⁵⁶ Patriotism and a concern for France's position in the Far East was insufficient to persuade French bankers to invest money on what they regarded as such flimsy security. The Belgian bankers, possibly because of their close relationship with Leopold, who remained wildly enthusiastic, possibly because they were so deeply committed, were increasingly exasperated with the hesitance of their French colleagues.

At the insistence of French bankers, a new contract was drafted at the end of 1897. The political situation favoured revision, as in November 1897 China accepted a German ultimatum demanding two major railway concessions (Tianjin-Nanjing and Jinan-Qingdao), a monopoly of mining rights in Shandong province and a lease over the Shandong port of Qingdao. At this point the scramble for concessions intensified, and in early 1898 China granted all the major powers a whole series of railway concessions, 99-year leases on ports, and other economic and political privileges. For the Chinese these attacks on its sovereignty were deeply humiliating, and ultimately they would lead to a revolution which would overthrow the entire system of government. For the Western powers, the scramble raised its own dilemmas, notably whether to divide China or maintain its sovereignty, whether to seek exclusive spheres of influence or maintain the open door.

¹⁵⁵ 'C'est de l'acceptation de la combinaison financière que depend, et ultérieurement, le success de l'entreprise industrielle. Ce ne sont donc pas nos industriels, ce sont nos banquiers qu'il importe de persuader.' Dépêche commerciale No 1 de Gérard à Hanotaux, 9 janvier 1897, MAE NS 465, 129.

Sheng, meanwhile, negotiated with an American consortium for a loan to build a railway southwards from Hankou to Guangzhou (Canton). These ultimately came to nothing. But he used American interest as a bargaining chip with the Société d'études, which had sent a revised and more favourable contract to China, with the condition that Sheng had to sign it within a week of its arrival (on 18 May 1898) or negotiations would be ruptured. Sheng stalled and poetically compared 'his links with the Belgian company to a waterlily which has been half pulled out but still lives because a few strands of the stalk remain.'¹⁵⁷ Meanwhile, Hanotaux had appointed Gérard as minister in Brussels, where his main task appears to have been ensuring the success of the Société d'études. When Gérard presented his credentials to Leopold, the two men got straight down to business and talked of little else.¹⁵⁸ One of Gérard's first tasks was to persuade Victor Stoclet (president of the Société d'études and a director of the Belgian Société Générale) to send a down payment to Sheng in advance of the contract being signed – in other words to offer a bribe, on the instructions of none other than French Foreign Minister Gabriel Hanotaux.¹⁵⁹

These tactics, and the weakness of the American rivals, worked, and Sheng signed two contracts on 26 June 1898. To build the railway, China would borrow 112, 500,000 francs (£4,500,000) at five percent interest repayable by 1929. The Chinese Imperial Railways also would contribute some funds. All equipment would be supplied by the Société d'études (meaning Cockerill, Fives-Lille, Batignolles, Franco-Belge and some other engineering companies), except the little that Hanyang Iron Works could produce. The Russo-Chinese Bank was to be the railway's banker in China. The second contract ensured that, although it would remain under Chinese ownership, it would be managed

¹⁵⁶ 'Je fis, en effet, la découverte qu'après avoir non sans peine décidé les Chinois, il me fallait maintenant prêcher et convertir les Français.' Auguste Gérard, *La Vie d'un diplomate sous la Troisième République*, Paris, Plon Nourrit et cie, 1928, p 300.

¹⁵⁷ 'Sheng compare avec poésie les rapports entre lui et la Société belge à une tige de nénuphar à demi-hisée dont quelques files s'attachent encore les fragments.' De Bezaure à Hanotaux, 23 mai 1898, MAE NS 446, 190.

¹⁵⁸ Dépêche commerciale No 1 de Gérard à Hanotaux, 8 mars 1898, MAE NS 467, 48-49.

¹⁵⁹ Télégram No 13 d'Hanotaux à Gérard, 23 mai 1898, MAE NS 467, 151.

by the Société d'études until 1929, and in return the company would receive 20 percent of its net profits. In the event of any disputes, the French minister in Beijing would be the arbitrator.¹⁶⁰

The Beijing-Hankou railway was the first important railway concession in China, apart from the Chinese Eastern Railway in Manchuria, which, since it linked Siberia with Vladivostok, was in a rather different category. French and Belgian officials and diplomats, from the king and foreign ministers down, had done most of the work, rather than the financiers, who took some persuading to participate in the scheme. The British reaction to the (considerable) French and (negligible) Russian role in the contract was savage. The Foreign Office described the Belgian syndicate as 'a screen to conceal French proceedings' and China's acceptance of the contract as 'an act of deliberate hostility'.¹⁶¹ The Royal Navy's China Station was mobilised and China presented with an abrupt ultimatum demanding four railway concessions (three near Shanghai and the Kowloon and Canton Railway, which is still British-owned) and leases over Chinese territory (including the only lease which would run the full 99 years, over the New Territories of Hong Kong).¹⁶²

China had no choice other than to comply, even though British fears about Russian involvement were grossly exaggerated; and, in choosing to participate in the Société d'études, the French clearly were choosing the open door over spheres of influence as their China policy. Such a French decision was, in fact, very much in Britain's interests, but it took a little while for both parties to work this out. This was also the year of the Fashoda crisis, when Britain and France were briefly bellicose over their respective 'rights' in the Upper Sudan, so passions for empire were running high. It would only be a few years before both sides realised the folly of such posturing, but in 1898 competition was intense, and it was the Chinese who would pay the price. Thus, the financing of the

¹⁶⁰ The French text of the two contracts is reproduced in full in Kent, *Railway Enterprise in China*, pp 224-234.

¹⁶¹ Francis Bertie, Note, 17 August 1898, FO 17, 1362, 296.

Beijing-Hankou railway had significant impact on international relations and indeed on the pattern of Chinese history over the next century. In a real sense, its consequences were only resolved with the return of Hong Kong to China in 1997.

The share issue met an unexpectedly brilliant response. There were almost twice as many applications as there were shares on offer. The applications revealed the relative strengths of the French and Belgian capital markets: there were 190,800 applications from France and 36,000 from Belgium. As only 133,000 shares were to be issued, Belgian investors received all they requested and French investors only 45 percent.¹⁶³ Although France supplied most of the capital, orders were divided roughly equally between both countries, as agreed back in January 1897. Belgian prices for rails were lower than French prices, which meant most early orders went to Belgium. As construction wound down and rolling stock was ordered, the imbalance was redressed, although French companies only supplied about half the total equipment for the line.¹⁶⁴ Hanotaux and his successor, Théophile Delcassé, were extremely assiduous in ensuring French industry participated as much as possible in supplying the project, and indeed showed more enthusiasm than the industrialists themselves, who tended to see overseas and empire orders as a means of using surplus capacity rather than as the basis for investment and expansion.¹⁶⁵ This was always a crucial difference between French and British economic imperialism.

¹⁶² Telegram No 273 from Macdonald to Salisbury, 28 August 1898, FO 17, 1362, 308; Kent, *Railway Enterprise in China*, pp 99-101.

¹⁶³ *Le Temps*, 10 avril 1899 [cutting]; Comptoir national d'escompte au Ministre des Finances, 20 Avril 1899, MF F30, 372, 2/C, 2/D.

¹⁶⁴ Gérard kept a very close eye on orders for the railway and assiduously reported them every month to Paris. There were some important orders to the United States as well, since it supplied cheap locomotives with very fast delivery times, even though the finish of US locomotives was poor compared to French, Belgian (or British for that matter) machines. German and British firms also supplied some specialised items. Dépêche commerciale No 114 de Gérard à Hanotaux, 17 juin 1900, MAE NS 471, 127.

¹⁶⁵ Jules Gouin (of Batignolles) often expressed this opinion. See his response when pressed by Delcassé to explain why French industry was not supplying more locomotives and rolling stock. Jules Gouin à Delcassé, 21 avril 1900, MAE NS 470, 46.

The engineer in chief in China for the 1214-kilometre long railway was Jean Jadot, a Belgian who would later achieve fame in the Congo, where Likasi in Katanga was named Jadotville after him.¹⁶⁶ The terrain was mostly easy, although it did involve a three-kilometre long bridge over the Yellow River. Most of the European personnel were French and French was the railway's operating language.¹⁶⁷ Relations between the French and Belgian elements of the partnership were strained at times; especially as France had supplied most of the capital, but senior management was Belgian and, initially at least, Belgian industry received most of the benefits. These strains culminated in the French financial consortium sending a mission of inspection in 1901 headed by the French government's inspecting engineer of the Paris-Lyon-Méditerranée, Ernest Bousigues. There were overlapping directorships between the French financial consortium and the PLM, which gave the investors confidence in Bousigues' ability. Stoclet was hostile to the mission, which in effect was sent to assess Jadot's competence, but Bousigues' report had nothing but praise for Jadot and his achievement, bringing such concerns to an end.¹⁶⁸

The project's political problems in China were considerable, though, especially when Boxers occupied and seriously damaged a portion of the line between Lugouqiao and Baoding during the Rebellion of 1900. French troops rushed to occupy the railway following their relief of the Beijing legations in September 1900, accompanied by a liberal distribution of tricolours which were festooned around its stations¹⁶⁹. At the same time, French troops extended the railway from Lugouqiao to the walls of Beijing, connecting it with the line from Tianjin.

¹⁶⁶ On Jadot's life, see Thierry Denoël, *Le nouveau dictionnaire des Belges*, Bruxelles, Le Cri, 1992. His Chinese work remains a source of pride in Belgium, and there is a strong reference to it in the Belgian Foreign Ministry's webpage on relations with China. See http://www.diplobel.org/shanghai/English/html/china_belgium.html

¹⁶⁷ In September 1901 there were 86 French, 41 Italian, 37 Belgian and 12 other European staff. See E. Bousigues, *Chemin de fer de Pékin à Hankéou. Mission technique spéciale en Chine confiée en 1901 à M. Bousigues. Rapport de Mission*, Villeneuve-st-Georges, Union typographique, 1909, pp 82-85.

¹⁶⁸ Bousigues, *Chemin de fer de Pékin à Hankéou*.

¹⁶⁹ Sir Claude Macdonald described this as an '*enfantillage*' but the French officers knew exactly what they were doing in so publicly proclaiming their possession of the railway, then

The extension was allegedly for military reasons, but it was illegal, not that law counted for much in China in late 1900, as the Chinese government had not yet begun to function effectively after the Boxer Rebellion. It opened on 16 March 1901 and the ceremony was a very French show. The Société d'études later paid the French army for this work.¹⁷⁰

The railway was built simultaneously from both ends, and opened throughout on 15 November 1905 with the completion of the Yellow River bridge. It was an immediate success and returned a fabulous return on its investment. Its operating ratio (costs as a proportion of revenue) in 1908 was 34.4 percent, which made it one of the most profitable railways in the world. The Chinese government, after 1901 irrevocably committed to modernisation, was so impressed with the railway's profitability that it decided to exercise its right of repurchase from the Société d'études provided for in the contract. Sheng negotiated a new £5 million loan from a joint Anglo-French syndicate (which itself showed how much Anglo-French relations had changed since 1898) to fund its acquisition. Thus British replaced Belgian investment, and ultimate responsibility for its management henceforth was Chinese.¹⁷¹ From 1 January 1909 the railway became the property of the Chinese government (albeit under hypothecation) and its management was fully integrated into the Chinese Imperial Railways. Chinese and English replaced French as operating languages, although the manager of the line remained the Frenchman Henri Bouillard, who had been in China for a decade.¹⁷²

Thus, the brief history of Franco-Belgian co-operation in this huge project came to an end. In many respects, it anticipated later Anglo-Belgian co-operation in Katanga, in which Jadot also would play a crucial role. The financing of the project had determined much about how it would be built. On a wider canvas,

France's largest overseas investment after the Panama Canal. *Dépêche commerciale* No 35 de Pichon à Delcassé, 1 octobre 1900, MAE NS 471, 50-54.

¹⁷⁰ *Dépêche commerciale* No 2 de Pichon à Gérard, 19 mars 1901, MAE NS 472, 203.

¹⁷¹ The two banks both specialised in East Asian business: the Banque de l'Indo-Chine and the Hongkong and Shanghai Banking Corporation.

¹⁷² Edouard de Laboulaye, *Les Chemins de fer de Chine*, Paris, Larose, 1911, pp 106-107.

few railways' financial arrangements can have had such consequences for international relations, provoking not just a naval demonstration but lasting adjustments in borders. They made possible not just China's first main line, but also marked a crucial step determining the pattern of the imperial rivalry reaching a climax at this time.