SUOMALAISEN TIEDEAKATEMIAN TOIMITUKSIA
ANNALES ACADEMIÆ SCIENTIARUM FENNICÆ

SARJA-SER. **B** *NIDE-TOM. 216*

THE FAR EASTERN TELEGRAPHS

The History of Telegraphic Communications between the Far East, Europe and America before the First World War

by
JORMA AHVENAINEN

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In Memory of Ritva

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Preface

The aim of the present study is to examine the early stages of telegraphic communication from Europe and America to China and Japan, and to consider the European share in the operation of the Far Eastern telegraph. The period covered extends from the early 1870's, when telegraph communication began, until the First World War. 1914 was chosen as a terminus not only because of the impact of the war itself but also because by then the wireless telegraph was becoming a serious rival to the cable. It was not intended to write a history of the telegraph companies, but rather to present a survey in which the political and economic aspects of the subject are considered in their relation to each other.

More than any other means of communication, the telegraph introduced the time factor into world politics. Its speed compared with other known and potential competitors meant political, military or economic advantage, and often all three. The telegraphic cable played the leading part amongst the methods used to rule the world in the age of imperialism; international telegraphic communication made *Weltpolitik* possible. The telegraph also changed business methods to the advantage of whoever got first news of the market. For the sake of secrecy and the assurance of unimpeded communication it was necessary to have cables of one's own or at least access to those of a friendly power. This became clear during the Boer War when British censorship of telegraphs gave them the benefit of advance knowledge and gave the great powers pause to consider what lessons there were to be learnt.

It was obviously to a state's advantage to support its nationals in telegraphic enterprises overseas, but to what lengths should this policy be taken? The companies aimed at exclusive rights which were in themselves contrary to liberal economic thinking and which led, through monopoly, to harmful restrictive tariffs. Faced with a choice governments turned away from the principles of free trade to their own cost since they found themselves at the mercy of the companies' tariffs and in the end came to consider how far they should involve themselves in extensive telegraphic enterprises overseas and whether they should possibly even begin to compete with private companies at home. As regards the Far East, for China and Japan the basic question was what attitude they should take towards the foreigners who went there to promote the telegraph, and whether they should see the telegraph as part of their schemes for national development.

The sources for this subject are mostly to be found in London, Copenhagen, Washington and The Hague. Since the British or British-owned share of all submarine cables was about 80 % until the First World

War, the main location for material on this branch of the subject is London. The author's main source has been the Foreign Office archives in the Public Record Office, the records of the General Post Office and the archives of Cable and Wireless's Eastern Extension, all held in London. In Copenhagen the most important source has been the archives of Det Store Nordiske Telegraf Selskabet (The Great Northern Telegraph Co.) in the Rigsarkivet collection. It was not, however, possible to get permission to use the company's own archives for the purposes of this study. The documents kept there would have brought to light some interesting detail but without materially affecting our general conclusion, since the aims and activities of the Great Northern are anyway revealed in considerable detail by the other archive material available. As for the United States, National Archives microfilms have been used from the Department of State's collection in Washington. The section on the United States' Pacific cable is based on the correspondence between the Secretary of State and American ministers overseas, on the Eastern Extension archives and on official publications of the United States Congress. Since it has not been possible to use private American collections there may be something to add to the present discussion of the Pacific cable. In the Algemeen Rijksarchief in The Hague the most important material used was that relating to the early years of the German-Dutch Telegraph Co. Other archive sources and published documents are cited in the list of sources.

Literature on this subject is scarce and by now rather old. The best general works on international cables are still *Le Réseau Anglais de cables sous-marins* by Margerie, published in 1910, and Lenschau's *Das Weltkabelnetz*, published seven years earlier. These two books, like most others on the subject of submarine cables, were published before the First World War, that is, before the world network of cables was completed. The available literature is also tendentious in character, writing with a view either to celebrating achievements or to campaining for more cables. It is worth mentioning that none of the great cable companies mentioned in this study has had its history written. Almost simultaneously with the present manuscript a Danish colleague Ole Lange published his book *Finansmænd, Stråmænd og Mandariner* which deal with the early history of The Great Northern up until the year 1876 and describes the company's activities in the Far East in more detail than the present study.

The Finnish text has been translated into English by Mrs Eleanor Underwood. The author wishes to express his sincere thanks for the excellent translation. He is also particularly indebted to the staff of the archives of Cable and Wireless and the General Post Office for their considerable assistance. Cable and Wireless have also provided illustrations for this study.

This study started out from the outstanding microfilm collection in the History Department of Jyväskylä University. Grants from the Finnish Academy, the British Academy and the British Council made it possible to study for a time in London, and the author is extremely grateful to these two British organisations for their support. He wishes to thank also the Nordic Institute for Asian Studies which gave financial support for the work

done in Copenhagen. The present manuscript was completed in 1978 but its publication has been delayed. The author is grateful to The Finnish Academy of Science and Letters for acceptance of this study in their series.

Jyväskylä, autumn 1979

Jorma Ahvenainen

The Far Eastern Telegraphs

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I THE DEVELOPMENT OF THE TELEGRAPHIC CONNECTION BETWEEN THE FAR EAST AND EUROPE IN THE 1870's

1. The first cables between the Mediterranean, the Near East and India. British enterprises in the East

The first 'practical' telegraph was patented in the United Kingdom by William Fothergill Cooke and Charles Wheatstone in 1837, and in the same year Samuel F. B. Morse demonstrated his telegraph to the United States Congress. Seven years later, in 1844, Morse sent the first words by his 'writing' telegraph between Washington and Baltimore and in the following year the first telegraph company was founded in the United Kingdom, The Electric Telegraph Co. By midcentury practically the whole of the United Kingdom was covered by the telegraph system. Its rapid expansion was closely connected with the development of another means of communication, the railway, for the telegraph proved highly useful, indeed indispensable, in the operation of the trains.[1] The extension of the telegraph took place literally side by side with the extension of the railways; for as new railway lines were built telegraph poles were put up alongside them, and people became accustomed to a landscape in which telegraph poles stood out against the sky. The principal telegraph lines in Europe were completed in the 1850's and 1860's, and in the same period internal networks were linked up across national boundaries and the first steps were taken towards the establishment of an international system.

Until 1851 the sea was a definite barrier to telegraphic communication, but in that year the first operational submarine cable was laid across the Channel between Calais and Dover, connecting Britain with the European mainland. This proved so successful, economically as well as technically, that other attempts were made and many new cables were laid between England, Belgium and the Netherlands. In 1853 Ireland became linked to Northern England.[2] In 1854 Denmark was brought into the continental network when the government had a cable laid linking Copenhagen, Korsör, Nyborg and Flensburg. A year later the Sund cable formed a link between Denmark and Sweden and another line connected Sweden and Norway. In

[1] Kieve, *The Electric Telegraph* pp. 13, 26–45.
[2] Bright, *Submarine Telegraphs* pp. 5–14; Margerie, *Le Réseau Anglais de cables sous-marins* p. 11; Garnham & Hadfield, *The Submarine Cable* pp. 8–9; Clarke, *Voice across the Sea* p. 17; Kieve p. 51–52.

1859 the continental system was extended via Denmark as far as Finland when a link was formed between Sweden and Finland at Haaparanta, and this meant too a continuous line between Denmark and Russia around the top of the Gulf of Bothnia.[3]

While the countries of continental Europe were setting out to link their various land line systems and thus expedite international correspondence, Great Britain began to lay cables under the Mediterranean. In the 1860's in particular the cable companies in Britain were regarded with great interest since they offered a remarkably attractive field for capital investment. Britain's colonial interests in the Mediterranean and beyond there to the East and South made the Mediterranean crucial to Britain's international communications network and guaranteed a degree of protection for the capital being invested in the area.[4]

It was principally British companies which were behind the laying of cables between the Mediterranean islands and the mainland in the 1850's.[5] The cable which was to run the length of the Mediterranean was started at the eastern end of the Sea when in 1861 Glass, Elliot and Co. prepared a line between Alexandria, Tripoli and Malta; it subsequently became the joint property of the company and the British Government.[6] In 1868 a new Alexandria to Malta cable was laid by the British-owned Anglo-Mediterranean Telegraph Co., and it was significant in that it marked the start of an intentional policy to build cables via the Mediterranean to places East and South of there.[7] After the Atlantic cable was completed and brought into regular use in 1866 British activity was directed primarily at the opening of a cable route to India. By this time technical expertise had improved greatly since the beginning of the decade, and this meant that cables could be laid more securely than before.

With the completion of the cables between Malta and Alexandria telegraphs from London and other cities in Western Europe reached Alexandria by way of Sicily and Malta, which had been connected in 1859. 1870 saw the completion of two important lines, of particular consequence to the British: the first was The Marseilles, Algiers and Malta Co. line between Marseilles and Malta, which provided a direct link between London and Alexandria via Paris and Marseilles; the second was The Falmouth, Gibraltar and Malta Company cable between the United Kingdom and Malta which provided a British line all the way from London to Alexandria.[8]

[3] *Det Store Nordiske Telegraf-Selskab 25 Aar* pp. 6–7; Hansen, *Af Telegrafvæsenets Historie* pp. 116–119; Risberg, *Suomen lennätinlaitoksen historia* p. 129.

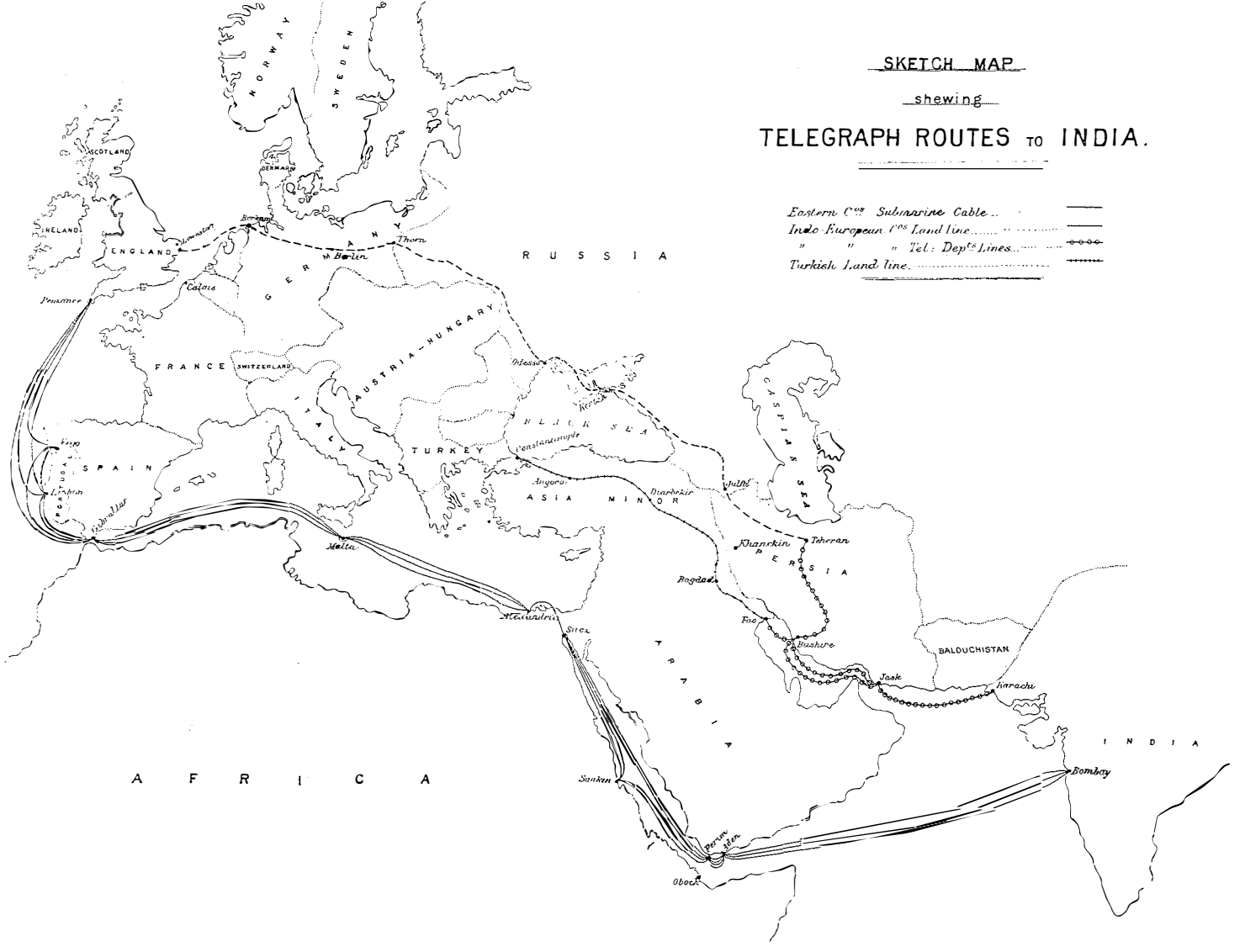
[4] We are only concerned here with cable plans that were actually realised: there were several companies which either never started operating or folded up soon after they began. For a list of these see e.g. *Electric Telegraph Companies. Returns of the Names of all Companies* p. 2 (1860).

[5] For a general survey of the earliest Mediterranean cables see: *Construction of Submarine Telegraph Cables. Report of the Joint Committee to enquire into the Construction* pp. XI–XIII (1861); Bright and Bright: *The Life Story of the Late Sir Charles Tilston Bright* II pp. 1–8; Kieve p. 105.

[6] *Accounts on Papers* 1863 Vol. XXXI. Malta and Alexandria Telegraph.

[7] *Inter-Departmental Committee on Cable Constructions.* Second Report pp. 58–59; Bright & Bright II pp. 152–155.

[8] *Inter-Departmental Committee.* Second Report pp. 58–59; *Submarine Telegraph-*



*Map No. 1*Genera lmap showing telegraph routes to India in 1870.

The earliest telegraphic communication with India was established in 1864–1865 using land and sea lines. The route followed the Turkish government line from Constantinople to Fao, via Baghdad, then from Fao the Indo-European Telegraph Department, an enterprise financed by the Indian government, laid coastal cables (the so-called Persian Gulf Cables) to Karachi by way of Bushire and Jask. In 1865, as soon as this line was completed, the Indian government financed the building of a land line across Persia from Bushire to Teheran. Shortly afterwards a service was inaugurated between Teheran and Moscow via Tiflis under the terms of a convention between Russia and Persia (1866), and this joined the line from Teheran to Bushire. There were thus two possible routes between Western Europe and India: one via Constantinople and the other via Moscow.[9]

It soon became clear, however, that both lines were rather weak and unreliable. The line via Turkey was more often out of action than in service, and it could take weeks for a message to get through, When it did eventually arrive it was often in completely unintelligible form. The connection to Western Europe via Moscow used the lines of the Russian and Prussian Governments, but this route too proved almost as poor as the one via Constantinople, especially for English telegraphs.[10]

The feebleness of the connections to the East led Werner von Siemens' German company to project a complete cable between the United Kingdom and India which was to be entirely the property of a single private concern. He first sought concessions from the Russian, Prussian and British Governments and in 1868 transferred them to an Anglo-German company registered in the United Kingdom, The Indo-European Telegraph Company. The western end of the Company's cable was at Lowestoft. The line went under the sea to Borkum and from there, partly by rented lines, it went across Prussia to Thorn, continuing via Kiev, Odessa and the Caucasus (Tiflis) to Julfa on the border between Russia and Persia. From there the Company's line continued right to Teheran, where it was connected with the Indian Government lines. The line was completed in 1869, but various technical difficulties prevented it from coming into general use until the following year.[11] This route replaced the unsatisfactory routes via Moscow and Constantinople, although these did survive as potential rivals and thereby ensured the maintenance of a satisfactory service.

In the same year as it had got its lines into working order the Indo-European Telegraph Company encountered an unforeseen and most

Companies. A table (1870) (British Library, shelf mark 1801. d.2 (5).); Bright, *Submarine Telegraphs* pp. 16–22, 106–111; *The Electrician* 19th July 1879 p. 105; Margerie, *Le Réseau* pp. 18–20. The Eastern Telegraph Co. rented a line between London and Marseilles from the British and French governments. *The Electrician* 24th January 1890.

[9] Various lines between Moscow and Prussia were built in the 1850's. Krüger, Telegraphen und Fernsprechwesen in Russland. *Archiv für Post – und Telegraphenwesen* 1901 Nr. 4 p. 105; Siemens, *Mein Leben* pp. 145–146; *Inter-Departmental Committee,* First Report p. 5; Kieve p. 111–112.

[10] *Inter-Departmental Committee,* First Report p. 5; Siemens, *Mein Leben* pp. 234–238.

[11] The Archives of The General Post Office (London) (thereafter abbreviated as G.P.O.) E 7793/1874 File XV; Siemens, *Mein Leben* pp. 234–238.

unwelcome state of affairs with the appearance of an effective rival submarine cable extending as far as India, for in 1870 The British Indian Telegraph Company connected Alexandria and Bombay by a line via the Red Sea and Aden.[12] The two companies found themselves at once in competition and the enterprise proved scarcely profitable for the Indo-European Telegraph Company which for several years registered a loss until in 1878 it came to a pool with the British Indian Telegraph Company.[13]

On 10th December 1869 the China Submarine Telegraph Co. Ltd. was founded in London for the development of telegraphic communications with the Far East or, more specifically, the laying and working of submarine telegraph cables between the Straits of Malacca and China and Japan. The founders of the Company were John Pender, merchant, Lord William Montague Hay, Colonel Thomas George Glover, Captain Sherard Osborne, Julius Beer, merchant, Ralph Elliot and Charles Burt, solicitors. The issued capital was £525,000 divided into 52,500 £10 shares. On the day of its foundation the Company made an agreement with The Telegraph Construction and Maintenance Company for the laying of a cable from the Straits of Malacca to Hong Kong and Shanghai. The price of the first section, from Singapore to Hong Kong, was £508,000, of which £100,000 was paid in the shares of the new company and the remaining £408,000 in cash.

In 1873 the Company had about one thousand four hundred shareholders, most of whom were private individuals. The rare exceptions were certain banks and investment corporations, the most important of which was the Submarine Cable Trust, the company's largest shareholder with nearly 5,000 of the shares paid over to the manufacturer of the original cable. With the gradual redistribution of The Telegraph Construction and Maintenance Co. shares into private hands there emerged a clear preponderance of private individuals among the shareholders; they came from all walks of life and held anything from a few shares to a few thousand.[14]

In 1873 the China Submarine Company merged with The British Indian Extension Telegraph Co. Ltd. and The British Australian Telegraph Co. Ltd. to form the new Eastern Extension, Australasia and China Telegraph Co. Ltd.[15] As the names indicate, all the companies already operated in Asia, and the merger was an obvious step to take for the sake of flexibility and security of communication. The management and shares of the three companies were already largely in the same hands, and all three had worked closely with The Telegraph Construction and Maintenance Co., whose managing director, John Pender, was also managing director of The Submarine Cable Trust mentioned above.

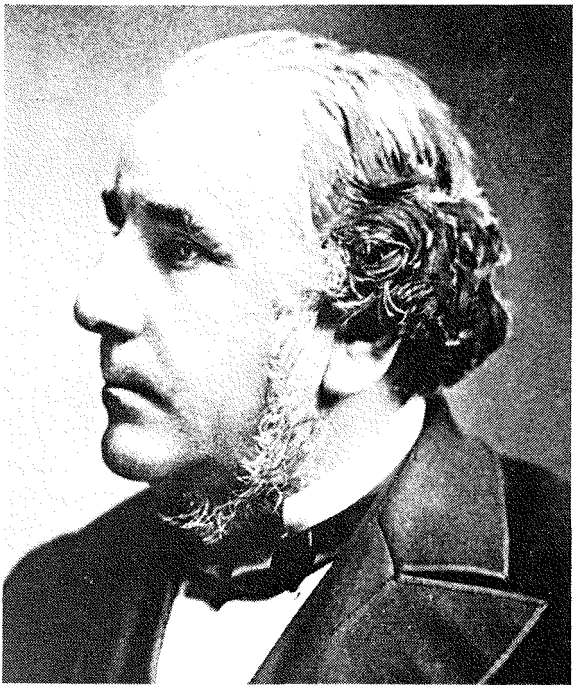
The character of the management and the distribution of shareholdings in the British firms indicate the origin of the capital invested in the firms. Some

[12] *Submarine Telegraph Companies*, a table; *Inter-Departmental Committee*, Second Report p. 58; *Licences and Concessions* pp. 8–9.

[13] According to the annual report of *The Electrician*. For the agreement see *The Electrician* 31st August, 1878 pp. 179–180; *Inter-Departmental Committee*, First Report p. 5.

[14] Board of Trade BT 31/1502/4664.

[15] The documents establishing the new company were signed on 24th April, 1873.



Cable and Wireless

Sir John Pender G.C.M.G., founder and chairman of the Eastern and Associated Telegraph Companies from 1872–1896.

of the capital came from trade and industry. John Pender had behind him a successful career as a textile merchant in Glasgow and Manchester. An important shareholder in the China Company, Lionel Lawson, had made his fortune manufacturing printing ink in France and Great Britain. The money invested in Reuben David Sasson's company came from the East, particularly from the Indian textile trade. To some extent the gentry brought in capital derived from the land, but despite the fact that the financial backing clearly came mainly from trade and industry, this was not reflected in the membership of the company boards, since members were selected with more attention to their potential influence, private or public, in promoting company interests. The number of aristocrats on the companies' boards was out of all proportion to their share of capital investment, but their contacts with the Foreign Office and the Colonial Office explain their presence. Despite the rather broad distribution of shares, relatively few people were actively involved in the operations of the British cable companies in the East.

In 1872 another merger took place whereby The Eastern Telegraph Co. Ltd. was formed by the amalgamation of the five British companies operating in the Mediterranean, Suez, the western part of the Indian Ocean and on the eastern coast of Africa. The chairman of the new company was again John

Pender and the board members were largely those of the Eastern Extension.[16] This amalgamation meant the realisation of the underlying assumption of the British telegraph companies, that the Mediterranean and the Indian Ocean formed a single communications area, although during the early stages of development the great financial risks involved had led to the division of the capital among several small companies.

The Eastern Telegraph and The Eastern Extension, though formally separate companies, worked together under one management. At the end of the 19th century their headquarters was at Winchester House. Old Broad the Street, London; in 1902 they moved to Electra House in Moorgate.

The following table shows the various branches of The Eastern Associated Companies:

Enterprise	Lines	
Falmouth, Gibraltar, and Malta Telegraph Co. Ltd. Anglo-Mediterranean Telegraph Co. Ltd. Marseilles, Algiers, and Malta Telegraph Co. Ltd. Mediterranean Extension Telegraph Co. Ltd. British Indian Submarine Telegraph Co. Ltd.	Falmouth (G.B.) to Gibraltar and Malta Malta to Alexandria, Malta to Susa, Malta via Tripoli to Alexandria Malta to Algiers and Marseilles Malta to Sardinia and Corfu Suez via Aden to Bombay	formed The Eastern Telegraph Co. Ltd.
British Indian Extension Telegraph Co. Ltd. British Australian Telegraph Co. Ltd. China Submarine Telegraph Co. Ltd.	(Madras-) Galle in Ceylon to Singapore Singapore to Batavia, Java to Port Darwin, Port Darwin to Queensland A Station in the Straits of Malacca of the British Indian Extension, line to Hong Kong	formed The Eastern Extension Australasia and China. Telegraph Co. Ltd.

As stated above, the cable to Bombay was completed in 1870. From there connections to the East were continued by the Indian Government's land lines to Madras and on via Penang to Singapore, which was connected at the end of 1870. The following year a cable from Singapore to Hong Kong via Saigon was finished, and in addition Australia and the Dutch East Indies were connected to the British lines.

[16] Registrar of Companies 6,338.

2. The telegraph in northern waters up to about 1870

Plans for laying cables under the seas in the north had two particularly important aspects. Firstly, it looked as though the best way of connecting North America with Europe lay in taking a cable from island to island in the northern Atlantic, a policy which would avoid the need for such a high tension cable as would be required for crossing the whole width of the Atlantic. Secondly, there was the question of the geo-political position of the northern countries in relation to the European Great Powers – Britain, France, Prussia and Russia.

The earliest plans for the northern Atlantic originated with Tallifero Shaffner, an American colonel who had become familiar with the telegraph in the southern states of America in the 1840's and at the beginning of the 1850's now planned to connect Denmark, Norway, Scotland, the Faroes, Iceland and Greenland with North America. In the middle of the 1850's Shaffner sought concessions for his work from the Danish and Norwegian governments. When the Atlantic cable came to grief in 1858 he threw himself more energetically into the realisation of his project, and at the end of the decade gained the support of the British government and of certain natural science societies. His problem, however, was to find sufficient financial support for the enterprise, and this held him up to such an extent that his concessions began to lapse before a single line was opened. Far worse from his point of view was the opening in 1866 of an effective cable between Ireland and Newfoundland, after which his chances of gathering the capital necessary for his project disappeared altogether.[1]

Despite the financial difficulties Shaffner's plan was not abandoned; it was in fact taken up from a new angle by the Danish entrepreneur and financier G. F. Tietgen, the director of Privatbanken. His particular interest was to connect the North Atlantic line to the Russian telegraph system via Denmark, so that a direct link would be made between North America and Russia entirely independent of Great Britain and the continent. Part of his plan also involved the laying of cables connecting the countries around the North Sea. The idea of connecting Britain with Russia via the northern countries was not an entirely new one, since in 1858 the London cable-manufacturing firm of Glass, Eliot and Co. obtained a concession from the Norwegian government for communications with Scotland and the intention was later to link this cable to a submarine line from Gotland to Lepaya. The plan came to nothing and the concession lapsed unused. In 1857 The Submarine Telegraph Co., a British firm with many lines between Britain and the Continent, was given permission by the Danish Government to lay a cable in Jutland, but three more years were to pass before the first link between Denmark and Britain was completed in 1860; even this was not altogether direct but went via Helgoland. The unreliability of this connection was displayed during the war between Denmark and Germany, when

[1] Reid, *The Telegraph in America* p. 197 ff.; Bright & Bright, *The Life of Sir Charles Tilston Bright I* pp. 364–373; *Det Store Nordiske 25 Aar* pp. 7–9; Lange, *Finansmænd, strømænd og mandariner* pp. 33–39.

Det Nationalhistoriske Museum på Frederiksborg.

C.F. Tietgen (1829–1901) In 1857 Tietgen became director of Privatbanken and under the wing of this bank several large Danish companies such as The Great Northern Telegraph Company grew up. A painting by P.S. Krøyer.

Denmark's telegraph communications to the west and south were completely disrupted and contact with the northern countries had to take the slow and unreliable route via Haaparanta. The lesson of this particular war was that the northern countries would have to establish direct alternative routes to west and east across the North Sea and the Baltic.[2]

In the course of realising his great plans Tietgen came into contact with people who had earlier shown an interest in Shaffner's plan and in the idea of cables for the North Sea and the Baltic, people such as the British cable manufacturer R. S. Newall, the Danish wholesale merchant H. G. Erichsen who lived in Newcastle, and the Danish entrepreneur Ole B. Suhr. As it slowly became clear that there was no chance of the North Atlantic cable being laid, these men got together and began to use various concessions already granted for traffic between the North Sea countries. In 1868 Tietgen, Erichsen, Newall and Suhr established The Danish – Norwegian – English Telegraph Co., registered in London with a capital of £100,000.[3] The Danish

[2] *Det Store Nordiske 25 Aar* pp. 7–9.
[3] Board of Trade 31/1415/4091.

government granted the new company sole rights between Denmark and Britain, and between Denmark and Norway. In the same year the Norwegian government granted corresponding concessions and privileges.[4] The first cable, between Newcastle, Søndervik and Fredericia went into operation in the autumn of 1868 and at about the same time, as an interim arrangement, the company bought the cable linking Denmark and Norway between Hirtshals and Arendal.[5]

In 1864 representatives of Russia, Sweden and Finland met to discuss the laying of a submarine cable between Sweden and Finland as the first stage in the establishment of a Baltic telegraph system. Their main decision was that the line, which was to be state owned, should follow a route from Grisslehamn in Sweden to Eckerö on the Åland Islands, and thence to the mainland; but the plan came to nothing since the Russian government lost interest in it.[6]

In 1865 Denmark and Russia signed a Telegraphic Convention which provided for the laying of a cable from the coast of Zealand via Bornholm to one of the Baltic ports. The object was to complete the cable within three years and both parties were to consider how the proposal should be put into practice.[7]

In the same year Siemens Bros., the British subsidiary of Siemens & Halske, displayed their keenness to obtain the concession mentioned in the agreement. The line between Denmark and Russia would have formed part of the telegraph route from Britain to Persia (India) according to the scheme carried out in collaboration with the Indo-European Telegraph Co. Siemens demanded sole rights to transmission between Zealand and the Baltic State, and a monopoly on telegraphic communication to Persia through Russia, insisting that the line within Russia should belong to the company itself and that it should be operated by officials and employees of the company, quite independently of Russian official control. The Russian government was also expected to agree to putting communications with the West in the hands of the same company. There was no chance of reaching agreement on such terms, and the director of the Russian telegraph department, Louis de Guerhard, rejected the proposals out of hand, not even troubling to present them to the government, since he considered it out of the question that a line should run through the country free from the control of the Imperial government. Raising the matter with E. Vind, the Danish chargé d'affaires in St Petersburg, the Russian Minister of Post and Telegraphs, Count Tolstoy, regretted that the proposals should have come to nothing and remarked on the Russians' need for a telegraph connection westwards to Great Britain by-passing Germany. Vind for his part suggested that Britain would benefit greatly from a line to Persia and India avoiding Germany, and that a link

[4] Newall held these concessions until they were transferred to the Company. *Samling af Aktstykker vedrorende Det Store Nordiske Telegraf-Selskab* pp. 7–9, 16–18.

[5] *Det Store Nordiske 25 Aar* pp. 12–14; *Oversigt over Det Store Nordiske Telegraf-Selskabs Kabler samt Landlinier i Forbindelse med Kablerne i Europa og Øst-Asien* (1874) p. 2.

[6] Risberg, *Suomen lennätinlaitoksen historia* p. 171.

[7] Rigsarkivet (Copenhagen). Udenrigsministeriet. Samlede Sager. Danmarks Repr. i Kina og St. Nord. Telegraf (thereafter abbreviated Rigsarkivet. St. Nord. Telegraf) 234 Journalnr. A3607 (the agreement 11th April, 1865).

between Russia, Denmark and Britain would be even more important after the Bering Sea cable was completed.[8]

There followed competition for the concession between Denmark and Russia in which the contenders were John Pender's Telegraph Construction and Maintenance Co. and Tietgen and his colleagues. The British firm won the concession in the spring of 1867 and £5,000 was deposited in the Danish state treasury as a guarantee. But even if Danish officials were equably enough disposed towards a foreign rather than a Danish firm, the Telegraph Construction and Maintenance Co. found little favour in St Petersburg, and negotiations were so slow there that Tietgen and his colleague Erichsen got the chance to compete for the concession although they were relatively far behind the British firm.[9] It was clear that for political reasons the Russian government preferred to accept the Danish company. Here, as in all subsequent cases, the relationship between the Danish and Russian courts was crucial, in view of the marriage of Dagmar, daughter of the Danish King Christian IX, to the Russian crown prince, subsequently Alexander III.

In any case, in May 1868 Erichsen came to an agreement with the Russian Ministry of Post and Telegraphs enabling his company to take advantage of the 1865 agreement. Although circumstances perhaps favoured the Danish company the negotiations with the Russian officials were not easy, since the existence of a competitor enabled the Imperial government to insist on its own terms. The outcome depended primarily on the fact that Erichsen offered the Russian government very favourable rates for its own cables and in return, apart from the concession itself, his company was promised a monopoly of cable traffic emanating from northern Russia.[10] On 12th August, 1868, after the initial agreement was made, the Danish government granted the benefit of the bi-lateral agreement to Erichsen and Tietgen; in September the Russian government did likewise.[11] To carry out the work The Danish – Russian Telegraph Co. was established with a capital of £100,000, with the shares in the same hands as those of the Danish – Norwegian – English Telegraph Co. mentioned above.[12]

After the Rönne – Lepaya cable was opened to traffic in June 1869 the company was particularly concerned to prevent competition in the northern Russian business. With this in mind approaches were made to the Russian and Swedish governments and permission was sought to lay the cable to the Åland Islands which had been planned long before. The original plan presupposed that the two governments would share one common cable, but the Russian government declined to take part in the enterprise and the

[8] Rigsarkivet. St. Nord. Telegraf 234 Journalnr. A3607 Vind to Udenrigsministeriet 1st April, 1866.

[9] Rigsarkivet, St. Nord. Telegraf 234 Journalnr. A3607 The Telegraph Construction and Maintenance to Finansministeriet 17th April, 1867; Vind from St Petersburg following a discussion with Tolstoy 28th April, 1867; also statements from the Finansministeriet in summer 1867.

[10] Rigsarkivet. St. Nord. Telegraf 234 Journalnr. A3607 Vind to Udenrigsministeriet 13th May, 1868.

[11] *ibid.* The Danish concession 12th August, 1868, the Russian Ambassador to Denmark, de Mohrenheim, to Udenrigsministeriet 2nd July and 20th September, 1868; *Samling af Aktstykker* pp. 41–44.

[12] *Det Store Nordiske 25 Aar* p. 15.

Swedish government had to be persuaded to hand the work over to private enterprise. In the summer of 1869 both governments gave Erichsen's and Tietgen's company exclusive rights to telegraph operations between the Swedish and Finnish coasts for thirty years.[13] A line was laid from Grisslehamn in Sweden to Uusikaupunki in Finland in the autumn of 1869, officially coming into operation on 1st November that year. From Uusikaupunki land lines took cables on via Helsinki and Loviisa to St Petersburg.[14]

At approximately the same time as the Baltic cables were being laid Tietgen's two companies, The Danish – Norwegian – English Telegraph Co. and The Danish Russian Telegraph Co. were joined by The Norwegian – British Submarine Telegraph Co., which projected the laying of a cable between Norway and Scotland. General meetings of the shareholders of each of the companies approved the amalgamation. Behind the move was the wish to avoid competition and to reap the benefit of a more straightforward and centralised organisation. The speed and reliability of telegraphic communication would be improved within the framework of a single company and, a very significant factor, one large company might appear on the important London capital markets, while this would be extremely difficult, if not impossible, for the small companies to achieve. On 1st June, 1869 the new company, The Great Northern Telegraph Co., took over the activities of the three companies. It was registered in Copenhagen and had a capital of Dkr. 7,200,000 (£400,000), part of which was held in London.[15] With this capital, and the rights which it had already acquired, the company's position was assured in the telegraphic communication of northern Europe. Once the projects were all completed the Great Northern had five important lines: Denmark – Norway, Denmark – Great Britain, Denmark – Russia, Sweden – Finland (– Russia) and Norway – Scotland. Communications between London and St Petersburg, the core of the company's activity, went from London to Newcastle and thence by one of two alternative routes, either via Norway, Sweden and Finland (Uusikaupunki) or via Fredericia and Lepaya.

At the time of its foundation in 1868 the Danish – Norwegian – English Telegraph Co. made an agreement with the British telegraph company, the United Kingdom Telegraph Co., for co-operation in the handling of international business. The United Kingdom Telegraph Co. handled a significant amount, possibly the largest share, of Great Britain's internal business. After the founding of the Great Northern it took over the agreement with the British company and the two companies shared business, one covering Great Britain, the other covering Norway, Denmark, Sweden, Finland, Russia and Siberia. In Britain telegraphic operations were taken over by the Post Office in 1869 and thereafter the unrouted traffic was diverted in such a way that business to the northern countries, northern

[13] *Samling af Aktstykker* pp. 26–29, 45–48; *Det Store Nordiske 25 Aar* pp. 15–16; Risberg, *Suomen lennätinlaitoksen historia* p. 174.

[14] Rigsarkivet. St. Nord. Telegraf 234 Journalnr. A3609 Knuth to Udenrigsministeriet 25th September and 3rd October, 1869; Det Store Nordiske 25 Aar pp. 15–16.

[15] *Det Store Nordiske 25 Aar* pp. 19–20.

Russia and thus to Asia followed the Great Northern route and business to central and southern Russia went via the lines of the Indo-European Telegraph Co.[16]

3. The Siberian Telegraph

The telegraph had not been very long in practical operation before an enormous cloud appeared on the horizon of its development. The problem was not just a bad dream but was something which had to be faced in reality, since in the 1850's it appeared that the telegraph could be carried across the oceans only where cables could be taken from island to island, without over-lengthy sea journeys. One such plan in the mid 1850's was to connect Europe and America by a cable which would have gone first to India, then to the islands of Australasia, and from there via the islands of the South Pacific to South America, where it could take over a new continent.[1]

One other plan which was conceived, and eventually realised, related to the construction of a line in Russian Siberia. Since the Atlantic appeared too broad a sea to admit of a direct line linking Europe and America across it, the idea was to join the two continents where the distance between them was at its shortest – across the Bering Straits.

The plan for the Bering Sea belonged to Perry McD Collins, an American major who, as banker and lawyer, had amassed quite a considerable fortune during the 1850's gold rush. He may have conceived the plan in the early 1850's, for in 1856 he contrived for himself a government appointment as United States Commercial Agent for the Amur River region of Siberia. The appointment was consistent with the United States' noticeable economic interest in Siberia at that time, but it was more than anything else a factitious post invented so that Collins could investigate Russian territory under the cloak of an official title.[2] In the winter of 1857 Collins travelled in Siberia, returning via Japan to the United States,[3] and in 1858 he was back in St Petersburg where he presented his scheme to the court and diplomatic community. The Netherlands' Ambassador in St Petersburg, Gevers at least considered the plans worthy of attention and reported them in some detail to The Hague. Even if to the Dutch a cable connection to the East Indies would have been of greater value still, it seems possible that the attitude of the Petersburg diplomatic community was generally favourable to Collins' ideas.[4]

[16] G.P.O. E3023/1907 File VI and XIV in which there are copies of the agreement.

[1] Algemeen Rijksarchief (The Hague). Tweede Afdeling. Buitenlandshe Zaken 3237. Correspondentie over de telegrafische verbinding tussen Europa en Amerika 1860–1870.

[2] Collins, *Overland Explorations* p. 2; McDonald, *A Saga of the Seas* pp. 115–116. America's commercial interests in Siberia were frequently mentioned in the reports of the U.S. minister in St Petersburg.

[3] As a result of this journey Collins wrote a book, *A Voyage down the Amoor* (New York, 1860).

[4] National Archives (Washington) (hereafter abbreviated N.A.). Microfilm Roll 35/17 (Russia). Minister Seymour to Secretary of State 16th April, 1857; Algemeen Rijksarchief.

Collins benefited from the failure of the attempt by the Atlantic Telegraph Co. to establish a cable link straight across the Atlantic. Their cable between Ireland and Newfoundland was completed in 1858 but it burnt out after only 730 messages had been transmitted because an excessively high tension cable had been used. The cable was, however, in use long enough for its value to be appreciated, despite various claims to the effect that it had been impossible to pick up anything at all and that the whole thing was a swindle.[5] In the United States Congressional Committee on Commerce it was said that without the application of some new principle in electricity which would overcome the difficulties encountered, Europe and America must remain as far asunder as if electricity had never been discovered.[6]

In 1860 the political situation also took an advantageous turn as far as Collins' plan was concerned for, in connection with the drawing up of the Peking Convention, Russia received from China the Maritime Province east of Amur and Ussuri. This meant Russian possession of the entire coastline north of Korea and that the Chinese town of Hai Shen Wei, later known as Vladivostok, also came into Russian hands. Besides the re-shuffling of territories in other respects too Russia maintained a fairly active policy in the Far East and steps were taken to develop trade, as shown for instance by the terms of the Peking Convention.[7] The need for Russia to extend the telegraph system to the Pacific seaboard became more apparent.

In 1860 Collins' plans were so far advanced that the approximate route for the lines was already decided. In European Russia the central point was to be Moscow, where there would be connections already available not only to Western Europe but also via the Caucasus to the Persian Gulf, Teheran and Bombay. From Moscow the new line was to go via Omsk to Irkutsk, whence one branch would cross the Gobi Desert to Peking, Nanking, Canton, Formosa, the Philipines, New Guinea and Australia; the other would go by Lake Baikal to the Amur River valley and follow the river down to the Pacific coast, where it would join a cable coming up from Japan. The line would then follow the coast northwards, and either cross the Bering Sea directly to the American coast or else go by way of the Aleutian Islands.[8]

Although a lot of people connected with Collins doubted the value of his plans, there were many who considered them not only realistic but positively attractive. Collins received authoritative support from Samuel F. B. Morse in his statement that an Arctic route involved no technical difficulties.[9] United States Congressional committees looked with favour on Collins' projected line when he applied for financial support, and one of the largest telegraph companies in the United States, the Western Union Telegraph Co. Ltd., became involved in the enterprise, its president, Hiram Sibley, subsequently becoming Collins' colleague in promoting the line.[10]

Tweede Afdeling. Legatie Rusland. Nr. 72 (1858) Minister Gevers to Minister van Buitenl. Zaken 23rd November, 1858.

[5] Clarke, *Voice across the Sea* p. 73, 86.

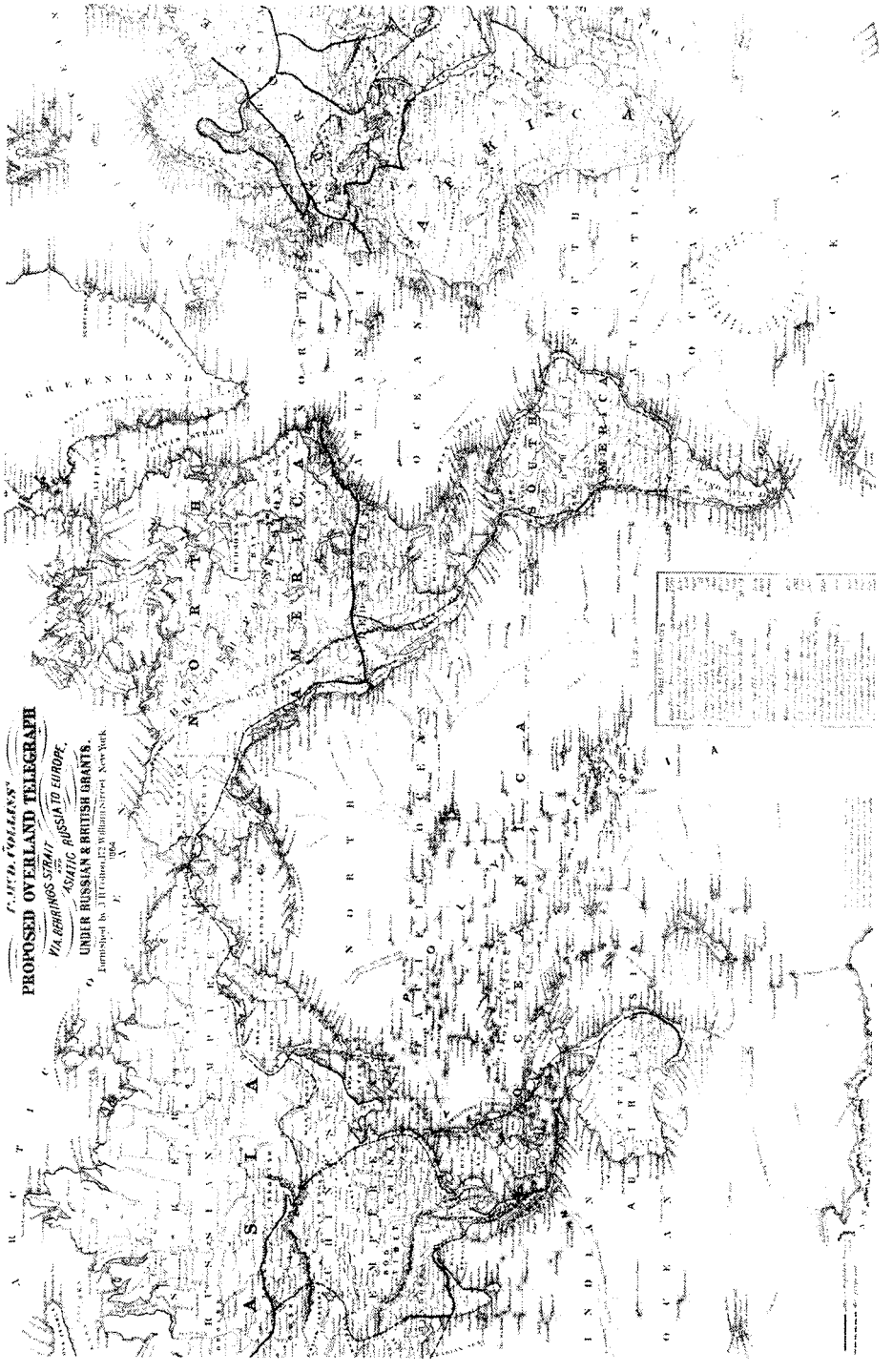
[6] Collins, *Overland Explorations.* Appendix p. 408.

[7] Parry, *The Consolidated Treaty Series* Vol. 123 pp. 126–135.

[8] Algemeen Rijksarchief. Tweede Afdeling. Legatie Rusland Nr. 73. Gevers to Minister van Buitenl. Zaken 20th March, 1860; Collins, *Overland Explorations.* Appendix pp. 420–424.

[9] Reid, *The Telegraph in America* p. 509; Lange pp. 40–46.

[10] For the attitudes of U.S. Congress see Seward, *Communication upon the Subject of an*



Map No. 2 A map of Collins' proposed telegraph network. The map shows how in 1864 transoceanic cables were considered impossible and the only link between the eastern and western hemispheres was the Bering Sea cable. The line running from Siberia via the Gobi to China continued as far as Australasia.

Congressional approval of his scheme was also important to Collins in that it enabled him to turn to his government for diplomatic support. In the summer of 1862 the American Minister Simon Cameron discussed the matter in St Petersburg with Alexander II and at that meeting the Tsar declared that he would do everything within his power to further the plan for a telegraph system linking Russia and the United States.[11] That same summer Cameron discussed the idea with another eminent Russian, Prince Gorchakov, who also expressed an interest in the plan and encouraged Collins to present it in a definite form.[12] This took place in September 1862, when Collins, returned once more to St Petersburg, and presented his plan to the Director of Communications and Public Works, K. W. Tschewkin, together with an application for the concession; both parts of his submission were supported by Cameron.[13] Although the Russian government was essentially in sympathy with the scheme, Collins was still required to negotiate with Tschewkin and the head of the Asian Department of the Imperial Foreign Ministry, General Ignatiev, before a final decision could be reached.[14] This was announced on 23rd May, 1863, when the Russian government granted Collins exclusive rights for thirty-three years to operate a telegraph along a line from the Amur River delta (Nicolaevsk) via the Bering Straits or the Aleutians to the border of British territory. The Russian government was to build a line from Moscow to the Amur River delta, where Collins' line was supposed to begin, and the revenue from the enterprise was to be divided so as to give Collins or his company 40 % of the income from through traffic on Russia's Asian line, in addition to the profits of his own line. The Russian government gave Collins financial support for constructing his part of the line and getting the telegraph into operation within the specified time. The concession which he received was in accordance with his application except in denying him exclusive control over the Indian tribes in the areas through which the line was to run. This had been applied for primarily as a precautionary measure prompted by apprehension about the Indians' attitude to the telegraph, but it may also have been desired for the sake of getting hold of a work force.[15]

Collins' first step after obtaining the concession was to form a company to operate it: it was called the American and Russian Telegraph Co. and its first task was to obtain the capital requisite for the work.

Collins also sought permission from the British government to run a line through British Columbia, and from the United States Congress to build a line extending far enough to join up with the United States network.[16] Before presenting the matter to Congress Collins sought the support of the New

International Telegraph, passim (1864). Hiram Sibley appears in various sources, e.g. in Cameron's reports; also Reid, *The Telegraph in America*, p. 509 ff.

[11] N.A. 35/19 Cameron to Secretary of State 26th June, 1862.

[12] N.A. 35/19 Cameron to Secretary of State 23rd July, 1862.

[13] N.A. 35/19 Cameron to Secretary of State 9th September, 1862.

[14] N.A. 35/19 Taylor, Charge d'affaires, to Secretary of State 4th October, 1862; N.A. 35/20 Minister C.M. Clay to Secretary of State 19th May, 1863.

[15] N.A. 35/20 Clay to Secretary of State 19th May, 1863 and 17th June, 1863.

[16] All the concessions have been printed: *Collins Overland Telegraph to Europe and Asia*. The Russian concession is dated 23rd May, 1863, the Canadian 9th February, 1864 and the U.S. 38th Congress, 1st Session, Public Act No. 171 (1864).

York Chamber of Commerce, which gave its unreserved approval and declared in addition that this line would not be in competition with a possible Atlantic cable, because the 'world needed both'.[17]

In the autumn of 1864 Collins began too to prepare the way for building a telegraph as far as China. In a memorandum presented to the Russian government he suggested a line from Kiachta via Peking, Nanking, Shanghai, Amoy and Canton to Hong Kong, and stressed that extending the line to China was essential to the economic success of the enterprise, since the line's viability would depend on through traffic, Siberia being so sparsely populated that it was unlikely to provide much business of its own. Moreover if this line was extended to China, traffic between China and Europe and between China and America would be routed via Russian lines. Collins therefore recommended that the Russian government should approve the plan as far as it concerned its own territory and that it should also offer diplomatic support in Peking to the American minister, Anson Burlingame, when he opened negotiations with the Chinese government for the necessary permit.[18]

Following instructions from Washington, Burlingame began to seek the approval of the Chinese government for the extension of the American telegraph network to China and he presented a memorandum on the subject to Prince Kung on 16th January, 1865. The actual contents of the memorandum differ somewhat from the plans put forward by Collins to Russia. The new proposal was not, as Collins suggested, to take a line from Peking to Kiachta, but rather that the American line should connect in Hong Kong with a British cable coming from India, extending from there by submarine cable via the Chinese coastal ports to Shanghai, Japan and the Amur River delta; from there one route would go via Siberia to Europe and the other across the Bering Sea to America. Burlingame's proposal did not include a direct application for a concession but rather, consciously avoiding this, he asked Prince Kung to inform the Chinese authorities of these plans so that they might not interpose any obstacles, or put difficulties in the way of the company's officials in their work, and further, that the Chinese would not prevent completion of the telegraph circuit. The letter also included an explanation of the telegraph as a technical phenomenon and an account of its world-wide development.

Burlingame's proposal did not meet with much favour in Chinese government circles, and it was in fact rejected on the grounds that the population at large might be antagonistic towards the telegraph and therefore that security for its operation would be a problem. The matter rested here for the time being, and Collins did not get the all-clear from China.[19]

If difficulties arose in China, in the second half of 1864 they began to appear elsewhere too. Russian officials interpreted the 1863 agreement on revenue in such a way that the 40 % was calculated on the net income from

[17] The Chamber of Commerce of New York. *Proceedings of the Chamber of Commerce of New York.* Annual Meeting the 5th May, 1864.

[18] N.A. 35/20 Clay to Secretary of State 14th November, 1864 and 22nd March, 1865.

[19] N.A. 92/25 (China) Burlingame to Secretary of State 22nd May, 1867, where the memorandum of 1865 as an appendix.

the line, so that Collins' company was indirectly obliged to support the operating costs of Russia's Siberian line. Collins and his assistant in St Petersburg, Hiram Sibley, tried to persuade the Russian officials to come round to their point of view and pay according to gross profits, but in vain.[20]

The Western Union Telegraph Co. had been getting gradually more and more involved in the affairs of Collins' American and Russian Telegraph Co., and in 1865 the entire concession was transferred to the Western Union Telegraph Co., with the consent of the Russian government. The construction of the line in North America had begun in 1864 and in the following year the line in Siberia was begun, while the Russian telegraph department had already begun to extend their line east from Irkutsk in 1864. In both America and Asia the construction of the line met with immense difficulties. The lack of any means of communication rendered the surveying of the line and the transportation of the required materials almost impossible. The latter had to be taken over long distances by pack animals, and the roads had to be cut out of the dense virgin forest. Another difficulty was to gather a labour force in the middle of vast tracts of virtually uninhabited land and difficulties were encountered too with the supplies needed for the staff and workmen: dwellings were built along the route at the same time as the line.

In spite of all the difficulties the Siberian line was extended from Irkutsk to Werkhneudinsk (Ulan Ude) and Stretensk in 1866. At the same time about half the line in British Columbia was constructed at a cost of about three million American dollars.[21]

In 1866 an event occurred which had always been a repressed fear for the promoters of the Bering Sea project: a working submarine cable was established between North America and Europe. The triumph of the Anglo-American Telegraph Co. meant disaster for Collins' plan: it was perfectly clear that a line operating under immense difficulties stood no chance of competing with the much shorter and quicker submarine cable. The Western Union Telegraph Co. abandoned construction of the Bering Sea line in consequence and the iron wires were sold to the Indians to be used for suspension bridges and fishing tackle, while the green-glass insulators supplied the Indians with drinking glasses for years.[22]

The alteration in the plans was a great disappointment to the Russian government. The irresolution which it caused was particularly evident in the construction of the Siberian line, which was halted around Stretensk for many years before being continued as far as the Pacific coast.[23]

In fact the construction of the Siberian telegraph was not exclusively a consequence of the Bering Sea project, for long before Collins had broached

[20] N.A. 35/20 Clay to Secretary of State 5th October and in many reports thereafter.

[21] *Gazette de l'Académie* (St. Pétersbourg) 7th November/26th October, 1864; *Journal de St. Pétersbourg* 13th March, 1865; *The Electrician* 28th December, 1900 pp. 353–354; Reid, *The Telegraph in America* pp. 512–517; Bright p. 113.

[22] *The Times* 5th January, 1905; McDonald, *A Saga* pp. 115–116.

[23] Algemeen Rijksarchief. Tweede Afdeling. Buitenlandse Zaken 3237. Gevers from St Petersburg 2nd May, 1867.

the subject and agreement had been reached, the Russian government had already made considerable progress in the building of a line to Siberia. Russia was also a great power in the Far East, but its political and military power was weak there for want of effective means of communication, so reasons of state compelled the construction of a telegraph from European Russia to Siberia.

Having completed the lines in the European part of the country in the 1850's in the following decade the Russians began work on the line to the east under the direction of Major General L. de Guerhard, Director of the Telegraph. In 1861 the first telegraphic link between Europe and Siberia was completed with the line between Kasan and Tjumen; in 1862 it was extended as far as Omsk and in 1863 it reached Irkutsk on Lake Baikal.

As the line became longer the Russian government put it into commercial use for the transmission of messages from Europe to China. Cables were carried by telegraph as far as the last stage in the network, and from there they were taken either by caravan post or by messengers on horseback, depending on the urgency of the mail, via Kiachta and across the Gobi Desert to destinations as far as Peking. In Peking the distribution and forwarding of the post was the responsibility of the Russian Embassy, which thus worked as a kind of European post office in the East.[24]

To gain the maximum return from the enormous capital invested in the building of the Asian telegraph the Russian government began to take steps to improve communications across the Gobi Desert by extending the telegraph system as far as Peking. This arrangement would have meant that all information transmitted between Europe and China would have passed through the hands of the Russian telegraph officials and it would have given the Russians even more important financial advantages. With this in mind the Russian Minister to Peking, Vlangaly, raised the question of Chinese support for the building of a telegraph line from Kiachta to Peking during his discussions with the Chinese government in 1865 on the subject of trade and customs arrangements between Siberia and Mongolia. Vlangaly also showed his proposals to the British Minister in Peking, Thomas Wade, who considered it an important matter and encouraged Robert Hart, Inspector of the Chinese Customs, to assist the Russians in obtaining the permission they were seeking.[25] The attempt was, however, fruitless, since the Chinese government rejected the scheme, but in their reply the Chinese did promise that if they allowed another power to import and construct a cable, Russia should enjoy the same advantage.[26] The promise was probably given to sweeten the bitterness of the refusal and on the assumption that within the foreseeable future China could keep out the white man's invention. This calculation and the promise of favour based upon it were later to lead the

[24] Algemeen Rijksarchief. Tweede Afdeling. Buitenlandse Zaken 3237. Gevers from St Petersburg 17th April, 1864; *Archiv für Post- und Telegraphenwesen* 1901 Nr. 13 pp. 428–430.

[25] Public Record Office (London) Foreign Office (hereafter abbreviated F.O.) 17/431 Wade to Foreign Office 27th October, 1865.

[26] F.O. 670/85 contains the Chinese reply to Raasløff's note, mentioned above, 11th January, 1875; 17/1008 p. 462 Wade's memorandum on the development of China's telegraph, February, 1883. This undertaking is mentioned in various other connections too.

Chinese government into a thoroughly invidious position.

The attitude of the Chinese government was a great disappointment to Russia, which was prevented from making the connection to the south which it desired. At the same time the refusal meant a serious reverse to Collins' scheme, making it appear that one of its most essential features was already at that stage impossible of realisation.

4. Competition for the Siberian concession. The Great Northern China and Japan Extension Co.

The cable between Ireland and Newfoundland joined Europe and America and forestalled the laying of the Bering Sea cable, but it did not answer the question of how Europe and Asia were to be connected. That part of Collins' plan which concerned the cable to Asia lay quite open after 1866.

Before a land line could be opened from Europe to the Far East it was essential that the Russian line in Siberia should be extended to the Pacific coast and that China and Japan could connect up with this line. Any potential new candidates for the concession had therefore to reach agreement with the Russian government.

In the previous discussion of Burlingame's activities mention was made of the coastal cable in China which would have linked up with international lines via Japan. The idea of the Chinese coastal cable was conceived in the early 1860's, and although various people subsequently came forward to claim credit for themselves and financial reward, it is nevertheless most probable that speculation about such a line was commonplace in many corners of China's foreign commercial community.

One man who claimed to have thought of the plan originally was John George Dunn, a merchant and a partner in Reid & Co., Shanghai. Dunn was not satisfied with simply discussing the matter, but actually carried out soundings along the coast of northern China in the spring of 1864. Two years later he looked into the possibility of getting a cable to Japan and in 1867 he raised the matter with Chinese officials for the first time. In 1867 also, he travelled to London, calling on the way at St Petersburg where he presented his ideas, 'which to the best of his belief were new and original', to the governor of eastern Siberia, M. S. Korsakov. Dunn was encouraged to prepare a written brief on the subject, which he did, and Korsakov on receiving this announced that he saw no reason why there should not be negotiations with Dunn or indeed with anyone else about this matter of the Siberian telegraph.

In November 1867 Dunn opened discussions in London with people who might be interested in providing the funds needed for his plan. To begin with the discussions were not promising, since potential British investors were unwilling to negotiate on the basis of the terms outlined in St Petersburg. In the course of his discussions however Dunn came into contact with the banking firm of Chadwicks, Adamson, Collier & Co., and they displayed an

interest in the matter provided that other more satisfactory terms could be obtained from the Russians. The Chadwicks also promised Dunn as a preliminary to establish a telegraph line via Ceylon to China and Japan if the negotiations in St Petersburg did not succeed.

With financial provisions at least adumbrated Dunn presented a written proposal to the Russian government through Korsakov at the beginning of 1868. The principal items of the concession as proposed in his statement were that the Russian government should finance and build a telegraph line to Poseta and that they should receive 10 »currency» roubles for every twenty-word message transmitted, but without any guarantee of the annual revenue. The Russian government was dissatisfied with this offer and demanded an interest-free loan of 1,250,000 roubles for a period of twenty years for the completion of the Siberian line, and stipulated as well that whoever obtained the concession must form a company to undertake the work by the end of October, 1868. The two sides adopted such intransigent attitudes that it was impossible to reach agreement, despite the fact that John Oldfield Chadwick joined the negotiations in the late autumn. The six-month time-limit passed and no company was formed, which meant that the Russian government was formally released from its undertaking.

Meanwhile General Korsakov in his position as governor of eastern Siberia had requested his government to extend the Siberian line as far as the Pacific, and half-way through May the Tsar issued a decree ordering the construction of the final part of the line at the government's expense. In March 1869, that is, before the Tsar's announcement, Dunn and Chadwick had again been involved in discussions in St Petersburg with, among others, Lüders, the Director of the Russian Telegraph. The discussions were now more fruitful than before in that agreement was reached on several points: Dunn & Chadwick and their company were to be granted exclusive rights to all traffic through Poseta to China and Japan for a thirty-five or forty-year period, and if it should prove possible to take a line through Mongolia the privilege would be extended to cover this line too. Both parties to the agreement were to arrange things so that all through international cables should be passed on to each other, which meant on the British side that there was no longer any question of using the southern route to east Asia. However there was still no agreement on the question of tariffs, but since there no longer appeared to be any insurmountable obstacle to successful negotiations Chadwick, at Lüders' suggestion, paid a 50,00 rouble guarantee into the Russian treasury, 'on account of negotiations for the construction of a telegraph line between China, Japan and Russia'. Chadwick then returned to London.

In April 1869 Dunn and Chadwick raised the question again, asking Lüders for discussions to settle the matter finally. In July Lüders announced in reply to Chadwick that other contenders for the concession had appeared and demanded that Chadwick should send a fully-authorised representative to St Petersburg within the next fortnight to negotiate the concession; otherwise the deposit would be returned. Faced with this letter which was in tone more or less an ultimatum J. O. Chadwick arrived in St Petersburg early in July and a month or so later the elder partner, David Chadwick, joined him there. They then began to realise that it was not just them in whom the

Russian government was interested. Dunn and Chadwick tried to enlist the support of the British minister in St Petersburg, Andrew Buchanan, to help save the situation, but his chances of affecting the matter in any way were very slight.[1]

One of the other people present in the waiting room of the Russian Telegraph Administration was Serge Abaza, an enlightened Russian. He had come to know about the Siberian line through his position in the Western Union Telegraph Co., in charge of the area between the Amur and the Bering Sea.[2] Abaza was not however there on his own behalf; he had the backing of the British Submarine Telegraph Co., one of Britain's oldest telegraph companies which owned among other things the Channel cables.[3] The company belonged to John Pender's group so in effect the question at issue was the linking of Siberia's international traffic to the British system. Since Serge Abaza was himself Russian, the granting of the concession to him would presumably have meant the founding of an Anglo-Russian company.

Representatives of the Great Northern Telegraph Co. occupied a number of seats in the waiting room, and it was the Danes who were the most determined and active in their efforts to obtain the concession for themselves, since the company's directors saw in the Siberian concession and the eastern telegraph a unique opportunity for decisively extending their activities.

Tietgen and his colleagues revealed their interest in the rights to the Siberian line in the spring of 1869, during discussions over the Åland cable. The official negotiations, in which the Russians compared the rival proposals, took place in September 1869. The Great Northern's principal negotiator was a Danish diplomat, Chamberlain Julius Sick, who had valuable experience as a diplomat which included work at The Hague handling Danish interests in the Far East through the Netherlands' foreign representatives. He was used to being given special missions on account of his highly respected negotiating skill.[4]

In relation to the others competing for the concession the Danish company had the political advantage of coming from a minor country, while the British contenders for the concession started off with the disadvantage that their country's interests in Asia had increasingly clashed with the interests of Russia in the 1860's. The Danes clearly benefited too from the close relations between the courts of Denmark and Russia, and the appreciation of Danish honours among Russian officials due to the connection between the courts and the Empress's Danish origin.

[1] F.O. 65/775. A.Buchanan to Foreign Office 22nd May, 1868, 20th August, 1869 with supplements and 25th August, 1869 with supplements; Lange p. 102 ff.

[2] Reid. *The Telegraph in America* p. 515.

[3] Abaza's connection with The British Submarine Telegraph is mentioned in Buchanan's report to the Foreign Office, 6th October, 1869, F.O. 65/776; Lange pp. 133–136.

[4] Rigsarkivet. St. Nord. Telegraf 234 Journalnr A3609 Knuth from St Petersburg to the Udenrigsministeriet 25th September, 1869; *Det Store Nordiske 25 Aar* pp. 31–32.

As a prelude to the negotiations Tietgen sent the Russian government a memorandum outlining his motives for seeking the concession. Keeping the line to the Far East away from British control was particularly important because the British meant to use the cable for the benefit of British trade and British policy at the expense of foreign commercial interests. It was a point of particular advantage to Russia to have a direct telegraphic link with neighbouring China, entirely independent of the British. Tietgen further stressed that his company's lines circumvented Prussia and that plans were currently being made to lay a submarine cable via the Faroes to North America, which would establish a rapid link between Asia and North America. Although the company aiming to set up the Asian business was nominally Danish, in fact it would be an enterprise vigilant on behalf of Russian interests, whose staff and officials might be Russian or Danish. Tietgen further suggested building a cable factory in Poseta, a plan aimed at destroying the British monopoly of cable production which would not only provide the Russians with an important industry but also provide a place where cables could be repaired as quickly as possible. Tietgen tried to evade payment of the 150,000 rouble guarantee demanded by the Russian government on the grounds that the share-holders in his company would have to sink seven million roubles (£1,120,000) into the eastern cable before the line would be in operation. Besides this he included certain technical points and asked that Russian warships should make soundings and safeguard the laying of the cable against Chinese pirates. Finally he requested an immediate decision on account of British competition and observed that if he was not granted the concession a chance of neutralizing British interests in China would be lost.[5]

Emphasising the clash of interests between Russia and Britain was very much to the point as far as Tietgen was concerned, but it is nonetheless clear that it was not decisive in the granting of the concession. On the other hand Tietgen's concluding suggestion about a quick decision in view of British competition may well have made the Russians rather anxious. If the British succeeded in completing a line via India to China and Japan before the completion of the Siberian cable, the whole viability of the Siberian line as a commercial venture would be threatened and there would perhaps be no interest whatsoever in cable connections with the Siberian seaboard.

The negotiations in St Petersburg were concluded half way through October 1869, and on the 23rd an agreement was signed between the Russian government and the successful contenders for the telegraph concession between the shores of the Baltic and Asia. The Tsar Alexander II and the Minister of Internal Affairs, Timašews, on behalf of Russia; and the signatories on behalf of the applicants for the concession were Tietgen, the Danish chief consul in St Petersburg, H. J. Pallisen, and H. G. Erichsen, a merchant from Newcastle-upon-Tyne.

According to the agreement Tietgen's consortium was obliged to lay cables between the Gulf of Poseta on Russian's Eastern coast and Japan (Osaka, Yokohama or Nagasaki) and to continue the cable to the Chinese coast, to

[5] F.O. 17/1007 pp. 138–143. Tietgen's memorandum reached the Foreign Office.

Shanghai, Foochow and British-held Hong Kong. The Russian government for its part granted the company exclusive rights to connect sea cables with the Russian land lines on the Asian coast. The Russian telegraph was to be extended as far as the terminus of the sea cables. The Russian government would take care of traffic between the coast of Asia and the Baltic, but the company would have its own staff in the border stations, under the control of the Russian government. The government would also have the right to control over telegrams. The government promised to help the company in its applications for landing rights in China and Japan, but accepted no responsibility for obtaining these rights. Within two years of the signing of the agreement the company was to have traffic in operation between the Russian coast and Japan and Shanghai, and within five years traffic was to be extended to Foochow and Hong Kong as well. In the event of extraordinary difficulties the Russian government could extend the times stipulated by one year, but if traffic had not commenced by then the concession would lapse. As a guarantee that the company intended to fulfil its obligations it had to deposit a security of 150,000 roubles in the Russian Exchequer, a sum which it would receive back as soon as business began within the times stipulated. The company was obliged to maintain its cables in good condition and to cope efficiently with the volume of traffic. The revenue derived from traffic between Europe and Asia was to be divided between the company and the Russian government in the proportion of 60 : 40. The agreement was to be in force for 30 years. For the future one clause was particularly important, the undertaking by the Russian government that if, as earlier planned, they built the Kiachta cable, the Danish company would have the first option to connect its cables to this line.

The competition thus ended with the victory of Tietgen and his colleagues. Not all the others were, however, losers since immediately after the decision was announced Chadwicks, Adamson, Collier & Co. acted as an underwriter of the capital for Tietgen's new enterprise. This suggests that Tietgen and Chadwicks were working together perhaps even before the concession was decided, and they were certainly co-operating thereafter.

John Pender reacted to his defeat by establishing the China Submarine Co. in December 1869 with the aim of laying a cable from Hong Kong northwards towards China and Japan. Dunn also participated in this venture. Embittered at being out-played in St Petersburg he went to London and offered his services and his immense experience of the East to Pender's China Submarine, a move which meant that the Great Northern's negotiators in St Petersburg in the autumn of 1869 had not heard the last of him.

The agreement signed by Tietgen and his associates was transferred, as intended, to a new company, The Great Northern China and Japan Extension Telegraph Co., founded soon after the agreement was made, on 9th January 1870. The board of the new company consisted of Tietgen, Councillers of State Christian Broberg, Lauriz Holmblad, Moritz Levy and Ole Suhr, and Chamberlain J. F. Sick.[6] Subscription for shares took place in Copenhagen and London, handled by Privatbanken in Copenhagen and C. I.

[6] *Det Store Nordiske 25 Aar* p. 33.

Hambro & Son in London. The company's capital was Dkr 10,800,000 or £600,000, three-quarters of which was registered in London, one quarter in Copenhagen. The chief subscriber in the United Kingdom was Chadwicks, Adamson, Collier & Co., the members of which were mainly Manchester and London businessmen.[7]

Despite the fact that the new company worked side by side with The Great Northern Telegraph Co. a separate company was formed for the eastern operations so that nothing which happened in the east, where operations were still very uncertain, should endanger the capital of the company working in Europe. Although the concession for the operation of the Siberian line had been granted by the Russian government, many questions about Far Eastern operations were still unresolved. The most crucial point was the Chinese and Japanese attitude to the company's applications, and to some extent Great Britain's colonies were also involved. There would still be risks in the eastern operations even after landing rights had been obtained for the company's cables. The laying of the cables and telegraph work would take place in conditions which went beyond the westerners' experience so far. One question, for example, which was still quite open, was whether the governments in the east could be persuaded to protect the cables by making deliberate interference with the cables a criminal offence.

The first official discussion of landing rights in China took place at the end of October 1869, almost immediately after the signing of the agreement. At this time the American Anson Burlingame visited the European capitals as an envoy of the Chinese government, and he included Copenhagen in his tour. Tietgen took the opportunity to enquire whether his consortium would have the right to land and operate cables to and from the treaty ports.

Before Burlingame left China the following incident had occurred. As already mentioned, in 1865 Burlingame presented the Chinese government with a memorandum about landing rights for cables, but his move did not provoke a favourable response. In 1866, however, when the Chinese needed Burlingame's services they were prepared to humour him by informing verbally that they supported his application to land cables.[8] This led Burlingame to believe that there would be no difficulties in obtaining landing rights: 'the connection may be securely made'.[9] The manner in which Burlingame replied to the Danes was not entirely convincing, although it was certainly not negative. The Danes at any rate set enough store by it that when about six months later in London the Foreign Secretary, the Earl of Clarendon, asked the Danish minister C. E. J. Bülow whether the Great Northern had got landing permission from the Chinese government, he referred to Burlingame's reply.[10]

[7] F.O. 17/1007 p. 131.

[8] N.A. 92/35 Burlingame to Secretary of State 22nd May, 1867, with an 1865 appendix.

[9] Rigsarkivet. St. Nord. Telegraf 234 Journalnr A5333 Tietgen to Burlingame and Burlingame to Tietgen 22nd October, 1869. Details of Burlingame's journey in Morse, *The International Relations of the Chinese Empire* Vol. II p. 185 ff.

[10] Rigsarkivet. St. Nord. Telegraf 234 Journalnr. A4393 Udenrigsministeriet to Great Northern 19th March, 1870.

In 1863 a customs and commercial agreement had been signed between Denmark and China which worked to the advantage of the Great Northern in carrying out its plans in China, but it also included general provisions governing relations between the two countries. Of particular importance to the company was the establishment of Danish diplomatic representation in China (Arts. II–VII). The commercial clauses of the treaty included the right of Danish ships to use Chinese harbours, the Danes' right to trade, to rent land and build houses. Official protection was to be given to Danes and Danish property and the diplomatic representatives were to attend to cases involving 'encroachments upon the Danes' personal or property rights.[11] The most important points as far as the building of telegraph stations was concerned were those which related to the renting of land and house-building.

Diplomatic machinery was put into action in the effort to secure landing rights in the East. As a private company the Great Northern did not have the official status to settle the question, and the matter was made more difficult by the fact that Denmark did not have regular diplomatic representatives in China and Japan, although it had vice-consuls. If special Danish envoys were to undertake negotiations it was considered very important in Copenhagen that they should have the support of the other European powers in Japan and China.

The terms of the agreement which Tietgen and his company had signed already established that the Russian foreign ministry would give its support. At Tietgen's request this side of the treaty was reinforced diplomatically with an official request by the Danish foreign ministry for support from St Petersburg.[12] At the very beginning of 1870 the Russian government took definite steps, giving its officials in Peking instructions to help the Danes. In discussions in St Petersburg Russia's Ambassador to Peking, Vlangaly, and the head of the foreign ministry's Asian section, Stremouchov, thought that while the Chinese government was itself planning to lay a land cable along the coast from the north to the south of China it would hardly be eager to give permission for cables to be laid along the coast.[13] At the end of 1869 on the initiative of the Great Northern, in which they cited the 1867 Friendship, Trade and Maritime Commerce Treaty between Denmark and Japan, the Danish foreign ministry sought the assistance of the Dutch government in obtaining landing rights in Japan, and in February 1870 they sought the help of the British and French governments in both China and Japan. The Danish foreign ministry stated in their letter that although the company in question had been formed independently of the Danish government, the scheme was

[11] *Treaty between Denmark and China including Tariff and Trade Regulations.* Signed in Tientsin on the 13th of July, 1863.

[12] Rigsarkivet. St. Nord. Telegraf 234 Journalnr. A3609 Tietgen to Udenrigsministeriet 10th November, 1869, Udenrigsministeriet to St Petersburg 4th December, 1869. Favourable answer Udenrigsministeriet to Tietgen 11th December, 1869.

[13] Rigsarkivet. St. Nord. Telegraf 234 Journalnr. A4393 Udenrigsministeriet to St Petersburg 21st January, 1870, Vind to Udenrigsministeriet 25 th January, 1870.

one in which they were warmly interested.[14] The Danish request was favourably received in The Hague, London and Paris and the foreign ministers of each country promised to instruct their staff in the East to give all possible support to the Danish company. In his reply Lord Clarendon observed that he supposed the company would be seeking landing rights in Hong Kong and he emphasised that the company should on no account look for a monopoly in China or any other kind of exclusive concession which might prejudice the interest of British subjects.[15]

The Danish foreign ministry also made use of its honorary consuls in the East, who were for the most part nationals of other countries. On 7th February the consuls were told that Chamberlain Sick was coming on an extraordinary mission to the Court of Peking and Yeddo and they were asked to help him in every possible way. The purpose of the journey was barely mentioned. However three weeks later in a letter to the consuls a long explanation was given of the founding of the Great Northern China and Japan Extension Telegraph Co., the operation of the plan, the current state of development, Sick's mission and the sending of a cable ship and its crew to the East. The honorary consuls were also informed that the governments of Holland, Russia, France and Great Britain had promised diplomatic support, particularly in the application for landing rights. Finally the consuls were asked to assist the representatives of the Danish company working in China and Japan whenever the need arose.[16] The consuls' initial response was a declaration of unqualified support.[17]

Immediately after the signing of the agreement with Russia the Great Northern ordered the cables it needed for the East from the British firm, William Hooper & Co. (Thames), of which Siemens Brothers & Co. (Charlton) was a subsidiary supplier. The cable was ready in May 1870 and was shipped to the East on the steam frigate 'Tordenskjöld', a vessel of the Danish navy.[18]

The Great Northern had already sent to the East a representative with full powers, a young officer in the Danish navy, First-Lieutenant Edouard Suenson, who from earlier experience in the East with the French navy was aquainted with conditions in China and Japan. Suenson, reached China in May, and concentrated his work on Shanghai. In and around the town he planned a cable network and a telegraph station and made various

[14] Rigsarkivet. St. Nord. Telegraf 234 Journalnr. A3609 Great Northern's initiative: Tietgen's note 10th November, 1869, Udenrigsministeriet to Rochussen 4th December, 1869; Journalnr. A4393 Great Northern to Udenrigsministeriet 12th February, 1870, reply 19th March, 1870 also including news of replies received.

[15] Rigsarkivet. St. Nord. Telegraf 234 Journalnr. A4393 Bülow, the Danish Ambassador in London to Udenrigsministeriet 25th March, 1870.

[16] Rigsarkivet. St. Nord. Telegraf 234 Journalnr. A4393 Udenrigsministeriet to consuls at Amoy, Foochow, Canton, Hong Kong, Shanghai, Swatow, Newchwang, Tientsin, Hankow, Kiukiang, Chinkiang, Formosa, Ningpo and Kanagawa, Hakodate, Hiogo, Nagasaki and Osaka 7th and 25th April, 1870; the letters to the consuls also collected in F.O. 670/85.

[17] Rigsarkivet. St. Nord. Telegraf 234 Journalnr. A4393 contains some replies, summer 1870.

[18] Rigsarkivet. St. Nord. Telegraf 234 Journalnr. A4393 includes correspondence between Udenrigsministeriet and Marineministeriet.

arrangements which were kept confidential. From Shanghai he also organised the building of a station at Vladivostok. On the 8th July he reached Yokohama, where along with Chamberlain Sick and the Danish Consul E. de Bavier he began discussions with representatives of the Japanese government about the Japanese concession.[19]

Chamberlain Sick travelled to the East as the Danish government's envoy extraordinary in the spring of 1870, reaching Hong Kong on 13th June and continuing immediately to Japan.[20] In Tokyo he supported the Danish consul, Julius Adrian and the Dutch Ambassador, F. P. van der Hoeven, in negotiations with officials of the Japanese foreign ministry. In fact it was a very propitious time for the applicants seeking the concession, since two years earlier the Meiji revolution had transferred power to people who were considered to be supporters of western-style development. The expansion of Japanese overseas trade from the beginning of the 1860's showed the need for telegraphic communication between Japan and the rest of the world.[21] It was clear as soon as negotiations began that the Japanese attitude towards the Great Northern's approaches was basically favourable, although discussion was needed on the actual terms of the concession.

The attempts by the Great Northern and by the Danish government to secure diplomatic support for their negotiations in the East meant that officials in Whitehall were familiar with the turn telegraph matters were taking in the East. The Foreign Office was also however involved in the question of landing rights in China and Japan on behalf of the Great Northern's competitors. In the middle of January, 1870, Pender applied to the Foreign Office for diplomatic support for Dunn who was beginning negotiations in China for landing rights. Pender's application was accompanied by a memorandum in which he outlined the Danish company's position and ambitions. Pender first emphasised the Great Northern's anglophobia, saying that a memorandum written by Tietgen for the Russian government had come into his hands (the memorandum mentioned above) in which Tietgen wrote that his aim was to undermine the injurious preponderance of English trade and English political influence in China. The Danish company's basic aim was, with the help of the Russian government, to get from the Chinese government the exclusive right to lay cables along the coast of China. It was possible that some kind of treaty power pressure might persuade China to agree to this. Since Pender's company also wanted to lay cables to China, Pender asked that the Foreign Office should assist his company and at the same time try to ensure that the Danes did not obtain monopoly rights. He assured then that his company had no intention of seeking a monopoly.[22]

[19] *ibid.* Great Northern to Udenrigsministeriet 8th April, 1870; *Det Store Nordiske 25 Aar* pp. 38–43.

[20] *ibid.* The Danish consul in Hong Kong to Udenrigsministeriet, 16th June, 1870.

[21] Lockwood, *The Economic Development of Japan* pp. 5–18; Beasley, *The Modern History of Japan* p. 76 ff.

[22] F.O. 17/567 pp. 36 ff Pender to Foreign Office 17th January, 1870.

The Assistant Under-Secretary at the Foreign Office who was handling Eastern telegraph questions at this time, Philip Currie, noted on Pender's letter that they could proceed as requested, but that they should work with the Great Northern's representative. At the end of January the Foreign Office sent instructions to Thomas Wade in Peking and Harry Parkes in Yeddo, advising them that any kind of exclusive rights or concessions were to be opposed and that they were to aim at reserving the same rights for British companies as other foreign companies received.[23] Later the ministers were informed of the British government's fundamental attitude: that support could be given to non-British telegraphic enterprises since they were of great importance to trade, but under no circumstances should the concessions granted to foreign companies be prejudicial to British interests.[24]

The attitude of the British government and the indecision of the Japanese resulted in the Great Northern's abandoning its attempt to secure a monopoly on communication between Japan and the mainland of Asia. At the same time the Japanese government was very reluctant to grant the Great Northern's application with respect to internal communication and the company gradually retreated on this point too. The final outcome was that the Danes obtained permission to operate in Nagasaki and Yokohama, to connect these two to each other with a submarine cable and to connect then to the mainland of Asia. Foreign officials of the Great Northern in Japan were to be subject to Japanese law and any damage to the cables was to be a criminal offence.

The convention was signed on 20th September, 1870, by foreign ministers Sava and Terasima, for Japan, and by Chamberlain Sick.[25]

The most southerly point on the coast of China included in the Great Northern's plans was Hong Kong, which was to be the limit of the Asian line. By May 1870 the Great Northern and the China Submarine Co. had worked out a treaty of co-operation (to be discussed later) and on the basis of this the Great Northern began its task of obtaining permission to take a cable to Hong Kong. On 5th May the company's agent in the east, George Helland, presented the Governor of Hong Kong with an application to land a cable and build a telegraph station in the colony. On the same day the Governor replied it was beyond his authority to grant such a concession and the company would have to discuss the matter with the Foreign Office.[26] In fact the Director of the Great Northern already knew this, and the application to the Governor had been no more than a formality. Granville and Bülow discussed the matter in London on 16th May, and on 17th the company's London director, H. G. Erichsen, lodged an official application

[23] F.O. 46/123 pp. 17–18 Foreign Office to Parkes 27th January, 1870, F.O. 17/546 pp. 9–10 Foreign Office to Wade 27th January, 1870.

[24] F.O. 46/123 p. 52 Foreign Office to Parkes 25th March, 1870.

[25] Rigsarkivet. St. Nord. Telegraf 234 Journalnr A4523 contains the agreement; also *Samling af Aktstykker* pp. 120–122.

[26] C.O. 129/144 p. 345 ff. Governor Whitfield to Colonial Office 10th May, 1870 also containing correspondence with Helland.

for the concession with the Foreign Office.[27] Later Erichsen added that in accordance with the terms of the treaty between the two companies the China Submarine Co. had abandoned its plan to lay a cable from Hong Kong to Shanghai.[28]

In the reply which Erichsen received on 13th June his application was formally rejected, but he was also told that on certain conditions the government would not object to the landing of the cable at Hong Kong. The reason given for rejecting this application was that the government did not permit foreign-owned telegraph lines possessing exclusive rights or monopolies to be brought onto British territory. Following this the Great Northern informed the Foreign Office that the company did not in fact have a monopoly from the Chinese government for telegraphic communications between Shanghai and Hong Kong, and included some further information about the intended arrangements for telegraphic traffic.[29]

After this the Foreign Office no longer had any grounds for withholding permission, and the Governor of Hong Kong granted landing rights. The actual agreement to this effect was only signed in October 1870. The most important points were that the company had the right to bring its cable to Deep Water Bay, to construct a land line between the landing place and Victoria, and to build such installations as were necessary for their operations. It was particularly stated that the company did not have exclusive rights in Hong Kong.[30]

The Great Northern's attempts to obtain landing rights met with success everywhere – except in China. At the end of October Sick travelled from Japan to Peking where, with the help of the Russian minister Vlangaly he tried to obtain a concession. He was not successful. The Chinese government absolutely refused to grant permission for any telegraphic work on Chinese soil.[31]

The attitude of the Chinese government was based on two particular considerations. According to the reply given to Vlangaly in 1865, the granting of permission to the Danish company would have automatically meant that the Russians had a right to the Gobi-Kiachta line and, besides, would have obliged the Chinese government to approve any foreign application for work permits. As Vlangaly was again presenting the application the Chinese felt that they had especial cause to be wary.

The other and for the moment still stronger consideration was that before Sick had appeared in Peking Thomas Wade, Great Britain's Minister to China, had managed to complete negotiations with the Chinese government which entitled the China Submarine Co. to terminate its cable in a hulk moored on the edge of the anchorage at Shanghai.[32] Having agreed to this the

[27] F.O. 17/1008 pp. 208–209 Erichsen to Granville 17th May, 1870.
[28] F.O. 17/1008 pp. 210–212 Erichsen to Granville 18th May, 1870.
[29] F.O. 17/1008 pp. 213–216 Erichsen to Granville 17th June, 1870.
[30] C.O. 129/146 pp. 80–90 contains the agreement.
[31] F.O. 17/552 p. 81 Wade to Foreign Office 27th October, 1870; *Det Store Nordiske 25 Aar* p. 38.
[32] cf. pp. 49–50.

Chinese government did not feel that a little more than six months later they could grant the Danish company which had recently appeared on the scene any more favourable position. Besides Suenson, the effective leader of the operation, was not even satisfied with the idea of a boat, but demanded that the cable should come on to land.[33]

A third reason, albeit less influential, was that the Chinese government had already encountered problems with the telegraph. In 1869, shortly before Wade's arrival, a British businessman E. A. Reynolds constructed a telegraph line across the country from Shanghai to a beacon on the bank of the Yangtze Kiang River. The line would have been useful from a maritime point of view, but the cable was hardly ready when a superstitious mob ripped it down, fearing that the countryside's good fortune would be destroyed by this extraordinary construction: one person had already died because the Chinese spirit Fung-Shwuy suffered injury. The taotai of Shanghai also became involved in the matter and refused to accept the telegraph lines, although his opposition was of no consequence in the matter since the line was already ruined. As for Reynolds he could but be grateful that as a foreigner he was not put to death to compensate for the life that was lost in the affair.[34]

Despite the fact that the Chinese government had not given permission for a cable to Shanghai and the other treaty ports the 'Tordenskjöld' on Suenson's instructions began to lay a cable north of Hong Kong in October 1870.[35]

At that time Shanghai was probably the most important trading city in the Far East. It was situated on a tributary of the Yangtze River, the Whangpoo, about 12 miles inland. The rivers were then deep enough for even the largest ships to reach Shanghai and thus the city was also China's most important port. To reach Shanghai the cable would have to travel up the river for the last stage of its journey.

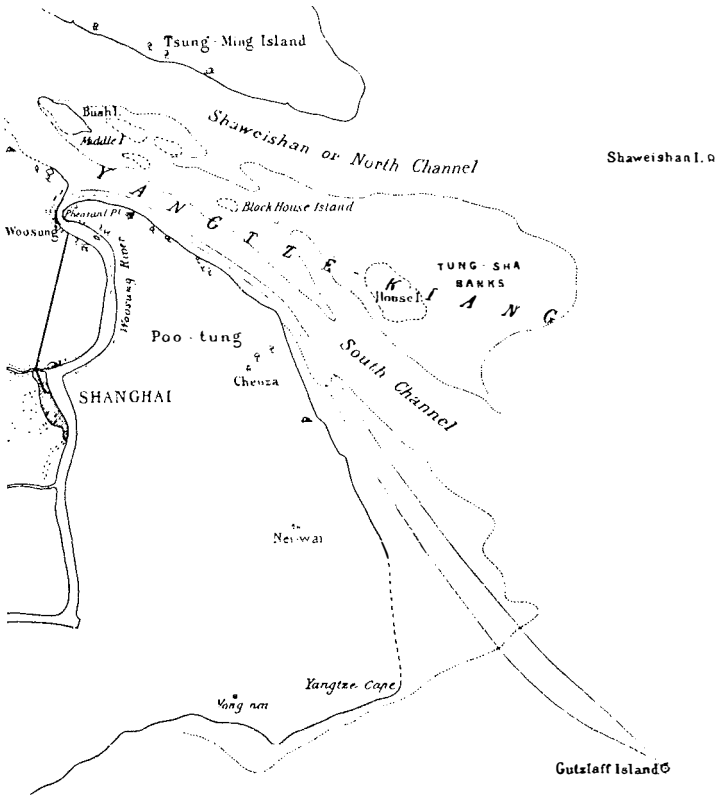
In the Yangtze delta, opposite the Woosung peninsular there was an uninhabited skerry called Gutzlaff, rising at its greatest height to about 180 feet above sea level. Suenson's idea was to use the island as a junction for the cables going to Shanghai, Hong Kong and Japan. One very good reason for the choice of this miserable island was that it fell under the jurisdiction of the Inspector-General of the Chinese Foreign Customs, who therefore had the right to grant the company permission to use it. In 1868, moreover, a lighthouse had been built on Gutzlaff, which would provide good cover for equipment arriving there. In an emergency the island could be used as the telegraph station for Shanghai and it could even be defended by force if circumstances developed so adversely that this should be necessary.[36]

[33] *Det Store Nordiske 25 Aar* p. 38.

[34] F.O. 228/464 pp. 175–197 Alcock to Foreign Office 23rd August, 1869; F.O. 17/672 pp. 284–289 Wade's memorandum 17th March, 1874; F.O. 233/79 (No. 8) undated press cuttings.

[35] Governor Whitfield's report to the Colonial Office contains information about the activities of the 'Tordenskjöld' and orher boats in Hong Kong waters, 31st October, 1870, C.O.129/146 p. 77 ff; Lange pp. 172–183.

[36] For Gutzlaff see Williams, *The Chinese Commercial Guide*, Appendix p. 133; the lighthouse is mentioned in *The North China Herald* 31st October, 1868. *Det Store Nordiske 25 Aar* pp. 39–41.



Map No. 3 Shanghai, Woosung and the delta of the river Yangtze. The map shows two cables which split up on Gutzlaff island, one bound for Nagasaki, the other for Hong Kong.

For his next step Suenson resorted to cunning. Without applying further for permits he began to lay the cable along the Yangtze River towards Shanghai in December 1870. As a temporary measure the end of the cable remained in a vessel in Shanghai harbour, then on 8th December under cover of darkness it was simply taken to the area of the foreign settlement in Shanghai. Few people were aware of the result of this night-time operation, that the Empire Under Heaven had been linked to the international telegraph network.[37]

Through its activities on the Yangtze River the Great Northern achieved one of its principal objectives: traffic to China could begin and the company had ensured that the ninth article of its agreement with the Russian government was fulfilled, for traffic between Russia's eastern seaboard, China and Japan had begun within two years of the signing of the agreement.

The cable was thus taken onto Chinese soil without the formal approval of the Peking government. By way of justification the company did however have the written opinion given by Burlingame in Copenhagen. In 1873, when

[37] *Det Store Nordiske 25 Aar* p. 42, 47.

the Great Northern began to run into difficulties with their cables, the Board explained to the Danish foreign ministry that the official statement received earlier from Burlingame was so explicit that no further application *('en yderligere henvendelse')* to the Chinese government was considered necessary. The Board said that this attitude had the support of quite a number of foreign ambassadors in Peking.[38] It is indeed true that the final words of Burlingame's October 1869 statement had been, 'the connection may be securely made'. It remains open how far the directors of the Great Northern were aware that the authority of Burlingame's mission was very much open to doubt.[39] In any case the Great Northern appeared very quickly to forget the fact that Sick had tried to get landing permission in Peking and had failed. In fact the Danes had acted contrary to the desires of the Chinese government.

The Hong Kong–Shanghai line opened to business on 18th April, 1871[40] Very soon after that, at the beginning of June 1871, the China Submarine completed its line between Singapore and Hong Kong, thus establishing a telegraphic link between Europe and China via India. [41] In the spring and summer of 1871 cables were laid without difficulty between Shanghai–Nagasaki and Nagasaki– Vladivostok and telegraph stations were built. In August 1871 Japan too was connected to the international telegraph network. The Russian Administration got the Siberian line ready, rather behind schedule, at the end of the year, and the northern route between Europe and the Far East was officially opened to public correspondence on 1st January, 1872.[42]

With good reason the first telegraphs sent on the Siberian route were congratulatory ones, to the company and to the Russian telegraph administration, and telegraphs conveying thanks to people who had helped and shown their support. The Finnish writer Zachris Topelius composed a poem in honour of the event entitled *'Uudenkaupungin räätäli',* the first verse of which ran:

'Mä tiedän räätälin suurenmoisen,
'Se maita kursivi toiseen toisen;
'Europan takkia neuloin tää,
'Amerikkaan, Kiinahan yhdistää.

(I know a magnificent tailor who has stitched countries together, sewing this one on Europe's coat to join America and China). The stitching in question

[38] Rigsarkivet. St. Nord. Telegraf 234 Journalnr. A4523 Great Northern to Udenrigsministeriet 11th November, 1873.

[39] F.O. 228/465 pp. 175–196 Alcock fi om Peking to Foreign Office 23rd August, 1869 lists various remarks made by Burlingame and adds: 'all which he repeatedly and publicly asserted had no foundation whatever in fact, and were on the contrary directly opposed to the truth'. Also Morse, *The International Relations* II p. 187 ff.

[40] F.O. 17/584 pp. 95–96 Wade to Foreign Office 26th April, 1871; Rigsarkivet. St. Nord. Telegraf 234 Journalnr. A4523 Great Northern to Udenrigsministeriet 6th March, 1871; *Det Store Nordiske 25 Aar* p. 50.

[41] C.O. 129/150 Colonial Office to the Goverment of Hong Kong (sending congratulations on the opening of the line) 8th June, 1871, reply 10th June, 1871; C.O. 349/7 pp. 43–44 Whitfield to Colonial Office 12th June, 1871.

was 8,000 miles long, running eastwards from St Petersburg via Jaroslaw (where there was a connection to Moscow), Perm, Ekaterinburg, Omsk, Tomsk, Irkutsk, Oudinsk, Blagoveshchensk and Khabarovsk to Vladivostok, where the line became a cable, plunged beneath the ocean and continued as far as Japan.

As the lines were brought into working order and telegraph offices were built the Great Northern tried to arrange business for its lines from those parts of the country which were not yet covered by the telegraph system. At the very least Danish consuls were enlisted as officials of the company, and their task was to send telegraphs by the most direct route to the nearest telegraph office.[43] When business started the cost of a telegraph was calculated on groups of words: a twenty-word message between Europe and the Far East cost Frs.100.

The opening of a telegraph connection between Europe and the Far East meant a great speeding up in the exchange of information. The effect was evident, for example, in the western newspapers published in China, which were able to publish much more recent news. Whereas around 1870 news from Europe took 25–30 days to reach the Chinese press, the opening of the telegraph meant that news items could be read even in the Far East only a couple of days after the event.[44]

In 1872 there was a change in the organisation of the Danish company when The Great Northern Telegraph Co. merged with its daughter-company, the Extension Company. At the same time the capital holdings of the main company rose by £1,500,000, making it the largest enterprise in the north. It was no longer necessary for security purposes to maintain the two separate names and furthermore in order to satisfy the continuing demand for capital it was better to work as one large company than two small ones. In particular with the eastern cables now in operation the Great Northern needed to secure its lines in European waters. This policy was absolutely essential from the company's point of view, since the volume of traffic on the Far Eastern line obviously depended on its European connections.

The Great Northern also intended to make a telegraph connection to Amoy and Foochow, both of which from 1842 were treaty ports in the province of Fukien. Amoy was the most important commercial city in the province and an important trading centre for tea, and the need for a telegraph was reinforced by its close relationship with Malaya, whose Chinese population was drawn largely from Fukien and had emigrated mainly by way of Amoy. For eight months every year Foochow was the centre of the tea trade when tea bound for Europe, Australia and America was shipped from its harbour. Foochow was also important as a junction between Formosa and the mainland.[45]

[42] Rigsarkivet. St. Nord. Telegraf 234 Journalnr. A4523 Great Northern to Udenrigsministeriet 1st September, 1871; the same 5th January, 1872.

[43] F.O. 670/85 Great Northern's circular to the Danish consuls 24th April, 1871.

[44] Newspapers in the East generally announced on what day their information had been sent out and by what route it had come. E.g. *The North China Herald.*

[45] Williams, *Chinese Commercial Guide* pp. 182–187.

Map No. 4 Ask each map showing the Siberian line.

In 1873 The Great Northern connected Amoy to the Shanghai–Hong Kong cable with the help of the so-called T-junction. The telegraph station was not brought quite onto the mainland, but to the dock area of Kulangsu Island outside Amoy where many foreign merchants lived. The station began operations at the end of February 1873.[46] Once again the Danes had obtained no special licence to operate in Amoy, and the way the cable was brought to the island was reminiscent of the method used in Shanghai.

The next stage was to connect Foochow. This question seemed to turn out in the Great Northern's favour without their needing to force matters, for the 1874 invasion of Formosa by the Japanese made the Foochow officials and provincial government recognise the necessity and the advantage of telegraphic communication between the mainland and the island of Formosa, and between Amoy and Foochow. In the summer of 1874 the Great Northern's official, Dreyer, conferred with the general governor of the province of Fukien about the construction of a line to Formosa, and between Foochow and Amoy. They came to an agreement in August and construction work began almost immediately.[47] The line was to have two wires, one of which was to be for the exclusive use of the government while the other was to be used by the company, but the whole would be the property of the company. It subsequently became clear that only the line between Foochow and Padoga could actually be realised. Attempts were made to get the support of the central government for the line between Foochow and Amoy, but the government did not come to any decision on the matter. Despite this the company began to build the line, and the Great Northern's engineers worked with the local officials to find a way that would disturb the life and religion of the local people as little as possible. The attempt was made in vain. Around 18th February, 1875 the country people attacked the line, destroyed the part which had been completed and made off with the materials. The Fukien officials therefore decided to abandon the idea of a line from Foochow to Amoy and Foochow remained for the moment without a telegraph. Dreyer travelled to Peking where with the help of the Danish envoy extraordinary, Raasløff, he obtained substantial compensation for his company for the projected Foochow-Amoy line.[48]

[46] F.O. 17/1009 pp. 429–434 Translation of a letter from Taotai to Danish Consul at Amoy, May 1883.

[47] *Samling af Aktstykker* pp. 126–128; Cable and Wireless. Board 16th September, 1874; F.O. 17/674 pp. 227–228 Wade to Foreign Office 9th July, 1874; F.O. 17/675 pp. 271–272 Wade to Foreign Office 5th September, 1874.

[48] Rigsarkivet. St. Nord. Telegraf 235 Journalnr. A5622 Great Northern to Udenrigsministeriet 22nd February, 1875; F.O. 233/79 has press cuttings about Foochow; Also 'Proclamation by the Magistrate of the Min District respecting Amoy and Foochow telegraph line', August 1874 (No. 11).

5. The beginning of co-operation between the Eastern Extension and the Great Northern.

In 1869 the British Indian Extension's line to Singapore was completed. The idea was that from there the China Submarine would lay its line to Hong Kong, continuing it along the Chinese coast to Shanghai and thereby connecting these and other coastal towns with the system of English submarine cables at Singapore. To take cables to Shanghai and the other cities under consideration it was necessary to obtain the permission of the Chinese government.

At the beginning of 1870 the China Submarine's specially appointed agent to China, J. G. Dunn, set about trying to obtain this permission. Having returned to London from St Petersburg Dunn had offered his services to Pender, and as Dunn was thoroughly familiar with all that had happened in the development of the eastern telegraph to date and was well acquainted with conditions in the Far East, Pender entrusted him with this demanding assignment. According to the instructions he received Dunn was to make contact with Thomas Wade as soon as he (Dunn) arrived in China and to apply to him for diplomatic help if it should prove expedient. Dunn was to make contact too with any other influential people. His task was to obtain landing permission for cables in Amoy, Foochow, Wenchow, Ningpo and finally Shanghai. He could compromise on the intermediate stations but was to establish at least two between Hong Kong and Shanghai. As soon as the landing question in China had been settled he was to continue his journey to Japan and there to begin organising government permission to bring a cable from Shanghai to Nagasaki, Hiogo and Yokohama. Dunn was authorised to make definite agreements with the Chinese but not with the Japanese, since the company had not yet decided how to lay the cable thus far, nor had they yet obtained the necessary capital. In Japan Dunn was instructed to get in touch with Parkes for discussions.[1] Comparison of the time-tables shows that the Great Northern's representative, Sick, and the China Submarine's representative, Dunn, were both negotiating in Japan at the same time in the spring of 1870. The unfortunate existence of competitors made negotiations tortuously complicated before they even began.

As soon as Dunn arrived in Peking it became clear that negotiations would have to be conducted on a diplomatic basis in view of the unfavourable attitude of the Chinese and Wade was obliged to take part in the discussions about landing rights. His opposite number in the discussions was Prince Kung, the Chinese Chief Secretary of State for Foreign Affairs. In the course of the negotiations the Chinese government categorically refused to give any kind of exclusive rights to British companies and equally firmly refused to allow cables to be brought onto land. Dunn and Wade therefore proposed that the telegraph station in Shanghai should be situated on board a vessel. The Chinese did not reject this out of hand, but here too they expressed all kinds of reservations and fears about the floating station being moored in the

[1] F.O. 233/79 Pender's instructions to Dunn, 29th January, 1870, with notification to the Foreign Office.

waterways.[2] Other awkward points included the protection of the cable against criminal activity and eventually the actual wording of the agreement necessitated correspondence between the Tsungli Yamen and Wade. The issue was finally settled in May when the Chinese government granted permission for the end of the cable to be brought to a hulk on the edge of the anchorage at Shanghai. During the negotiations Wade also tried to get permission to establish telegraph stations on the archipelagos opposite Amoy and Swatow, but the Chinese were adamant in their opposition to this: 'water must be water, land must be land'. If, therefore, these towns were to be part of the telegraph system, the stations here would also have to be built on boats, without trying to confuse water and land. Wade was no more successful in persuading the Chinese officials to establish that damage to the cables was an action calling for either compensation or punishment, still less that the cables should be guarded.[3]

The Eastern Extension was unable to reach any more satisfactory settlement in China, but the Board approved of what had been achieved and Pender sent Wade a personal letter of appreciation. Robert Hart, the Inspector General of the Chinese Foreign Customs, was influential in inducing the Eastern Extension to accept the terms. Because of his position Hart had reliable knowledge of current opinion within Chinese government circles, and he advised the company that there was not the slightest hope of obtaining better conditions and that it would be wise to be content with modest beginnings and to wait until attitudes in China became more favourable to the telegraph.[4] Dunn for his part calculated that a suitable opportunity might soon present itself actually to land the cable, while Wade encouraged Dunn to act quickly and purposefully in bringing the hulk into the harbour, while warning him against flaunting the novelty of something to which the Chinese were not accustomed.[5]

At the same time as these negotiations were taking place in Peking the Danish minister in London, Bülow asked Great Britain for diplomatic support for the Danish company in its application for landing rights in China and Japan. Despite the fact that the British company was also active in this area the Foreign Secretary, Lord Clarendon, promised the Great Northern the support it asked for on condition that the company was not aiming at exclusive rights which might prejudice British interests.[6] At the end of March Wade was instructed to provide every possible support for future telegraph enterprises on account of their international importance, but not to go so far as to provoke misunderstandings with the Chinese government, which

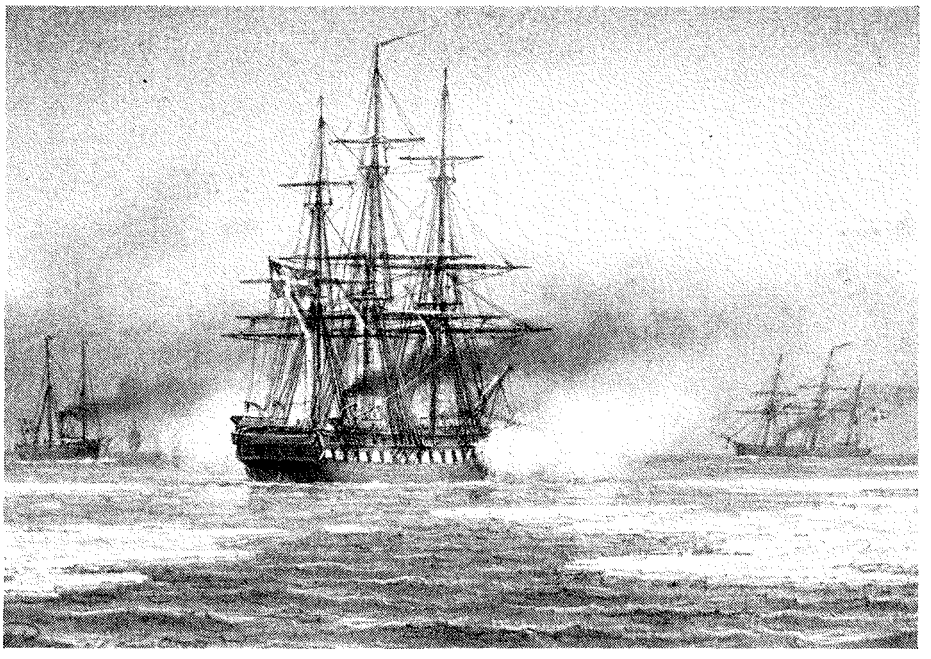
[2] Memo on these discussions F.O. 233/79 in the beginning of May 1870.

[3] F.O. 17/549 pp. 227 Wade to Foreign Office 19th May, 1870; pp. 246–275 ibid. 23rd May, 1870. The correspondence with the Tsungli Yamen in which these arrangements were made is included in the latter reference.

[4] F.O. 17/1008 p. 24 Dunn to Eastern Extension 12th April, 1870.

[5] F.O. 17/1008 p. 23 Wade to Dunn, 17th May 1870; F.O. 17/1007 pp. 2–3 Wade to Foreign Office, 22nd June, 1881.

[6] Rigsarkivet. St. Nord. Telegraf 234 Journalnr. A4393 Udenrigsministeriet to Great Northern 19th and 30th March, 1870.



Orlogsmuseet

The Tordenskjöld, the steam frigate which laid the first sea cables of the Great Northern in the Far East.

seemed opposed to the idea of the telegraph.[7]

In the spring of 1870 it also became clear that the Great Northern would complete its cable between Shanghai and Hong Kong before the British completed theirs. More serious, however, than the question of who finished first was the fact that there were always two contenders. From the point of view of both companies the situation was very unsatisfactory, since it was by no means certain that the volume of business in the east called for two lines between Europe and Asia, when tariffs were high and only a part of China was within the telegraph network. As far as commitment of capital was concerned, to begin with at least, one line would have been enough. Since a single cable had proved sufficient between Shanghai and Hong Kong, Pender suggested to the directors of the Great Northern that the two companies should co-operate, pointing out that from both companies' points of view they were creating an unnecessarily competitive situation.[8] The Board in Copenhagen agreed with Pender and on 13th May, 1870 an agreement was made between the companies for a period of thirty years, whereby it was the Great Northern was to lay and work the cable between Shanghai and Hong

[7] F.O. 17/546 Foreign Office to Wade, 25th March, 1870.

[8] Pender's proposal is mentioned in F.O. 17/1007 p. 272 (in a letter Foreign Office to Denmark's Minister in London, 16th June, 1882).

Kong and the gross receipts arising each year from this cable were to be divided equally between the companies once the Great Northern had deducted from the gross takings a fixed charge, still to be settled, for making the cable, laying, maintaining and operating it. Both companies would have their own receiving offices in Shanghai and Hong Kong although the messages would be transmitted by the Great Northern. The clauses delimiting territory were particularly important. The whole district between Hong Kong and Shanghai was treated as a neutral district, both as to land and sea telegraph lines. The Great Northern was not to extend its lines south of Hong Kong while the China Submarine was not to extend north of Shanghai or to any place in Japan. It was also stated in the agreement that the Great Northern intended to link Japan with the mainland of Asia.[9]

The agreement regulated business between Shanghai and Hong Kong in detail and prevented competition there, but as far as other traffic was concerned the agreement contained no precise arrangements. The division of areas of activity was important in so far as the Eastern Extension gave up its plans to connect Japan to the British telegraph network and the Great Northern, on the other hand, acquired the opportunity to operate in Japan without competition.

Three years after this agreement was signed the companies made a new agreement involving co-operation in dividing traffic and profits. The 1870 agreement remained in force and the new agreement covered new aspects which signalled a considerable extension of the co-operation between the companies. The new agreement included the idea of through traffic, in other words traffic between China on the one hand and Europe or beyond on the other. The latter area included the whole of Europe except Russia, the whole of Turkey (including the Asian half), Algeria, Tunis, Tripoli, the Canary Islands, Madeira, the west coast of Africa, North and South America and Western India. Japan was not included within the scope of the agreement since it was considered to belong to the Great Northern, just as the owner of the Russian line also remained outside the agreement.

An agreed proportion of the income from through traffic was to be paid into a common joint purse, the income of which was to be shared equally by the two companies. The fees between Europe and China were fixed at the same rate for the Indian and the Siberian routes, and at the same time the fees were increased: a 20-word telegraph would now cost Frs.150, of which Frs.50 would go to the Russian Administration for traffic on the Siberian route. Business was divided so that China north of Amoy belonged to the Siberian route and south of it to the Indian route.[10]

Two years later, in 1875, this joint purse agreement was amended by a new agreement, principally because of the telegraph congress in St Petersburg in 1875 at which it was decided that fees were to be calculated on the number of words. The rate between China and Europe was set at Frs.10 per word. Otherwise the 1875 joint purse agreement contained relatively little that was new compared with the agreement made two years earlier.[11]

[9] Cable and Wireless. Chinese Agreements No. 1. (13th May, 1870).
[10] Cable and Wireless. Chinese Agreements No. 2. (11th February, 1873).
[11] Arrangement published in *Samling af Aktstykker* pp. 159–161.

6. Efforts to protect the telegraph in China

The Great Northern's Station in Shanghai had not been in operation for more than a few months before its smooth running began to be disrupted by damage to the sea cable, whether accidental or deliberate. From October 1871 onwards the cable became an object of theft as well as mischief, and it was cut into pieces and then simply disappeared. In April 1872 the director of the station, Dreyer, wrote to the Acting Consul of Denmark, F.B. Johnson, asking that the diplomatic corps in Shanghai should attempt to persuade the authorities to take the necessary steps to prevent such calamities in the future.[1] Johnson in turn sent a letter to the Chinese River Board officials, who bluntly replied that the cables were no concern of theirs since they were not mentioned in the 1858 treaty.[2] When he had received this answer Johnson sent the correspondence on the subject to the Danish foreign ministry, suggesting that strong measures should be taken.[3]

The question was in truth rather a tricky one, for since the cables did not officially exist it was difficult to punish those responsible for damaging them.

The Great Northern also began to take firm action to safeguard their activities. When it became clear that in the busy Yangtze and Whangpoo rivers the cable would be in continual need of repair they solved the problem by replacing the submarine cable between Shanghai and Woosung with an overhead telegraph line which was simple and cheap to protect and maintain. The actual building of the line was partially disguised by the planned railway connection between the two towns and as a decoy the line was built by The Woosung Road Co. Through this company another company got involved, the British company of Messrs Jardine, Matheson & Co., a major business in the East which had assisted the Great Northern over the building of the Shanghai station. Once again the construction work on the line was carried out without official or any other sanction. It was a great relief to the Great Northern that the new line did not become an object of attack from the local population, as had been feared.[4]

The matter would probably have rested there if the western newspapers published in China had not interested themselves in the subject and begun to praise the Taotai as a liberal who encouraged telegraphs and was about to introduce railroads. The Taotai was thus thoroughly compromised in the eyes of conservative Chinese, and worse still was the fact that the Tsungli Yamen was also involved in the matter because of the pledge previously given to the Russian minister. In August 1873 the Taotai wrote to the Shanghai consular community confirming that he had been opposed to the permit given to Wade for a land line between Shanghai and Woosung, and he declared that the line should be demolished.[5] The Taotai also brought the

[1] Rigsarkivet. St. Nord. Telegraf 234 Journalnr. A4523 Dreyer to Consul F.B. Johnson 19th April, 1872; Lange p. 265 ff.

[2] *ibid.* Correspondence between Johnson and River Board Officials in May 1872.

[3] *ibid.* Johnson to Udenrigsministeriet, 31st May, 1872; Udenrigsministeriet to Great Northern, 29th July, 1872.

[4] *Det Store Nordiske 25 Aar* pp. 41–42.

[5] Rigsarkivet. St. Nord. Telegraf 234 Journalnr. A5333. Taotai to Consuls, 19th August, 1873.

matter up in the autumn of 1873 when Wade was on a visit to Shanghai. Wade observed that the line in question belonged to a Danish, not a British, company, but also remarked that the Chinese official should think twice before interfering with an enterprise which worked to the good of all nations, including his own.[6]

In September 1873 the Shanghai consular community resolved to appeal to the Taotai to rescind his demolition order. The consuls' action was well-founded since as promotors of trade they had a particular interest in preserving the telegraph to Shanghai. The consuls mentioned in their letter that the Danes had transferred their cable to telegraph poles because the cable in the river had been continually damaged by ships' anchors. The Woosung Road Co. had applied for the land in the proper legal manner so the telegraph cable was situated on foreign-owned land and did not conflict in any way with the rights of the Chinese government. The consuls' view was that the cable should stay where it already was and that the matter should be allowed to rest, but they also declared themselves ready to put forward further arguments if they were given a hearing.

Discussions were held at the beginning of September 1873 in the United States consulate. Besides the United States consul, G. F. Seward, the elder statesman of the group, the meeting was attended by Denmark's Acting Consul, F. B. Johnson and the British consul W. H. Medhurst, while the Chinese were represented by the Taotai of Shanghai and his staff. The Taotai announced that he himself had nothing against the telegraph but that he had encountered difficulties when he was obliged to work within the framework of Wade's agreement and by whatever means satisfy the Tsungli Yamen that everything was in order. If the consular community could inform him how the thing was to be settled he would be most grateful. The outcome of the discussions was that nothing was said about the line itself, but the consuls undertook to draw up a statement which would absolve the Taotai of all responsibility for the line.[7]

The promised statement was delivered to the Taotai on 30th September, 1873. In it the representatives of the consular community affirmed that while the question strictly concerned only the Danish and Russian diplomatic representatives the telegraph was in fact so important to trade that the whole consular community was involved. All the construction work on the line had been carried out by the company and the Shanghai officials had played no part whatsoever in the affair.[8] The Taotai sent the statement through official channels to the Chinese government where it was received by Prince Kung, the Chief Secretary of State for Foreign Affairs. Kung in turn sent a letter addressed to the oldest member of the consular community on 10th October, referring to the statements already made but declaring in conclusion that the telegraph poles and offices belonging to the company in question must be

[6] F.O. 17/672 pp. 279–282 Wade to Foreign Office 17th March, 1874; Kung's communication F.O. 233/79 Nr. 6.

[7] Rigsarkivet. St. Nord. Telegraf 234 Journalnr. A5333 Consuls' memo 10th September, 1873.

[8] Rigsarkivet. St. Nord. Telegraf 234 Journalnr. A5333 Consuls in Shanghai to Taotai, 30th September, 1873.

removed at once.[9] The consuls made no reply to this letter, nor was any move made to demolish the line and in practice the matter rested there, quite satisfactorily from the Great Northern's point of view. In reporting the affair to Washington the United States consul S. Wells Williams announced that all were apparently satisfied that the responsibility had been shifted to other shoulders.[10] However, Williams was not quite right. The affair showed in any case that the Chinese officials had not legalized the Woosung line. It remained unrecognised by law, and as later events proved, the Chinese have long memories.

In November 1873 The Great Northern set about political action and asked the Danish Foreign Ministry to obtain foreign support for an attempt to get the Chinese to recognize damage to telegraph cables as an action calling for compensation and for punishment. The Great Northern requested that the European great powers should be asked to instruct their ministers in Peking to support the Great Northern's designs. Besides assistance from the European great powers help was also to be sought from the Japanese government, which had proved itself favourable towards the company's activities and which could be supposed to have considerable influence in Peking since it was an Oriental country and shared in the interests of the East. The Board of the Great Northern did not believe that damage to their cables was purely the consequence of mischief-making or theft; rather that it was a deliberate policy to obstruct business for a definite period for the benefit of the perpetrator and at their expense. The company compared this to piracy and went on to suggest the possibility of using warships to protect the cables.[11]

The Danish foreign ministry acted precisely in accordance with the Great Northern's desires and on 6th December, 1873 it sent lengthy instructions to its ministers in Paris, London, Berlin, St Petersburg and Rome, to its chargé d'affaires in Washington and to the acting consul in Yeddo. By way of introduction it outlined the legal position of the company's cables in China, beginning with Anson Burlingame's visit to Copenhagen. It also said that apart from this the Great Northern had not received any official permission from the Chinese government for its activities but that the Chinese, including officials, had used the telegraph to such an extent that it could only be considered as having gained tacit approval. It then described the threat which was hanging over the Woosung line and althought it admitted that the threat was diminishing it stressed that it was nonetheless extremely important for the future of the telegraph that the lines should be protected by the Chinese government. The ministers were asked to apply to the various governments for support for the Great Northern and to request that the ambassadors of the great powers in Yeddo should use their good offices to get Japanese

[9] *ibid.* Prince Kung to G.F. Seward, 10th October, 1874; copy of letter also in F.O. 17/672 pp. 291–295.

[10] Rigsarkivet. St. Nord. Telegraf 234 Journalnr. A5333 S. Wells Williams to Secretary of State, 9th February, 1874. A copy via Danish chargé d'affaires in Washington to Udenrigsministeriet, 3rd May, 1874.

[11] Rigsarkivet. St. Nord. Telegraf 234 Journalnr. A5333 Great Northern to Udenrigsministeriet 11th and 28th November, 1873.

government support for the company. The ambassadors were also to enquire into the possibility of using naval units to protect the cables if the need arose.[12]

The Foreign Ministry began to get replies at the beginning of the following year. These displayed a helpful attitude towards the Danish company's intentions and promised political support. The governments in London, Paris and St Petersburg did not rule out the possibility of using warships if necessary.[13] Japan was the only country not to offer its support, as it had no diplomatic representation in Peking.[14]

The other part of the Great Northern's proposal was that Denmark should send a special royal mission to China to try to obtain Chinese government consent to the idea that damage to the cables should be compensated and the culprit punished. In its statement to the Foreign Ministry the Great Northern claimed that a lot of Danes from all levels of society had committed themselves financially to the East but that it was difficult to protect their property since Denmark did not have its own diplomatic representation in the Far East and because the Peking government still had not recognised the existence of the telegraph. It was essential to get the business on to a more secure basis, since still more capital would be required for eastern operations in the future.[15]

The Foreign Ministry applied to the Danish government for a response to the Great Northern's overtures and the government gave its decision on 2nd September, 1874, when the Danish minister in Berlin, Valdemar Rudolf Raasløff was appointed envoy extraordinary. He had been the chief negotiator in drawing up the Trade and Maritime Agreement of 1863 and since the intention was to extend this treaty to include clauses for the security of the cables, Raasløff appeared to be the most suitable of the possible candidates for the job.[16]

On 17th December, 1874 Raasløff arrived in Shanghai and immediately continued his journey to Peking. The negotiations were delayed by complicated court affairs but as soon as they began it was clear that the Chinese government was entirely opposed to adding anything to the 1863 agreement on the subject of cables. Raasløff therefore had to choose an alternative course, for which he required the help of the other heads of diplomatic missions in Peking.[17]

The alternative course was that the Great Powers' representatives should simultaneously demand that the Chinese government formally recognize the Danish company's existence, take measures to protect the cables and ensure that people who damaged the cables were made liable for it. Discussions

[12] *ibid.* Udenrigsministeriet to ambassadors, 6th December, 1873.

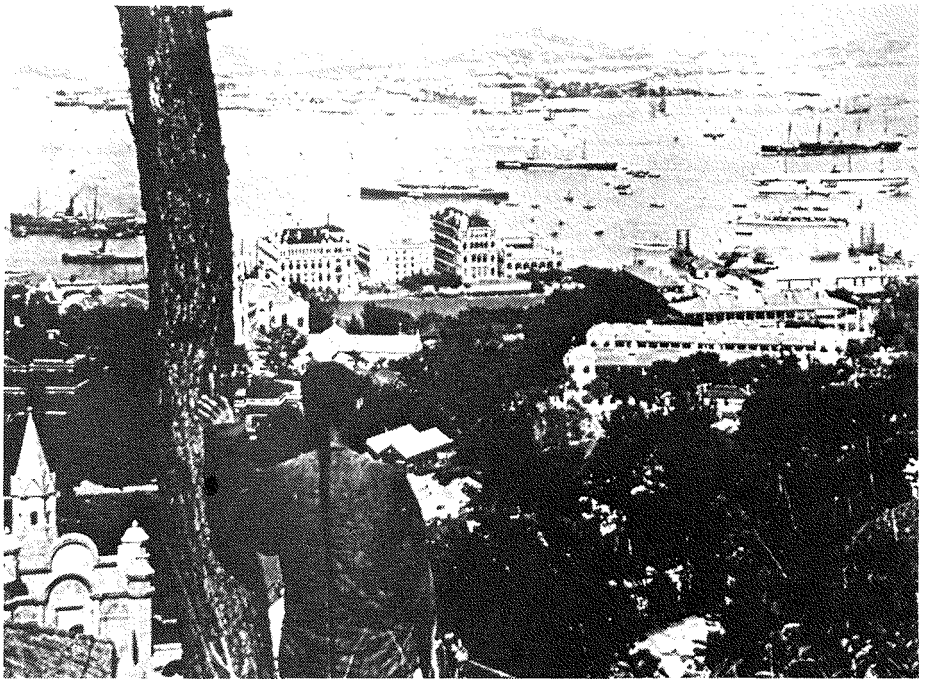
[13] *ibid.* Replies from various embassies, Jan.–Feb., 1874.

[14] *ibid.* Danish chargé d'affaires in Japan (the Dutch Minister) W.F.H. de Weckherlin to Udenrigsministeriet, 14th March, 1874.

[15] Rigsarkivet. St. Nord. Telegraf 235 Journalnr. A5572 Great Northern to Udenrigsministeriet 27th June and 17th August, 1874.

[16] Rigsarkivet. Statsraadsprotocol 2nd September, 1874, pp. 20–38.

[17] Rigsarkivet. St. Nord. Telegraf 234 Journalnr. A5622 Chief of Asian Dept. of Russian Foreign Ministry to Danish Minister in St Petersburg, 10th February, 1875. F.O. 17/677 pp. 362–399 (with appendices) Wade to Foreign Office, 26th December, 1874.



Cable and Wireless

East and West around 1890. A Chinese man with plaited hair and the spacious Hong Kong harbour viewed from the mainland. The low building between the two high buildings is the telegraph office.

were held and a report was drawn up and signed by all who attended: besides Raasløff there were present the British minister Thomas Wade, the Russian minister Bützow, the United States' minister Benjamin B. Avery, the German chargé d'affaires Holleben and the French chargé d'affaires Rouchechouart. There was no doubt about the convergence of interests of the great powers on this subject. Basically it was a question of the protection of cables, a matter which Wade had not been able to settle in 1870 when he was applying for landing rights for the China Submarine Co. Even by this time the British had had experience of cables being cut and wilfully damaged in the coastal area around Hong Kong.[18] Wade's activities on behalf of Raasløff were clearly also to Great Britain's advantage and later the Foreign Office confirmed that Wade was acting properly.[19]

Six identical notes concerning the protection of cables and a copy of the report of the discussions were handed to the Tsungli Yamen on 28th December, 1874. On 11th January, 1875 the reply came. Along with an outline of the earlier history of the telegraph in China and some general comments on the practical difficulties of protecting the cables, the Chinese

[18] Cable and Wireless. Board 13th May, 1874.
[19] F.O. 17/695 p. 54 Foreign Office to Wade, 3rd March, 1875, *ibid.* 13th April, 1875 p. 93.

government nevertheless announced that it had given the General Governors and the High Officers of the maritime provinces instructions to consider what measures could be devised for protecting the cables and to instruct the local authorities under them to provide constant supervision so far as they judged it possible.[20]

The Danish company was not mentioned by name in the reply and in other respects also the Tsungli Yamen said as little as possible, but it was definitely a positive rather than a negative reply. Raasløff was satisfied with it but in his comments urged the need for action to publicize the Chinese government's attitude. There is clear evidence that the government's decision was made public in some quarters; possibly the consuls encouraged high-standing officials to publish the decision and the Great Northern paid the costs that were involved.[21]

Raasløff stayed in the Far East until the end of 1875, visiting Japan as well as China before returning to Europe and leaving responsibility for Danish affairs in China in the hands of the Russian embassy.[22]

[20] F.O. 670/85 contains minutes, copies of notes and Chinese reply. Also Rigsarkivet. St. Nord. Telegraf 234 Journalnr. 5735 contains the Tsungli Yamen's reply to Raasløff, 11th January, 1875.

[21] F.O. 670/85 Raasloff to representatives of diplomatic community. 3rd February, 1875. Collection also contains examples of public notices for protecting cables.

[22] *ibid.* Raasloff to Consul J. Forrest (Ningpo) 26th November, 1875. Cf. also Marquard, *Danske Gesandter og Gesandtskabspersonale indtil 1914* p. 470: Russia looked after Danish diplomatic interests in China until 1912.

II. COMPETITION DEVELOPS IN THE EAST

1. China's own telegraph

The Great Northern and the Eastern Extension, until the beginning of the 1880's the only telegraph companies in the Far East, then began to witness the growth of national telegraph operations in China and Japan. To some extent the expansion of the telegraph network was in itself an advantage, since the opening of new lines meant increased scope for the companies in the East and greater demand for their services between Europe and Asia. On the other hand the new development brought problems. These were quite different as regards Japan from those which affected the situation in China. Since the companies had no lines within Japan, the development of the internal system there threatened no unwelcome competition. Japan's geographical nature, with its series of islands, made the internal telegraph a unit in itself and made its connection to the international network a matter of greater difficulty than if it had been a mainland power. In China the situation was quite the reverse. The Danish company had established lines there and acquired a lot of internal business. China, moreover, had long national frontiers and could easily set about competing with the companies not only within the country but for international business as well.

During the decade when the Europeans were bringing the new means of communication to China, the attitude of the Chinese government and its officials was unsettled and indecisive, in the provinces as at the centre. Representatives of the foreign companies gained the impression that in many cases the provincial authorities opposed the telegraph because it made their activities more effectively subject to control from Peking than before. But in any case, the power and authority of the central government over the provinces fluctuated, and without employing Chinese documents it is difficult to say how far the internal power struggle was responsible for obstructing and delaying the activities of the foreign telegraph companies. In the course of the Great Northern's difficulties over the Woosung line it became clear that in it could be dangerous for public officials to support or even provide protection for the western invention.

In China, rural society and the rural literate class were both opposed to the telegraph, as indeed they were to all innovation. The literati especially, in their devotion to preserving and exalting China's own past, were in general fundamentally opposed to anything new. The landed gentry feared that rapid means of communication would give the Central government a firmer hold

while the rural population remained in the grip of superstition. These groups formed a society known as 'Tungshin' after the name of one of its supporters. It was a society which urged against the adoption of foreign innovations and even against the foreigners' exercise of their treaty rights.[1]

It should not however be thought that everyone in China was opposed to the telegraph, for it soon found supporters amongst the merchants who saw the economic and commercial advantages of a speedy means of communication.

The impossibility of directly transmitting Chinese characters in Morse presented an obstacle which was surmounted after the opening of the Shanghai station when the Great Northern prepared a special dictionary in which each Chinese character was represented by a group of numerals which could be transmitted in the Morse code. This dictionary later proved of great value in the development of Chinese-language telegraphic communication.[2]

It was in fact for purposes of government rather than commerce that development of China's own national telegraph system was begun. Its two chief promoters were both statesmen and economists, Li Hung-chang (1823–1901) and Sheng Hsuan-huai (1844–1916). In his vision of China's future Li saw that foreign encroachment was imminent and he believed that China must provide herself with some of the technology that made western nations strong. He therefore developed shipping and railway enterprises in China, opened mines, established the foundations of Chinese commercial banking and founded technical schools. The necessary capital for all this new activity was raised by introducing into China the principle of the western joint-stock company.[3] Li's closest assistant and advisor, and also from the mid 1890's the director of the commercial enterprises established by him, was Sheng Hsuan-huai, who also held many important government posts and responsibilities. The founding of China's national telegraph system was the joint work of these two men.

The first important telegraph line within China was built in 1880–1881 between Tientsin and Shanghai according to an imperial edict signed on 6th October, 1880.[4]

There were two important factors in the choice of this particular route. Firstly Li wanted to establish all-year-round communication between his home town Tientsin and the provinces to the south. During the winter months frozen rivers prevented contact between the capital and southern China, making it necessary to rely on couriers. For a quarter of the year Tientsin province was virtually incommunicado.

The second consideration affecting the choice of location concerned

[1] F.O. 17/1010 pp. 215–219 Bowen to Colonial Office 12th November, 1883; Leroy-Beaulieu, *La rénovation de l'Asie* pp. 351–362.

[2] *Det Store Nordiske 25 Aar* p. 50–51.

[3] Hummel, *Eminent Chinese* I pp. 464–471.

[4] *Shên Pao*, 21st January, 1883 (translation of official text published in the paper is in F.O. 17/1009 pp. 23–31); Feuerwerker, *China's Early Industrialization* pp. 62–64.

external policy and sprang from the continued unrest and the threat of war between China and Russia in the Ili (Kuldjan) area. Rapid communication between northern and southern China was particularly necessary.

Since the Chinese themselves were unable to cope with the practical organisation of the telegraph the work was given to the Great Northern Co. In an agreement signed in December 1880 the Danish company undertook to supply the Chinese with the technical materials and equipment together with the expertise required for the construction and operation of the telegraph. Work actually began in the early summer of 1881, with two groups working towards each other, one starting from Shanghai and the other from Tientsin. The building of the line was beset by difficulties, from the erection of telegraph poles in marshy terrain to the problems of transporting materials through unknown areas. Sometimes, where broad rivers were encountered it was necessary to lay the cable under water. Soldiers had been assigned both to help with the building of the line and to protect the work against any hostile reaction from local populations, although in fact as it turned out local people were quite indifferent to the work as soon as they saw that it did not interfere with the sacred mounds containing the bones of their ancestors. The line, which was about 1300 kms long and ran alongside the Grand Canal for much of its length, was finished in December 1881. Initially its operation was dependent upon Danish personnel, but Chinese gradually took over responsibility for it after training.[5]

Although the telegraph had thus reached Tientsin, it still did not extend as far as Peking, and it was not until the end of August 1884 that a telegraphic link between the two cities was established by the China Administration, when largely due to the impact of the Sino-French crisis the capital's conservatives were overruled in their opposition to the telegraph. At the same time a line was also completed in northern China running south-west from Tientsin to Taku, and then south to Liao Tung's most southerly port, Port Arthur.[6]

To begin with, the financing of the Tientsin line was covered from funds otherwise available to Li, but when he formed the kuan-tu shang-pan enterprise, a joint-stock company on similar lines to the China merchant's Co. which he had established earlier, loans from the funds were repaid. The shareholders of the company, known in English as the Imperial Chinese Telegraph Administration, were mostly Chinese merchants, but as the activities of the company broadened in the course of time and new capital was required, European firms and banks operating in China began to invest funds in the China Administration, especially when the enterprise proved itself a commercial success.[7]

[5] The building of the line is touched upon in many sources: F.O. 17/1007 p. 24, Dunn to Eastern Extension's Superintendent Squier 26th November, 1881, pp. 48–49, Pender's Memorandum on China's telegraph December 1881, pp. 372–373 Grosvenor to Foreign Office (with appendices) 10th November, 1882; comments on line at Great Northern's General Meetings: *The Electrician* 30th April, 1881 p. 313 and 29th April, 1882 p. 400; *Notification* Nr. 228.

[6] *Notification* Nr. 262, 272; Mention at Great Northern's general meeting. *The Electrician* 15th May, 1885, p. 15.

[7] *Shên Pao* (note 4. above); Feuerwerker pp. 62–63; ownership of shares by foreigners shown in statement of 1902 prohibiting foreigners from owning shares in company. *The Times* 4th February, 1903.

Sheng, a large share-holder of the China Administration, became at the same time its Director-General in connection with the completion of the Tietsin line. Li, also a large share-holder, by virtue of his public position represented within the company the interests of the Chinese government so the government was thus indirectly represented on the company's board. Li's decisions were conclusive in the politics of the Chinese telegraph although their execution was Sheng's responsibility.

It was intended that the China Administration should have a monopoly of telegraph operations in China, but the company was not entirely successful in its aim. Two European firms were already in operation on the coast and local lines built either by the provincial governments or by individual viceroys also remained outside the network, while at the same time the Chinese government ran its own lines which were fairly short and primarily used for military purposes.

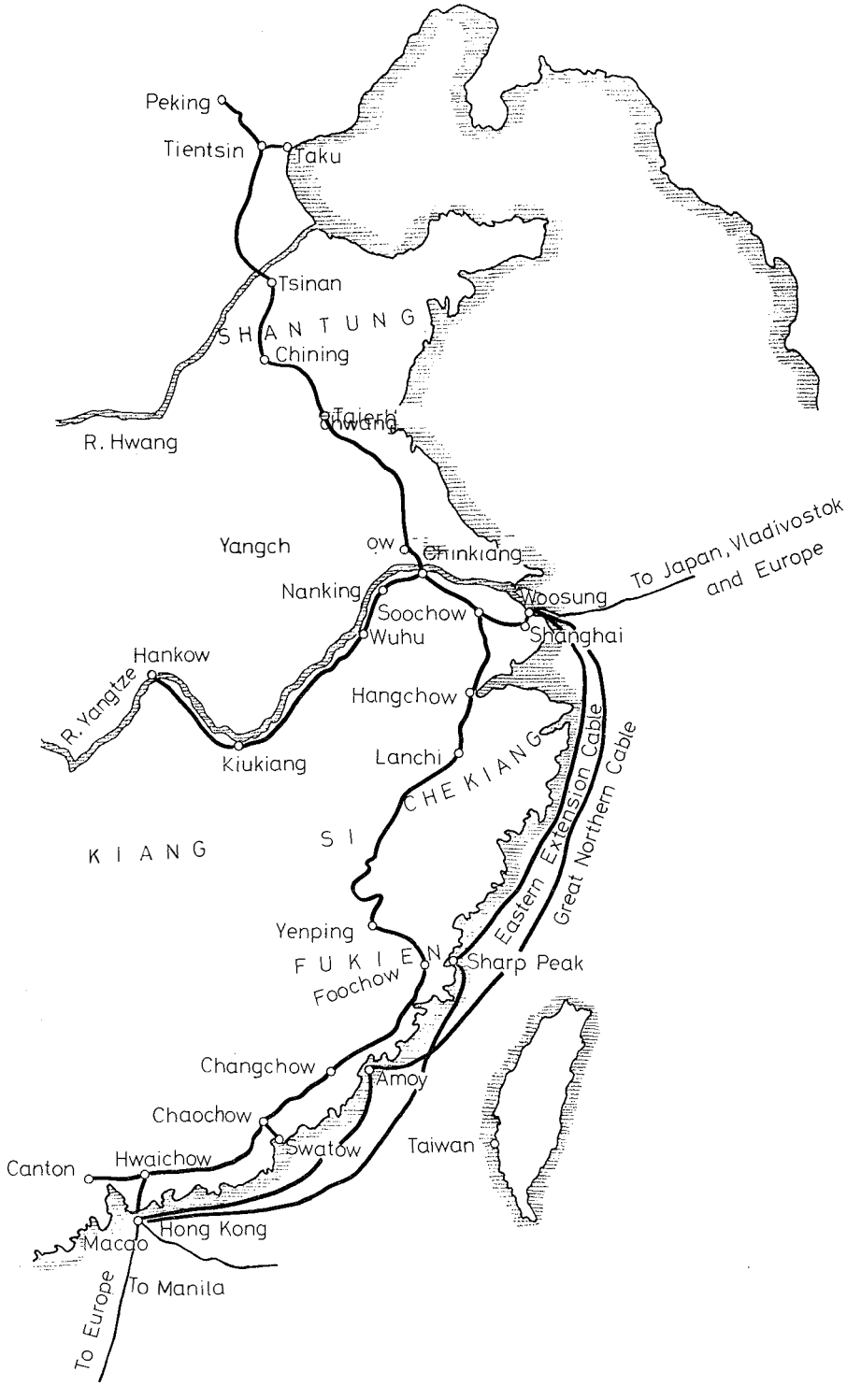
From the beginning of the 1880's the Danes worked with the Chinese government in the construction of the telegraph system, assisting and providing expertise, whether they worked directly in the name of the Great Northern or indirectly as employees of the China Administration. The Danes worked as builders and engineers, they taught the Chinese to use and maintain the telegraph and they supplied technical material and equipment. Among the various schools which Li founded was the telegraph school at Tientsin which especially at first, was virtually run by Danes.

The longest telegraph line built by the China Administration in the first half of the 1880's was the so-called Overland Line from Shanghai to Canton, a land line which followed the coast-line. Imperial sanction for the construction of the line was given in January 1883,[8] following an idea which, according to Suenson, originated with the Great Northern in connection with the changing political fortunes of the concession in 1881, a matter to be discussed later. The line was laid down at many points simultaneously and accordingly when the parts were linked the telegraph south from Shanghai came into use. It was opened in its entirety from Shanghai to Canton in October 1884, and joined the Tientsin cable at Soochow, going south from there via Hangchow, Lanchi, Yenping (Nanping), Foochow, Changchow, Swatow and Hwaichow to Canton. The line ran parallel to the coast, making some allowance for commercial requirements, but it did not actually run along the coast and there were therefore extensions from the main line to the coastal towns.[9]

Also completed in the mid-1880's was the Yangtze line, the third important line belonging to the China Administration. This crossed the Shanghai-Tientsin line at Chinkiang and from there travelled westwards following the southern bank of the Yangtze River into the Chinese interior, taking a route from Nanking to Wuhu, Kiukiang and Hankow. In the second

[8] F.O. 17/1008 pp. 283–289 Hughes to Foreign Office 24th January, 1883. The Imperial Sanction was dated on 18th January, 1883.

[9] *Notification* Nr. 266; F.O. 17/1097 p. 42 Henningsen to China Administration 31st October, 1884; various maps.



Map No. 5 The telegraph lines in China around 1885. Of the coastal lines one belongs to the Great Northern, the other to the Eastern Extension. At this stage the China Administration had three main land lines, but its network was growing rapidly every year.

half of the 1880's the line was continued from there on to Shasi where it divided into two new major lines, one running northwest to the province of Kansu and the other westward and south west to the provinces of Yunnan and Kwangsi. The Great Northern was instrumental in the construction of all these lines, supplying the materials and giving technical assistance. Building work on the first stage of the Chinkiang-Hankow line was completed in May 1884.[10] The Chinese telegraph developed so remarkably in the middle of the 1880's that by the beginning of 1887 the Administration had 76 stations in China.[11] In the same year the Great Northern laid a cable for the Administration between Foochow and Formosa (Tamsui).[12] At the end of the century, before the Sino-Japanese War the China Administration had close on 200 stations.[13]

The Chinese telegraph was furnished with its first connection across the country's borders in 1890 when the Tongking line, agreed upon two years earlier by China and France, was opened between Indochina and China.[14] In 1894 the telegraph systems of China and Turkestan were linked, and in 1895 a line was connected between Yunnan and Burmese Bhamo, which meant that a link was formed between the national telegraph systems of India and China.[15]

Connected with the building of the telegraph in southern China was the Chinese attempt to establish a line between Canton and Hong Kong. Canton was a particularly important commercial city and a telegraphic link between it and Hong Kong would have had very important consequences for commercial relations. With the growth of the Chinese telegraph network Canton was, moreover, becoming the centre of the system in southern China. After the China Administration had decided to build the Shanghai-Canton Line it was clear that the Hong Kong-Canton telegraph made simple commercial good sense, since part of the traffic between Hong Kong and northern China could have used this route and the land line could have functioned as a kind of reserve line in case of the sea cable being broken.

At the beginning of March 1882, at more or less the same time as the decision was made to build the Shanghai-Canton Line, the Canton and Hong Kong Wa-Hop Telegraph Co. was founded (Wa-Hop = Chinese Union) with the purpose of building and operating a line from Canton via Kowloon to Hong Kong, using an overhead line as far as Kowloon and a submarine cable from there to Hong Kong (Victoria). This was not part of the China Administration, but a local Canton company with a capital of Mex. $300,000, one third of the shares being subscribed by the Canton provincial government, government officials, traders, trading companies and insurance companies. No Europeans were involved.

The Wa-Hop Company signed an agreement with the Great Northern on

[10] F.O. 17/1011 pp. 42–45 Dunn to Eastern Extension, 16th May, 1884. Report at Great Northern's general meeting, *The Electrician* 15th May, 1885 p. 15; *Notification* Nr. 308 (1887).

[11] *Notification* Nr. 311 (1887).

[12] *Notification* Nr. 320 and 326.

[13] *Notification* Nr. 432 (1895).

[14] *Notification* Nr. 358, 362, 364 (1890).

[15] *Notification* Nr. 424 (1894); Nr. 432 (1895).

25th March, 1882, whereby the Danish company was to supply the cable, the telegraph machines and other technical equipment as well as the necessary expertise. The agreement was, however, conditional upon the Governor of Hong Kong granting access to the cable within twelve months; otherwise the agreement between Wa-Hop and the Great Northern would lapse.[16]

2. Great Northern's agreements 1881 and 1882 with China and Japan. The opponents

The development of China's own national telegraph system was especially important to the Great Northern for two reasons: it brought new business to support the Company's Shanghai station, and by taking part in the building of the Chinese telegraph the Danes gained considerable influence with eminent Chinese, and particularly those who favoured the telegraph.

Although the Great Northern thus enjoyed a considerable degree of success in the Far East at the beginning of the 1880's, it had already begun to encounter operating problems in the 1870's. These were mainly due to the condition of the submarine cables, since the cables were by then ten years old, and for the level of technical development current at that time, already old, especially when laid in a warm sea. As a result disturbances became more frequent. The *Berne Notification* reports on breaks in service show that the serious deterioration in the condition of the Great Northern cables occurred in 1878, since from the spring until the end of the year traffic between Shanghai and Hong Kong was continually suspended and connections with Japan gave more problems than before.[1] Things went better in 1879 but again in 1881 and 1882 lines in both China and Japan caused great concern and the company's cable boat was continually at sea carrying out repairs.[2]. The company lost both money and standing, since the public had gradually begun to demand from the telegraph both greater reliability and greater speed than it had been willing to accept in the early days of the submarine cable. The periods of interruption in the Great Northern service grew longer rather than shorter and at times the company also found itself obliged to explain to its customers the poor state of its Siberian service. The breaks in service, moreover, gave the Eastern Extension occasion to express dissatisfaction with the services of the Great Northern, although one may well question their right to criticize. All the cable companies, and not least

[16] F.O. 17/1008 p. 49 Dunn's letters to Eastern Extension 2nd-28th March, 1882 pp.62–63 copy of Chinese company's Ho-Amei letter 7th September, 1882 p. 78 containing agreement between Wa-Hop and Great Northern; F.O. 17/1007 p. 118 Squier to Eastern Extension 18th March, 1882 contains information about balance of ownership; Rigsarkivet. St. Nord. Telegraf 236 Journalnr. A7586 Tietgen to Udenrigsministeriet 25th March, 1882.

[1] *Notification.* Concerning Chinese traffic in 1878 nos. 155, 158–159, 163; concerning. Japanese traffic nos. 147, 153, 162, 166.

[2] *Notification.* Concerning Chinese traffic in 1881 and 1882 nos. 212, 216, 218, 219, 223, 228, 230–231, 232, 236; concerning Japanese traffic 218, 221, 223, 224, 230, 234, 236, 239.

the Eastern Extension, were beset with the problem of cables breaking and causing interruptions to the service; the unreliability of the Eastern Extension's service to Australia, for example, aroused public criticism in Great Britain.[3] When the Eastern Extension's agent, Dunn, claimed in October 1881 that the cable between Shanghai and Hong Kong was worn out and that it was only a matter of time before it stopped working altogether, it was a rather exaggerated claim made out of hostility to the Great Northern's policy in China.[4] There are British sources available which reveal that the Great Northern was operating a satisfactory service. In a discussion on the state of the lines in the East in 1882 the Postmaster-General declared that the Great Northern offered an excellent service and had always given satisfaction to the public in this country by the manner in which it had transmitted their messages.[5] On the other hand the poor condition of the cables in the past was clearly recognized by the Great Northern's own management at a general meeting at the beginning of the 1880's. In a review of the activities of the company in 1882 it was noted that all the eastern cables had been broken for ten days, and that the longest interruption of service had been for 23 days between Vladivostok and Nagasaki.[6]

The problem which the Danish company had to face was both complicated and expensive. The duplication of the sea cables in the east was a major financial problem and the capital required was estimated at about two million pounds. This operation also meant a reduction in the profitability of the enterprise, since the amount of business could hardly be expected to double, at least in the near future. The situation was further complicated by the fact that a decision had to be reached fairly quickly since there was always the danger that interruptions in the service would bring new companies into the field.

The fact that the sea cable between Shanghai and Hong Kong was almost more of a liability to the company than an asset made the Great Northern's problem even more difficult to resolve. According to the 1870 agreement the Great Northern was obliged to transmit southwards on its Shanghai line messages received by the Eastern Extension's office and agents, but it would very much have preferred that all traffic between Japan and China went via Siberia. The Great Northern did indeed carry a certain amount of traffic between Africa, India and Japan via Hong Kong, but the volume of business was so small that the financial return was negligible. For these reasons the last thing the Great Northern wanted to do was to sink new capital in the service between Shanghai and Hong Kong.

The Eastern Extension maintained an entirely different attitude, since to them it was of the first importance to be able to operate a service between Europe and the Far East that was beyond criticism.

[3] *The Electrician*, March 4th, 1887 p. 375, a table showing for how many days each year from 1872–1881 the cable to Australia was broken. Information about this also in *Notification*.

[4] F.O. 17/1007 pp. 31–34 Dunn to Squier 26th November, 1881; p. 234 Dunn to Eastern Extension 25th April, 1882; p. 340 the founding of a new company for Hong Kong-Shanghai traffic (1882).

[5] F.O. 17/1007 p. 192 Postmaster-General to the Treasury 18th May, 1882.

[6] Description of the Great Northern's annual meeting, *The Electrician*, 12th May, 1883, p. 617.

In view of the capital required for new cables and the risks involved in the work, in the spring of 1881 the Great Northern prepared to negotiate an agreement with the Japanese and Chinese governments which, if accepted, would have provided some security for the enormous investments at least until the cost of the cables had been covered.

Negotiations with the Japanese government began with the subject of the work permit given to the company in 1870 which had not conferred sole rights to business between the Asian mainland and the islands of Japan. G.C. Bohr, the engineer who led the negotiations for the company, announced that the company's aim was to install duplicate cables between Nagasaki and Vladivostok, and Nagasaki and Shanghai; in seeking the government's approval for this the company also sought exclusive rights to lay cables and to conduct telegraphic business between Japan and the (Asian) mainland and between the islands nearest the mainland for a period of twenty years. The Japanese government was dubious about granting this latter point, but finally yielded, encouraged by the favourable attitude of the Foreign Minister and naval officials. Closely connected with this question was the Great Northern's offer to lay cables also between Japan and Korea with the idea that the Japanese government should negotiate with the Korean government for the necessary authority. Work on the line took place in an atmosphere of great confusion. The stations belonged to the Japanese government and the Japanese telegraph department in Nagasaki was in charge of operations but the Great Northern was represented in the same office 'in order to avoid misunderstanding'. Commitment to the Korean cable, the duplication of the old connections and conveyance of government business at half price were the conditions on which the Japanese government granted the Great Northern the 20 year monopoly which it sought. An additional provision was included in the clause concerning the time span (Art VI) whereby the period would be extended to 30 years if other governments who had an interest in these lines would for their part extend the privileges for a comparable period. This meant that if the Russian and Chinese governments, through whose lands the cable ran, at some point granted the company exclusive rights for not more than 30 years from the signing of the agreement, Japan would extend the agreement for a period not exceeding 10 years.

The agreement was signed on 28th December, 1882, initially to last until the end of 1902 and, in case of an extension, until the end of 1912.[7]

With these arrangements the Great Northern had committed itself to considerable financial obligations, but it had also assured its position in Japan. On the other hand the long-term concessions made by the Japanese government reflected Japan's adoption of a more vigorous policy towards Asia, of which the telegraph was a single facet.

Commenting upon the Tientsin line at a general meeting of the company in April 1881, Tietgen emphasised its importance from the Great Northern's

[7] Rigsarkivet. St. Nord. Telegraf 236 Journalnr. A7586 contains the agreement; *Det Store Nordiske 25 Aar* pp. 103–104.

point of view in stimulating the company's business.[8] He did not, however, say what he reported to the Danish *Udenrigsministeriet* in the name of the entire Board of Directors in August 1881, namely that the development of China's own national telegraph network was giving the company cause for concern for several reasons. Firstly, it could lead to Chinese competition along the coast between Shanghai and Hong Kong; secondly, as the Chinese network reached the country's border regions it could lead to connections being made between the Chinese telegraph and the lines of a neighbouring state, thus creating a situation in which international business was conducted away from the hands of the telegraph companies; finally, the third danger was that the development of China's own network might encourage new competition to run cables to the Chinese coast. In the face of all this the Great Northern had not remained inactive, so the report continued. Rather, since the Chinese business was one of its principal sources of income and such a large amount of capital had been sunk in the eastern service, the company had taken steps to secure its position in China.[9]

At the beginning of 1881 the Great Northern began to seek a virtually monopolistic agreement in China which would have given it some security against the threats referred to above. The discussions did not take place in Peking with the Tsungli Yamen or any other representative of the central government but in Tientsin with Li Hung chang (mentioned above) who was the founder of the China Administration and had had continuous contact with the Great Northern. Li was Commissioner of the Northern Ports and viceroy of Chihli Province, which gave him the rank of assistant governor. The Danes had reason to believe that if they managed to reach agreement with Li the Chinese government would subsequently ratify the agreement, trusting to Li's expert knowledge of the telegraph and also to his judgement where the defence of the northern region was concerned.

Jacob Henningsen acted as the Great Northern's spokesman, but George Bohr interrupted his European holiday to take part in the final stages of the negotiations. Unanimity was reached in the discussions and the following points were put on record for inclusion in the agreement.

1. That the Chinese Government guarantees to the Northern Company exclusive monopoly of their submarine cables already landed on Chinese territory. Should the Company desire to land other cables in China, the permission of the Chinese Government must first be asked and obtained. Within the period of 20 years from date, the Chinese Government will not allow any other company or any other person to land telegraph cables in the Empire including all foreign settlements and Formosa.
2. That within the same period of twenty (20) years the Chinese Government will not construct submarine cables or telegraph lines by land in opposition to any of the Company's cables in China. Where there is no competition with the interests of the Company, the Chinese Government will build lines at their pleasure.

[8] *The Electrician* 30th April, 1881 p. 313.

[9] Rigsarkivet. St. Nord. Telegraf 236 Journalnr. A7586 Great Northern to Udenrigsministeriet 16th August, 1881.

3. That should the Chinese Government in future decide upon establishing new telegraph lines, preference will be given to Northern, providing their terms are lower than those of competitors.
4. The Chinese foreign office and the two superintendents of trade shall be entitled for a period of 20 years to exchange telegrams with the Chinese ministers and consul-general residing abroad free of charges on the Company's cables in China, Japan and Europe.
5. That the Company's cables being connected with foreign countries by two routes, namely a southern via Hong Kong and a northern via Japan and Russia, the Chinese Government guarantees that when landed lines have been established in China, all telegrams to foreign countries handed in by the public, shall, if not otherwise directed by the sender, be transmitted by the northern route, it being the quickest.

On 7th June, 1881 Henningsen signed the agreement on behalf of the Danish firm. It took the form of a petition which was confirmed and made known for general guidance by Li the following day.[10] Since, however, the length and breadth of China was covered by the agreement, ratification was necessary. The company now took steps to obtain this, turning for assistance to the Russian diplomatic representation in China.[11]

If the Chinese government had ratified the concession it would have given the Great Northern a privileged position in a state inhabited by several hundred million people, which promised to grow into an important economic area. The concession would have pledged the Chinese government to forbid any person or corporation, except the Great Northern, to land telegraph cables anywhere in the Empire, although the government would retain the right to forbid even the favoured company to land any more cables. The second article bound the government to abstain from constructing submarine or land lines in competition with any of the company's cables in China and to prevent others from doing so. From the Great Northern's point of view the first article of the concession would also have been most important as it would in fact have safeguarded the company's activities in China, which up to that time had no clear official backing. In the second article of the concession the Chinese government undertook not to construct cables or telegraph lines in competition with any of the Great Northern's lines and the point was further stressed when it was mentioned that where there was no competition the Chinese government would build lines at their pleasure. On this point the Great Northern conceded a great deal, for it remained to be considered where there was competition and where there was not. The company was particularly concerned in this connection to prevent the Russian and Chinese telegraphs from joining up across the frontier, because if this happened the Vladivostok–Shanghai cable would encounter a formidable rival. Similarly by appealing to the concession the Great Northern could have prevented the

[10] A translation of the text of the concession is to be found in various sources, e.g. Rigsarkivet. St. Nord. Telegraf 236 Journalnr. A7586 and F.O. 17/1008 p. 34.

[11] Rigsarkivet. St. Nord. Telegraf 236 Journalnr. A7586 Memo from Great Northern to Udenrigsministeriet 25th March, 1882.

construction of a land line southwards from Shanghai along the coast, and another feature of the concession of great significance to the company was that if it was to build the Chinese telegraph it would receive large orders for the Copenhagen instrument factory and it would be able to appoint Danish staff to the service of the China Administration. The value of the concession to the Great Northern was reflected in the fact that Suenson, Bohr and Henningsen received Danish honours at the company's instigation and Tietgen declared it something exceptional.[12]

Without the immediate financial advantage of reduced rates for cables provided for in the agreement, it is difficult to see what precise advantage Li and his company expected from agreeing to the concession. It is conceivable that it provided protection against foreign competition during the early stages of the Chinese telegraph, since the Great Northern had to get Chinese government permission to lay new cables while the projects of other foreign companies could be rejected by reference to the agreement. But it remained an open question whether or not protection for Chinese enterprise could have been achieved with fewer ties. In any case soon after the concession was signed even Li himself began to regret that he had put his seal to it.

Very soon after the concession was signed it was apparently public knowledge to all those who might be regarded as interested parties, their interests being reflected in virtually unanimous opposition on the part of the Eastern Extension, the foreign trading community in China and the foreign ministries.

The Eastern Extension's concern over the Great Northern's successful manoeuvre had aroused speculation about the possible continuation of the Shanghai–Tietsin line via Peking and the Gobi Desert to Siberia. The point at issue was the joining of the Chinese and Russian lines and the realisation of an earlier plan, in which the Great Northern was not necessarily involved, except that it was known in London that Tietgen's concession from the Russian government in 1869 contained a clause about the organisation of traffic on the Kiachta line if the line was ever built. This line would have been the quickest and most direct route between Europe and China and, being a land line, would also have been cheaper than sea cables to lay and to maintain, thus putting the Eastern Extension at a serious disadvantage in the competition over tariffs on the Eastern traffic. For this reason alone it was dangerous to leave the Great Northern to conduct affairs in China by itself.

In the concession itself Article 5 posed an immediate threat to the Eastern Extension since it provided that China's unrouted traffic should be directed along the northern route; in this way the Eastern Extension would have lost in advance most of the business generated by the expansion of China's own telegraph.

Besides, the Eastern Extension had formally every right to be involved in the matter, since the Danes' action and the concession they had signed was in

[12] Rigsarkivet. St. Nord. Telegraf 236 Journalnr. A7586 Udenrigsministeriet's memo 26th November, 1881 and Great Northern to Udenrigsministeriet 10th December, 1881.

flagrant contradiction to the agreement which the two companies had made in 1870. According to the agreement the area between Hong Kong and Shanghai was a 'neutral district both as to land and sea telegraph lines, and neither of the parties hereto shall construct nor become directly or indirectly interested in or make working arrangements with any land or sea telegraph lines within such neutral district without the consent of the other of them.' This clearly meant that the district in question was to be worked for the joint benefit of the two companies with sharing of the receipts earned by the two systems.

Now, since the whole of China was involved, the Danish company should have consulted the Eastern Extension according to the agreement, and this they had failed to do. Since the request for ratification had already been lodged with the Chinese government – and perhaps already granted – the most urgent task for the Eastern Extension was to get the matter stopped in so far as it was still possible to do this. The question was by its nature one for the diplomats, and the Eastern Extension therefore needed the help of the British Minister in Peking.

On 11th June, a couple of days after Li and Henningsen had signed the concession, the Eastern Extension's Special Agent in China, Dunn, sent a copy of the text to his company and to Wade, the Minister in Peking. On 22nd June Wade reported the matter to the Foreign Office and in commenting on the agreement he quoted opinions to the effect that the Chinese only accepted this disadvantageous agreement in order to forestall the reactionaries who were intent upon preventing the construction of a telegraph system in China. Wade went on to say that the Chinese had been interested in the telegraph during the period of the conflict with Russia, but since then interest had waned. He thought that a similar thing had happened with the Chinese railways, which also faced an unpredictable future. Wade reported on the steps he had already taken, stating that he had written to the Tsungli Yamen ministers reminding them of the right granted to the British company in 1870 to certain agreed ports. He had received a rather evasive reply which suggested that the agreement had not yet been ratified.[13]

Besides diplomatic action the Great Northern's move also led to extensive discussions with the Eastern Extension. To gain time the Great Northern deliberately delayed delivering a copy of the text of the agreement to the Eastern Extension, unaware that the text was already known in London, and it was only on 16th August (1881) that the Eastern Extension received the text, although the Great Northern's representatives had verbally explained the matter in London.[14] At the beginning of July the Eastern Extension's policy took final shape: that the Great Northern should share in all its advantages on the same terms and in the same manner as provided in the existing agreement of 1870. In announcing this position the Eastern Extension promised at the same time to employ its political influence in China, if the Great Northern would agree to pooling of the profits.[15]

[13] F.O. 17/1007 pp. 1–9 Wade to Foreign Office 22nd June, 1881.

[14] F.O. 17/1008 p. 41 Erichsen to Eastern Extension 16th August, 1881; Cable and Wireless Board 29th June and 13th July, 1881.

[15] F.O. 17/1008 p. 39 Glover to Great Northern 8th July, 1881.

On this matter the Great Northern was, however, of a different opinion. It was not at all interested in the idea that the Eastern Extension, or any one else, should share the enormous spoils on which it was about to lay its hands. On 12th July, 1881 Erichsen denied that the concession would be contrary to the terms of the 1870 agreement and that in making this new agreement the Great Northern should have obtained the acquiescence of the Eastern Extension. Erichsen said further that the agreement was indirectly important to the Eastern Extension too, since it insured both companies against competition. If they set about trying to oppose the agreement in London, the British company would simply damage its own position.[16]

At the beginning of August Erichsen received instructions to write again to the Eastern Extension about the question, stressing once more his company's freedom of action in the matter, but explaining too that the concession's purpose was above all to get the company's telegraph operations in China legally authorised, a point which was a vital condition for the company.[17]

The Eastern Extension did not accept this view but continued to demand a share in the concession. To concede the point would have meant a really far-reaching loss to the Eastern Extension, since it would have become entirely dependent upon the Great Northern for its operations in China. One simple practical consideration was the Shanghai–Hong Kong cable, the abandoning of which at this time could have prevented the British from laying any cables in China at any time in the future.

In the autumn of 1881 discussions were held in London between representatives of both companies so that each company could present their point of view, but no agreement was reached.[18] When it began to seem likely that time would work in the Danes' favour the Eastern Extension, later in the autumn of 1881, turned to its government for diplomatic help.

In November 1881 the Eastern Extension's chairman, John Pender, paid a visit to the Foreign Office where he advised Granville, the Secretary of State, of the situation in China and his company's attitude to the problem. Pender also delivered a memorandum in which the monopolistic intentions of the Danish company were explained and in which the Foreign Office was asked to act to prevent the ratification of the concession, because Great Britain would have to look to the future of her considerable commercial interests and because – so he claimed – the Danish company was working entirely with the Russian government.[19] A formal demonstration of Danish-Russian collaboration was easy enough, since the letter Tietgen wrote to the Russian government in autumn 1869 about the Siberian concession came into the hands of the Eastern Extension via Dunn, and the company for its part sent a resumé of its contents to the Foreign Office. As it turned out the Foreign Office construed the anti-British attitudes conveyed in Tietgen's letter simply as a bait for the Russian Government, and saw in them nothing more serious.

[16] F.O. 17/1008 p. 40 Erichsen to Eastern Extension 12th July, 1881.
[17] F.O. 17/1008 p. 41 Erichsen to Eastern Extension 4th August, 1881.
[18] F.O. 17/1008 p. 41 and p. 43 mention the discussions.
[19] F.O. 17/1007 pp. 15–16 Pender to Foreign Office 9th November, 1881.

Still, on the same day that Pender visited the Foreign Office Granville telegraphed instructions to Wade as to how he should proceed. Wade was to take steps to prevent the confirmation of any monopoly over telegraphs which might be detrimental to the interests of British commercial enterprises in China.[20] In January 1882 when the situation was still unclear as to ratification of the agreement and the Estern Extension was continually asking for Foreign Office support, Granville noted at the foot of one of Pender's letters. '1. Our policy is clearly to resist Russian and Danish monopolies of telegraphic lines, and to urge the Chinese to keep all land telegraphy in their own control, 2. to support the rights of the British Company under their agreement of 1870, 3. to support the British Company's application for the concession between Hong Kong and Canton'.[21] The final item, of which there is a more detailed discussion later, was a plan which had to be hurriedly realised before the privileges possibly received by the Danish company should prevent it.[22]

The negotiations between Chinese officials and the Great Northern had aroused the interest of the Great Powers' representatives in China simply in connection with the Tientsin line, and reports had been filed, emphasising, however, the military nature of the enterprise.[23] After the Great Northern had obtained Li's signature to its petition and steps had been taken to get ratification, the United States Minister in Peking, James B. Angell, came to the fore amongst those who wanted to torpedo the agreement.

The United States Ambassador in China had good reason to be concerned. United States' interest in Far Eastern markets was growing and it was clear that the growth of trade would bring with it the need for direct telegraphic communication between the United States and Asia. If China granted long-term exclusive rights the result might be that if the worst came to the worst United States cables would be unable to reach China.

In June 1881 Angell too got his hands on the text of the concession, a copy of which he sent to Washington together with his own comments, in which he said that the draft had aroused more than mere surprise in Peking's diplomatic circles. The grant of wide-reaching exclusive rights to the Danish company was in conflict with United States' interests to such an extent that he had gained an audience with the Tsungli Yamen and presented his case. On this occasion the Tsungli Yamen first claimed ignorance of the details, or to be more precise, that Li had not communicated one line of it. Asked what he thought of the agreement Angell declared it his opinion that it would be a mistake for China both economically and politically, for just when China's economic life was taking a turn for the better a foreign company with the security of exclusive rights could impose high tariffs and prevent contact between China and the outside world. It would also be safer for China to be

[20] *ibid.* p. 20 Foreign Office to Wade 14th November, 1881.
[21] *ibid.* p. 23 entry 24th January, 1882.
[22] *ibid.* pp. 58–59 Pender's memo 24th January, 1882.

[23] *Foreign Relations of the United States 1881* p. 224 Angell to the Secretary of State 10th January, 1881.

linked to foreign powers by more than one or two cables. Finally Angell explained that the United States opposed in the strongest possible terms the monopoly provided for in the proposed concession: the people of the United States would soon be wanting to lay a cable from San Francisco via Hawaii to China and this would bring enormous benefits both to China and to the United States. Writing to Washington, Angell further announced that the German minister opposed the concession and had already discussed the matter with the Tsungli Yamen.[24]

In July 1881 Angell had at his disposal a letter of Li's which, somewhat evading the issue, explained that European powers such as Russia and France had also granted the Danish company long-term exclusive rights and to do so seemed in no way contrary to the practice of the western powers. In his own comment Angell added that Li had probably begun to realize that he had gone too far and too quickly, excluding even the central government from consultations on the subject beforehand. Dissatisfied with the reply he had received Angell continued discussions with the Chinese Foreign Ministry and drew up a memorandum for Li. In it he commented on the viceroy's reply, sought again to show how disadvantageous the proposed agreement was to China and adopted a new position, in that he sought an amendment to the concession, that it should not affect cables brought to China from the United States.[25] Angell's policy seemed to be having some success in late July and early August, and from the direction of the Tsungli Yamen he was given to hope that American interests could be safeguarded, but in the same month (August 1881) the question came to appear as uncertain as ever. Li's reply to Angell's memorandum was deliberately worded so obscurely that it could be interpreted in a variety of ways and in any case it gave no clear right to a potential American entrepreneur to bring a cable to the Chinese mainland. When things became no clearer Angell, underlining the importance of a direct telegraphic link between the United States and China, asked Li directly whether it was possible that an American company could have permission to terminate a cable coming via Hawaii in China. At the same time he asked for an explanation of other doubtful points in Li's memorandum.[26] Angell received no reply to this letter. From Li's point of view a reply would have been difficult since in effect Angell asked for the right to land an American cable in China, in itself a question of the utmost delicacy from the Chinese point of view and anyway contrary to the concession which had been signed. At the end of 1881 American diplomacy remained under a cloud of ignorance as to whether the agreement between Henningsen and Li had already been ratified and as to what rights, if any, the Americans might have to lay a cable to the Chinese coast.[27]

In the following year, 1882, the foreign diplomatic representatives found a very good reason for interfering in the matter of China's telegraphs.

[24] *ibid.* p. 275 Angell to the Secretary of State 20th June, 1881.
[25] *ibid.* pp. 279–280 Angell to the Secretary of State (appendix) 16th July, 1881.
[26] *ibid.* pp. 292–295 Angell to the Secretary of State 18th August, 1881.
[27] *ibid.* pp. 295–296, 299, 317–318, correspondence between Peking embassy and Secretary of State, 26th August, 10th September and 10th December, 1881.

In the summer of 1882 there appeared a fourth entrepreneur interested in the development of telegraphs in China, a group of foreign businessmen who began to plan a cable between Shanghai and Hong Kong via the coastal towns. The need for such a cable would have been obvious, for the Great Northern's cable reached only Amoy and there was no telegraphic link to any of the other coastal towns. Furthermore, a second cable was necessary to ensure that communication could be maintained during those periods when one cable was broken. The promoters of the new enterprise were the members of the Shanghai Silk Guild in company with local banks and firms, all of them groups to whom a connection between the Chinese coastal towns would have been important. The American Pacific cable and its advocate, Cyrus Field, were also mentioned in connection with the project.[28]

Although at the time countless rumours were going about China of different plans to lay cables, this time it was a question of a definite project. The commercial group left its application for a permit with the Chinese government in the early autumn, 1882, and at the same time asked the ambassadors of the great powers to support its application. From the ambassadors' point of view the new company and its cable would have been an excellent means of stifling the Great Northern's monopolistic schemes, and in discussions at the German embassy in Peking in October 1882 the Ministers of Great Britain, France, Germany and the United States agreed that they would each send the Tsungli Yamen similar semi-official notes supporting the application and also that the Ministers would verbally encourage the Tsungli Yamen to grant the company the permission which it sought. The Ministers' attitude was quite clear: no company or country should be given exclusive rights to telegraphic business within the Empire. The only minister who did not take part in the discussions and the decisions was the Russian Minister, whose interests lay in getting business for its Siberian line through the Great Northern.

Visiting the Tsungli Yamen at the end of October Great Britain's chargé d'affaires, Grosvenor, was given to believe that a reply to the request by the foreign commercial group could be expected within a few days,[29] and at the beginning of November he was officially informed by the Tsungli Yamen that the application for a work permit had been unsuccessful. The justification was that the subject lay in Li's jurisdiction and that this concession would be hard to reconcile with the Great Northern's rights. In their confused and evasive reply the Tsungli Yamen did offer one ray of hope, that it was intended to order the Great Northern to keep its line in working order and besides to keep an eye on the company's tariffs.[30]

At this juncture the four countries' representatives held a new meeting at the German embassy, on 14th November, the result of which was four more identical notes. They first observed that so far as was known the Chinese government had not yet ratified the agreement between Li Hung-chang and the Great Northern, and further that the Chinese government should not

[28] F.O. 17/1008 p. 58 Dunn to Eastern Extension 3rd August, 1882; 1009 p. 213 Dunn to Eastern Extension 31st October, 1882.

[29] F.O. 17/1007 pp. 334–341 Grosvenor to Foreign Office 29th October, 1882.

[30] F.O. 17/1007 pp. 359–365 Grosvenor to Foreign Office 10th November, 1882.

ratify the said agreement, since it was contrary to Chinese interests and violated the rights of other countries. The diplomats also insisted that they wished the Great Northern all success as far as it was able to achieve it in open and fair competition, and they had no intention whatsoever of harming the company, but the granting of a monopoly to a single foreign country was unreasonable and the new enterprise sponsored by the commercial community should be given the opportunity to operate. In their lengthy reply the ministers tried to show that the Chinese government's explanation was generally poor.[31]

The Tsungli Yamen did not reply further to this note, nor grant the sought-after permit. Even before the Tsungli Yamen's original reply Grosvenor had discussed the matter with the German minister who had predicted the nature of the Tsungli Yamen's reply and encouraged Grosvenor to work towards ensuring that the Great Northern would not be granted permission to land its new cable in Hong Kong. Brandt's attitude and undoubtedly the whole drift of events led Grosvenor to urge the governor of Hong Kong to reject any possible applications from the Great Northern for new cables.[32]

From the end of 1881 onwards there was a general feeling of uncertainty in diplomatic and telegraph circles as to whether or not the concession had been ratified. The Chinese government kept the facts to itself and gave evasive or downright misleading replies to all questions. Henningsen too was unclear as to the fate of the treaty: in December 1881 he discussed the question of the ratification with Li, who assured him that the Tsungli Yamen had ratified the agreement. Henningsen then observed that it did not look as though this were the case and in March 1882 he sent the viceroy a letter in which he said that there was every indication that the Tsungli Yamen refused to ratify and publish the concession, and that no announcement had been made about it even though the Great Northern had been transmitting Chinese government telegraphs free of charge. Since the question was of such enormous importance to his company Henningsen again asked for the immediate ratification of the agreement and the announcement of the ratification to the foreign ministers in Peking.

In acting thus Henningsen behaved in a way that was detrimental to his own interests. In his stiffly worded letter he also mentioned that the Great Northern's representatives had got information about a proposed Chinese government line from Tientsin and Peking to Vladivostok. This line would clearly be contrary to the terms of the concession and, according to Henningsen, would also be scarcely profitable. If China joined its lines to the Russian telegraph and began competing with the Great Northern, the result would be that the Great Northern would have to reduce its rates and there would be a price war benefiting only the Russian government, since it would

[31] F.O. 17/1007 pp. 366–377 contains note (14th November, 1882).

[32] F.O. 17/1007 pp. 349–352 Grosvenor to Foreign Office 29th October, 1882; p. 355 to Governor of Hong Kong, the same day.

thus get business on its Siberian Line which would otherwise reach Europe via India. Henningsen further requested that Li should confirm in writing that neither the Chinese government nor indeed anyone else would build land lines between China and Russia for a period of twenty years, in accordance with the terms of the concession which had been signed. He also referred in his letter to the proposed telegraph link between Canton and Hong Kong and asked the viceroy to give a permit to a private Chinese company to operate this, at the same time urging the Chinese government to take measures to assume control over all telegraph lines to be built in the Empire, in the same way as had been done in most of the countries of Europe.[33]

A copy of the letter fell into the hands of the officials of the Eastern Extension, who passed it on to London where it finally reached the Foreign Office.

Two factors explain the halting of the ratification process. Soon after the signing of the agreement Li had begun to doubt the expediency of his action and his uncertainty was increased by the attitude of the foreign ministers, especially Angell. Since the business was uncongenial to him he did very little to get the agreement ratified and at about the same time conservative forces in Peking government circles raised the question as to whose responsibility it was to decide generally about such matters of communication as the telegraph and the railways.[34] In the course of time the China Administration developed its own plans just when the Danish company's representatives, displaying remarkably little tact and diplomacy, began to act as Li's arrogant advisors, making him more distrustful than ever and creating a situation in which Li tried to save face as far as circumstances permitted.

Besides this, as the ratification was ever delayed, the Great Northern began to make claims about how far the concession bound the Chinese government even though they had not ratified it. The legal work was given to Professor F. de Martens of St Petersburg University in 1882. In his confidential 40-page report on the subject Martens concentrated on discussing two questions: 1) whether the Chinese government generally had the right freely to terminate the telegraph in view of international agreements made by the government (eg. the 1858 Treaty with its supplement of 1868) and because of the exterritorial rights governing foreigners and 2) whether the 1881 concession was binding on the Chinese government.

To both questions Martens replied in the affirmative. In the international agreements which China had signed there were no clauses which could prevent the Chinese government from freely making agreements on telegraph matters; on the contrary in agreements between China and the United States it was clearly stated that China had that right.[35]

[33] F.O. 17/1007 pp. 307–316 Eastern Extension to Foreign Office 10th August, 1882, Henningsen's letter included (March 1882).

[34] F.O. 17/1007 pp. 43–44 Dunn to J.A. Gott 7th December, 1881, pp. 66–67 Dunn to Eastern Extension 8th December, 1881.

[35] The 1868 additions (Treaty of Trade, Consuls and Emigration 28th July, 1868) to the 1858 Treaty stated:

The positive reply to the second point was based on precedent, since generally in Asia and China assistant governors could sign documents which were legally binding and obligatory to the state. In Martens' opinion when Li Hung-chang set his seal to the concession this was binding on the Chinese government by virtue of his position as Superintendent of Trade for the Northern Ports.

Martens' statement was printed and was used in various subsequent discussions with Chinese officials.[36] There is, however, no indication that the Chinese approved of Martens' opinion, or indeed that they paid it any attention.

The Eastern Extension did not remain a passive observer of the changes in the organisation of the Chinese telegraph system; rather it too began to embark upon a more active policy to strengthen its own position. One positive measure at the beginning of 1882 was the decision to connect Hong Kong to Canton by means of a submarine cable.[37] Canton was one of those treaty ports to which the Eastern Extension held the right to take its cables under the terms of the permit obtained by Wade in 1870. The decision now to take up that right stemmed from the fact that negotiations with the Great Northern were showing little sign of progress and, in any case, it was essential for the company to establish a connection in the south with the China Administration's Shanghai-Canton line and with the other internal lines in China, since otherwise there was a considerable danger that the greater part of the Chinese traffic would fall into the hands of other companies. Moreover, Canton was perhaps the most important commercial city in southern China, so that there was also a real commercial need for the city to be connected to the international network. Calculations as to the profitability of the cable were greatly strengthened by the fact that the Portuguese government was planning to connect its colony, Macau, to Hong Kong, which meant that all business between the colony and the Chinese mainland would take place via Hong Kong.[38]

Article I His Majesty The Emperor of China, being of the opinion, that in making concessions to the citizens or subjects of foreign powers of the privilege of residing on certain tracts of land, or resorting to certain waters of that empire for purposes of trade, he has by no means relinquished his right of eminent domain or dominion over the said land and waters . . .
Article II The United States . . . and the Emperor of China . . . agree that any privilege or immunity in respect to trade or navigation with the Chinese dominions which may not have been stipulated for by treaty, shall be subject to the discretion of the Chinese Government and may be regulated by it accordingly . . .
Article VIII The United States, always disclaiming and discouraging all practices of unnecessary dictation and intervention by one nation in the affairs of domestic administration of another, do hereby freely disclaim and disavow any intention or right to in the domestic administration of China in regard to the construction of railroads, telegraphs or other material internal improvements. On the other hand, His Majesty the Emperor of China reserves to himself the right to decide the time and manner and circumstances of introducing such improvements within his dominions . . .
(Malloy, *Treaties, Conventions, International Acts, Protocols and Agreements between the United States of America and other Powers* Vol. I pp. 234–236.)

[36] Published in Copenhagen in 1883
[37] Cable and Wireless. Board 11th January, 1882.
[38] F.O. 17/1008 p. 50 Dunn to Hewlett 6th April, 1882.

The Eastern Extension also considered that the plan for a cable between Hong Kong and Canton was not contrary to the terms of the 1870 agreement with the Great Northern, since Canton was in the area south of Hong Kong where the Great Northern was to be inactive.[39] As far as agreements were concerned its importance lay in the fact that if the Eastern Extension could begin operations in Canton this would provide a de facto answer to the concession its rival was hankering after.

In January 1882 Pender informed the Foreign Office of his company's decision to lay a cable to Canton and asked for diplomatic support to get confirmation of the 1870 landing permit in Canton.[40] This was not difficult to obtain, and in April 1882 Wade told London that the Tsungli Yamen had confirmed the validity of the earlier agreement.[41] In the agreement it was assumed that Canton government officials would settle the direction of the cable and its point of landing with officials of the Eastern Extension.[42]

The Eastern Extension's plan for a line from Hong Kong to Canton was in direct conflict with the Wa-Hop Co's plan. In March 1882, immediately after its foundation, the Chinese Canton company had applied to the governor of Hong Kong for permission to lay and operate its cable.[43] The Governor recommended its acceptance, but Wade, the Colonial Office and the Foreign Office were in favour of its rejection for the sake of protecting British interests, and the Governor received instructions from London to reject the application.[44] From the Eastern Extension's point of view it was not merely a question of a rival venture, for it was suspected that the Wa-Hop Company was a cover for the Great Northern and that the granting of a landing permit in Hong Kong would simply mean yet one more step towards the Great Northern's goal complete control over all telegraphs going to and from China.[45] There was a still greater need for circumspection in that in 1881–2 the Great Northern had established a strong position in the Hong Kong telephone business by setting up a system for the local administration and it had also obtained the right to operate on its own account in the colony. In February 1882 the company also got the rights to telephone communications between Victoria and Kowloon.[46] There was thus a danger that if a Canton company connected Canton and Kowloon it could take messages to their destination by telephone. On the instructions of the Colonial Office the local Hong Kong government therefore cancelled its licence to the Great Northern for the Kowloon line in the summer of 1882, before the cable was laid.[47] As regards the Wa-Hop Co's application the Hong Kong government said that for the time being it would not give any official reply, but the company's

[39] Art. 3: 'The Northern Company shall not extend their lines by sea or by land south of Hong Kong, nor connect, nor make working arrangements with or become directly or indirectly interested in any telegraph lines by sea or land south of Hong Kong'.

[40] F.O. 17/1007 pp. 47–63 Pender's memo and letter to Foreign Office 24th January, 1882.

[41] F.O. 17/1007 p. 68 Wade to Foreign Office 2nd February, 1882.

[42] F.O. 17/1007 pp. 72–73 Pender to Foreign Office 8th February, 1882.

[43] C.O. 129/198 p. 43 Hennessey to Colonial Office 4th March, 1882.

[44] C.O. 129/198 p. 47 Colonial Office to Hennessey 9th March, 1882.

[45] F.O. 17/1008 p. 85 Pender to Colonial Office 7th December, 1882.

[46] C.O. 129/197 pp. 508–542 contains documents; for the telephone cable to Kowloon see also F.O. 17/1007 p. 125 and pp. 223–226.

[47] F.O. 17/1007 pp. 219–221 Colonial Office to Foreign Office 2nd June, 1882.

directors were given to understand that the granting of the licence would depend upon co-operation between them and the Eastern Extension.

The local administration in Canton proceeded in exactly the same way. In discussions in March and April 1882 about taking the cable to Canton the Viceroy of Kwantung said he was afraid that conditions on the Canton River would make it extremely difficult to safeguard the cable and cause a lot of problems for the Canton Officials. For these reasons the cable should be taken as a land line for as far as possible, and since the Canton company had already been given permission to build a line to Kowloon it was natural, according to the Viceroy, that the Chinese and British companies should work together. The Viceroy no longer withheld the granting of a licence to the Chinese company.[48] In forcing the matter to negotiations between the companies the Viceroy and his officials had avoided saying where the cable was to start and they had protected their own position, at the same time reserving for themselves the chance to appear friendly and to lament that the companies were unable to settle the matter between themselves.

The Eastern Extension would have been willing to co-operate, but not the Wa-Hop Co. Their directors were angry that the British company was interfering in an area where they had supposed themselves to have good prospects. Moreover, in August 1882 the management of the Wa-Hop Co. were officially informed by the Hong Kong government that their application for permission to land a cable had been refused, though no reasons were given.[49] The indignant Cantonese could thus righteously proclaim that the British were asking for something which they themselves were unwilling to give.[50] The Peking government's permission showed itself de facto to be worthless, and in a letter to the local Kwantung administration Ho-Amei, the director of the Wa-Hop Co., openly suggested that the government was granting foreign companies permission to land cables in China without demanding comparable rights for itself from foreign powers, and it was proper that if the British company was given permission to bring a cable to Canton the Wa-Hop Co. should have the right to take its cable to Hong Kong. Ho-Amei also explicitly declared that he had no wish to co-operate with the Eastern Extension for the time being.[51]

In the autumn of 1882 when the Eastern Extension had been trying without success for six months to accomplish the practical arrangements for bringing its cable to Canton it adopted a more radical stance and, with reference to the permission received from the Tsungli Yamen, quite categorically announced that it was going to lay the cable.[52] The announcement was now like water off a duck's back. At the beginning of November Hewlett, the Consul, tried once again to find out from the Viceroy

[48] F.O. 17/1008 p. 51 Dunn to Pender 10th April, 1882, p. 52 Hewlett to Dunn 14th April, 1882, p. 52 Viceroy to Hewlett 11th April, 1882.

[49] F.O. 17/1007 p. 326 Eastern Extension to Foreign Office 24th August, 1882; 1008 p. 70 Viceroy of Kwangtung to Hewlett 7th October, 1882.

[50] F.O. 17/1008 pp. 62–63 Ho-Amei's letter to General Pang 7th September, 1882.

[51] Cable and Wireless Board, 5th October, 1882; F.O. 17/1008 pp. 67–69 correspondence between Dunn, the Canton consul's office and the Viceroy's office, October, 1882.

[52] F.O. 17/1008 p. 71 Eastern Extension to Dunn 21st October, 1882, p. 88 Dunn to Eastern Extension 7th November, 1882.

exactly what was required before the cable could be laid, but in vain. The situation remained at deadlock. At the beginning of the following year both companies completed cable connections for as far as was possible on the authority of their local officials, that is, the Eastern Extension from Hong Kong to Kowloon and the Wa-Hop Co. from Canton to Kowloon; but the lines were not connected, and the next stage in the Canton to Hong Kong line was only accomplished after wide-ranging discussions about the position of the Eastern Extension in China.

3. The 1883 agreement between the Great Northern and the Eastern Extension

The discussions which began in the summer of 1881 between the Great Northern and the Eastern Extension over their operations in China had not produced any results by the following February. When, half way through February, talks were again broken off without agreement having been reached, Pender wrote a long letter to Erichsen to the effect that since the Danish company was not willing to share the agreement the Eastern Extension had no alternative but to seek assistance in the protection of its interests in China. At the same time though, Pender did say that he still felt the best solution would be for both companies to work loyally together in obtaining for their mutual advantage all the benefits that might be anticipated when China was more open to Western civilization.[1] Erichsen replied with a proposal that he should invite the Managing Director of his company to come to London and take part in a general discussion of the position of both companies.[2] Pender had nothing against this, and Suenson arrived in London at the end of February. Reporting to the Foreign Office that discussions were again taking place Pender suggested that since it represented a small power, the Great Northern would probably stand more chance of gaining advantages in China than an English company.[3] This meant that the Eastern Extension was likely to gain otherwise unobtainable advantages by working through the Great Northern. It was a policy whereby the Great Northern was in practice at least as much a tool for British purposes as for Russian, and which was later openly acknowledged by agents of the Eastern Extension.[4]

On 8th March Pender informed the Foreign Office about a draft agreement which he and Suenson had eventually and with great difficulty drawn up at

[1] Cable and Wireless Board 11th January and 25th February, 1882; F.O. 17/1008 p. 43 Pender to Erichsen 17th February, 1882.

[2] F.O. 17/1008 p. 43 Erichsen to Hesse 17th February, 1882.

[3] F.O. 17/1007 pp. 93–94 Pender to Foreign Office 8th March, 1882.

[4] e.g. F.O. 17/1007 p. 236–239 Dunn to Eastern Extension 25th April, 1882: 'Chinese know that Northern Company is a hired tool to work Russian purposes. Why should England whose interests are old and serious be kept out of China in some important ways by Danes whose political interests are anglophobe and whose commercial interests are ham, butter and cherry brandy.'

the end of their discussions in London. The discussions had been based on the assumption that the Chinese government had ratified the agreement between Li and Henningsen. Both the negotiators considered it extremely likely that the ratification would take place, in view of the Viceroy's assurance to Henningsen in December 1881 that this would happen. Great Britain's political support could be counted upon if the companies could reach agreement. In fact, however, both the negotiators knew that up to that time the concession had not yet been ratified.

The outcome of the discussions between Pender and Suenson was a draft agreement comprising seven clauses. In the first clause it was anticipated that the privileges granted to the Great Northern would have to be established to the satisfaction of the Eastern Extension as well. The second and third clauses concerned the arrangements for payments on the Hong Kong–Shanghai line, stating that between 1882 and 1886 the Eastern Extension had gradually to give up its income from this line. The fourth clause was crucial. It permitted the Great Northern to construct telegraph lines in China and Japan entirely at its own expense, but if the company also began to operate these lines or made any agreements concerning business on these lines, the agreements were to be shared as far as the clauses concerning traffic were concerned so that the Eastern Extension should obtain half the benefits. In the fifth clause the Great Northern was given the right to build a land line from Shangai to Hong Kong as a private venture, in response to the demand for a new cable. The sixth and seventh clauses concerned various details about how payment was to be made when cable connections were broken and what would happen when the Chinese government line or the American Pacific line began to compete for business.[5] The difference between this and the 1870 agreement was obvious. China was no longer divided into privileged areas and instead the Great Northern was given the right to extend its activities there provided that the Eastern Extension got an equal share of the spoils.

The draft agreement was laid before the boards of both companies for inspection and approval. The board of the Great Northern rejected it, objecting especially to the sixth clause which would have entitled the Eastern Extension to use the Chinese government's projected aerial cable between Hong Kong and Shanghai, at the Great Northern's expense, for through traffic on occasions when the sea cable was broken. The Great Northern would thus have been held responsible for transmitting all cables between Shanghai and Hong Kong even when only one telegraph line was in working order. Suenson had not approved of this demand even during the negotiations in London since his company had no cause to pay for the Eastern Extension's business, but he nevertheless consented to the matter being presented to the board of directors. In correspondence in March and April 1882 Erichsen said that his company should pay for their own business when the submarine cable was broken, but in response to the Eastern Extension's attitude the Great Northern suggested that when it was necessary

[5] F.O. 17/1007 pp. 96–101 Heads of suggestions for proposed agreement (London 1st March 1882).

to resort to using the aerial cable the costs should be borne from the submarine cable's joint purse, and since the Eastern Extension's business from Shanghai southwards was greater than the Great Northern's business from Hong Kong northwards the suggestion was in the Danes' opinion reasonable, to say the least.[6]

The Eastern Extension did not, however, agree, and at the beginning of May announced in writing that the amendment was not acceptable.[7] After this unsuccessful conclusion to their discussions a correspondence ensued between the companies consisting for the most part of assurances that they wanted to co-operate. At the beginning of May Erichsen verbally suggested certain concrete proposals to the Eastern Extension, but these were considered so illusory in Winchester House that the Directors were not prepared to re-open the matter on their account.[8]

In June 1882 the Great Northern took steps to obtain diplomatic support in London via the Danish foreign ministry. In instructions sent to London on 13th June the ministry described the concession won in the previous year, stressed the services done to China by the Great Northern, explained the situation regarding the Hong Kong–Canton line and bemoaned the Eastern Extension's attitude. The immediate objective was that the Foreign Office should give up its opposition to the Canton line and that the British government should abandon its opposition to the ratification of the 1881 concession.[9] Three days later Falbe delivered a semi-official note on the subject to the Foreign Office, setting out these points.[10] In a wide-ranging reply mid-way through July the Foreign Office in turn gave a thorough account of the matter to the Danish Ambassador in London, stating that the main cause of the difficulties was the Danish company's actions contrary to the 1870 agreement. There was no possibility of agreement coming any closer by diplomatic means, and the ministries left the companies to discuss the subject between themselves.[11]

On the 2nd July the Eastern Extension made a new move, suggesting that both companies should co-operate in immediately laying another cable between Shanghai and Hong Kong. The Great Northern laid down the condition that in accordance with the 1870 agreement the cable should belong to them and should be in their care, and that the officials operating it should be Danes. This the Eastern Extension could not accept, but demanded on the contrary that the cable should belong to them and that the officials should be appointed by the Eastern Extension. As a compromise the Great Northern suggested that the Hong Kong end of the cable should be the responsibility of the Eastern Extension and the Shanghai end their responsibility, but the Eastern Extension would not accept this either and at

[6] F.O. 17/1008 p. 46 Erichsen to Hesse 26th April, 1882.
[7] F.O. 17/1008 p. 46 Hesse to Erichsen 3rd May, 1882.
[8] F.O. 17/1008 p. 48 Hesse to Erichsen 18th May, 1882.
[9] Rigsarkivet. St. Nord. Telegraf 236 Journalnr. A7586 Udenrigsministeriet to Falbe 13th June, 1882.
[10] F.O. 17/1007 pp. 241–242 Falbe to Foreign Office 16th June, 1882.
[11] F.O. 17/1007 pp. 270–286 Foreign Office to the Danish Legation 16th June, 1882.

that point things became stuck once more at the end of the summer.[12]

Renewed contact was established between the companies in November 1882 with Pender's suggestion that Suenson should come to London to discuss some new ideas. Ways around the problem were then discussed by local representatives in London, by correspondence and finally on 16th November in Boulogne, where Pender met Tietgen who was returning from Paris. Pender particularly stressed the urgency of a settlement, and talked of the cable proposed by the trading companies. He emphasised that if their companies did not soon return to a co-operative framework for their activities in China the positions they had established for themselves would slip away to other entrepreneurs who were already appearing on the scene. Tietgen was in no hurry to agree with him, seeing no serious danger and arguing that no tradespeople were in a position to organise a telegraph. Besides, if the traders did lay a cable, the Great Northern and the Eastern Extension could reduce their tariffs so as to make the new cable an unprofitable enterprise, and then buy up the cable cheap. Tietgen thought that the best solution was to build a land line between Shanghai and Hong Kong and he argued that it was his company's right to do this under the terms of the 1870 agreement. It was also claimed in correspondence from the Great Northern that before the possibility of the Chinese traders' cable enterprise had presented itself, the company had decided to duplicate the Shanghai–Hong Kong line, if possible by land but if this was found impracticable, by sea. Pender, however, strongly contested the Great Northern's right to build a line to Hong Kong and claimed that the Great Northern had not offered the commercial public a satisfactory service. A new cable was to be laid and it was to belong to the Eastern Extension, and the Eastern Extension were to have their own office in Shanghai. Pender enquired why the Great Northern was unwilling to accept the Eastern Extension's proposals. Tietgen promptly replied that the Great Northern feared that some of the business which currently went via Russia would shift to the Indian route if the Eastern Extension built the cable, and this would be financially disastrous for his company. The Danish company considered the question so important that they would be willing to withdraw from Hong Kong altogether if they could only have a free hand for their activities in Northern China.

Eventually hard-won understanding was reached in Boulogne when Pender offered to amend the basis of the joint purse arrangement so that it would make no difference to the Great Northern whether Shanghai business was sent via Russia or India.

In the first clause of the new draft treaty provision was made for the duplication of the Shanghai–Hong Kong cable by the Eastern Extension. The second clause considered the conditions for relating the new cable to the Shanghai–Hong Kong joint purse. In the third clause Japan was included in the through traffic arrangements. The remaining clauses were mostly concerned with technical details and the relationship between this draft and

[12] Rigsarkivet. St. Nord. Telegraf 236 Journalnr. A7586 Suenson to Udenrigsministeriet 10th February, 1883; references to the subject also in correspondence on the Boulogne negotiations.

the earlier agreements. Tietgen also proposed that the companies should together try to buy the Chinese telegraph line between Shanghai and Tientsin, an idea which was left for consideration later since the present technical condition of the line was unknown.[13]

The Great Northern's board reacted to the preliminary agreement in a way which surprised the Eastern Extension. On 24th November, 1882 a letter arrived from Copenhagen, signed by the Director, G. Hansen, conveying a request from Tietgen to see the correspondence relating to the landing rights in China. Until this was done, he said, the matter could not be placed before the Great Northern's board. Since, however, no time was to be lost his company had decided to make plans immediately for duplicating the Shanghai–Hong Kong cable, if possible connecting Foochow.[14]

Before the Boulogne discussions the Great Northern had written to the Eastern Extension saying that it would be necessary to have clarification of the rights the British companies had obtained for their operations in China.[15] This was not, however, prompted by the Boulogne draft (or any other particular papers) but by the General Northern's measures elsewhere and by the overall review of the situation carried out in Copenhagen.

In October 1882 the Great Northern's Special Agent in China, Henningsen, moved to Tientsin and then to Peking in an attempt to have the concession ratified. However, Li now declined to take any official steps whatsoever in the affair and even declared that he was considering withdrawing his signature. Taken aback at the way things were moving and knowing too that the Tsungli Yamen would confirm the work permit given to the British in 1870, the Great Northern tried to get the viceroy's co-operation by other means, namely by urging the political and strategic benefits which would accrue to China if they built – with the company's help – a land line between Shanghai and Hong Kong. The suggestion was nevertheless rejected. As a last resort, therefore, the Great Northern announced to the Chinese government and, as stated above, to the Eastern Extension, that it would carry out the duplication at its own expense.[16]

The Great Northern was guided in its dealings with the Eastern Extension by the desire to prevent the latter's cable being laid between the two cities. If the Great Northern succeeded it would mean a useful precedent as regards the 1881 concession; if on the other hand the Eastern Extension laid its cable, their position would be correspondingly weakened. China's own line or the Great Northern's cable would have met the demand and by making an Eastern Extension cable no longer financially viable forced the company to abandon its plan. Far more was at stake from the Great Northern's point of view than simply the loss of income discussed at Boulogne.

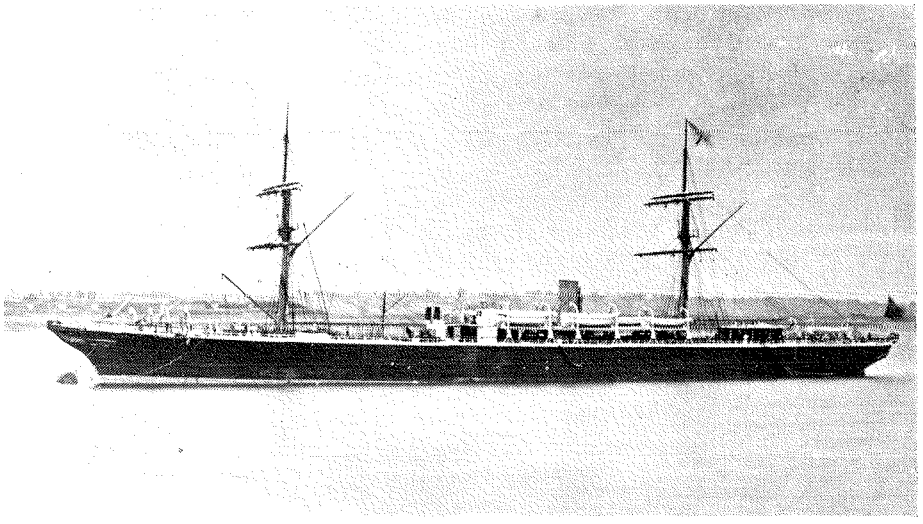
Four days after receiving Hansen's letter Pender, putting the finishing touches to some hurried preparations, sent his reply. In it he declared that he

[13] Cable and Wireless. Board 1st, 15th and 29th November, 1882; F.O. 17/1008 p. 72 Suenson to Erichsen, a copy of which went to Pender 8th November, 1882, pp. 5–7, Report of the Meeting of the Chairmen, 16th November, 1882.

[14] F.O. 17/1008 pp. 8–9 Hansen to Pender 24th November, 1882.

[15] F.O. 17/1008 p. 72 Suenson to Pender 8th November, 1882.

[16] Rigsarkivet. St. Nord. Telegraf 234 Journalnr. A7586 Suenson to Udenrigsministeriet 10th February, 1883.



Cable and Wireless

c/s Scotia, 3900 tons, built in 1862 and wrecked at Guam in 1904. Together with c/s Sherard Osborne laid the Foochow – Shanghai cable in 1883.

had been amazed at the contents of the letter, in particular at the information that the Great Northern intended to lay a cable, an action in direct contravention of the Boulogne resolutions and one his company could not approve of. Pender ironically complemented Tietgen on finally realizing the need for prompt action to forestall the opposition cable, since at Boulogne he had treated this as of little importance.[17]

Pender had needed the intervening four days to convene an emergency meeting of the Eastern Extension board and to decide on how to deal with the situation. On 29th November the Eastern Extension board decided on immediately laying the submarine cable from Hong Kong via Foochow and Swatow to Shanghai. They would use a cable just completed by the Telegraph Construction and Maintenance Co., intended for use between Suez and Aden. The fact that the Eastern Extension could immediately lay their hands on the materials needed was very much to their advantage at this point.[18]

1st December saw the race begun in earnest. Erichsen was instructed to inform the Eastern Extension that his company had made an agreement for the production of the cable.[19] On receipt of this information Hesse immediately replied to Erichsen that the Eastern Extension was starting to lay a cable from Hong Kong to Shanghai, via Foochow.[20] On the same day

[17] F.O. 17/1008 pp. 10–12 Pender to Hansen 28th November, 1882.

[18] Cable and Wireless, Board, 29th November, 1882. The agreement to lay the cable to the East instead of in the Red Sea: Chinese Agreements No. 6 (23rd December, 1882).

[19] F.O. 17/1009 p. 210 Erichsen to Hesse, 1st December, 1882.

[20] Cable and Wireless, Eastern Extension, Board 13th December, 1882; F.O. 17/1009 p. 210, Hesse to Erichsen 1st December, 1882.

still Pender gave the Foreign Office a letter explaining what was happening and Dunn in the East was informed of the Great Northern's attitude and the Eastern Extension's reaction.[21]

On 3rd December discussions were held at the Foreign Office between Julian Pauncefote, the Under Secretary for Foreign Affairs, Thomas Wade and Pender. Pender announced that since it was apparently impossible to work in co-operation with the Great Northern his company had decided to lay a new line along the Chinese coast. He asked the Foreign Office through its minister to inform the Chinese government that the Eastern Extension now intended to take up its 1870 licence. Pauncefote and Wade supported Pender's position and Pauncefote, with diplomatic responsibility for the decision, added to the instructions to Peking the words, 'to protect British interests in China'. Pauncefote considered the matter so important that he ordered a telegram to be despatched to Grosvenor at once.[22]

The Chinese government confirmed the Eastern Extension's earlier licence without difficulties. The cable left London on the c.s. Scotia on 31st December, 1882 and it was planned to start laying the cable in the middle of February, 1883.[23]

At the beginning of December the Board of the Great Northern had to admit defeat, at least as far as timing was concerned, and they reviewed the whole situation in the light of events. They saw two possible courses of action, the first of which was based on the observation that if the Eastern Extension's new Shanghai–Hong Kong line operated outside the joint purse this would be contrary to the 1870 agreement which had been reached with a view to avoiding competition between the two companies. In the next round of discussions the Danish company's representatives strongly emphasized that the Eastern Extension was breaking the 1870 agreement with its plan for its own cable, and they took legal advice in London as to whether the Great Northern could possibly use the agreement to prevent the Eastern Extension from laying the cable. Their legal advisers held that this was a possibility, but pointed out that since it was a bilateral agreement the Eastern Extension could also veto the Great Northern's plans for a cable.

The other course was to use diplomatic channels. In December and early January Falbe met Pauncefote and Currie to ascertain the attitude of the Foreign Office. As far as the Foreign Office was concerned the Chinese government had granted the Eastern Extension permission to carry out operations in certain harbours, and this they intended to do. It was intolerable to the British that all telegraph connections in China should be in the hands of a foreign company, especially one which worked in such close conjunction with Russian interests, and the Foreign Office was therefore in

[21] F.O. 17/1009 p. 211.

[22] F.O. 17/1008 pp. 1–3, 14–21 correspondence and Foreign Office's cable to Grosvenor 3rd December, 1882.

[23] Cable and Wireless, Board 10th January, 1883; F.O. 17/1008 pp. 196–197 Eastern Extension to Foreign Office 27th December, 1882. Request for the landing of the cable in Hong Kong to the Colonial Office 11th January, 1883; permission obtained 19th January, 1883 (F.O. 17/1008 pp. 233–235).

support of the Eastern Extension's action. The Foreign Office also let it be understood that the Great Northern's new cable would not be admitted to Hong Kong unless the companies worked out an agreement.[24]

The diplomatic setbacks encountered in both Peking and London proved to the Great Northern that it stood no chance of duplicating its line between Shanghai and Hong Kong. Besides, by confirming the Britons' right to take a cable to Canton, the Tsungli Yamen had already weakened the 1881 concession as early as February 1882.

When the situation was reviewed in Copenhagen it seemed that the best course was to abandon open opposition, since this would have damaged the company's reputation in China, and to try to prevent the laying of the cable on legal grounds. An attempt at co-operation had still, however, to be made and it was not hard to choose between the Eastern Extension and a group of local merchants, since supporting the latter would be a step into the unknown.

Early in 1883 discussions were opened in London with diplomatic support. Both sides accepted in principal the conclusions of the Boulogne meeting although Wade on behalf of the Eastern Extension made some economic concessions to the Great Northern.[25]

Formally the agreement was an extension of the 1870 and 1875 agreements. The Eastern Extension's new cable was to be under the control of the company while belonging to the common business and the two cables were to come under a newly-established joint purse, distinct from the rest of the companies' business. The gross receipts of the purse were to be divided equally between the companies after the Great Northern and the Eastern Extension had received respectively £15,000 and £14,000 from the till. On certain conditions the Eastern Extension would pay the Great Northern a further £25,000 per year from its share of the joint purse. The Danish company reserved the right to establish a receiving office in Foochow and Swatow if it so wanted, while the Eastern Extension established an entirely independent office in Shanghai. As far as territory was concerned it was agreed that Southern China should belong to the Eastern Extension's sphere of interest and Northern China to the Great Northern's. There were no longer to be any neutral districts. All messages via India or Siberia to and from China, Japan and Europe (except Russia) or sent via Europe were to belong to the joint purse. Both companies paid Frs. 6.50 per word into the joint purse, which was clearly far more advantageous to the Great Northern than the 1875 agreement, which set the rate at Frs. 3.90 per word. From the Eastern Extension's point of view the main result was that the company received on principle an equal share in the agreements that the Great Northern had made in 1881 and 1882 with Chinese officials and the Japanese government, although certain limits were set to the Eastern Extension's rights in respect of Japan. Conversely, the Great Northern was

[24] Rigsarkivet. St. Nord. Telegraf 236 Journalnr. A7586 Suenson to Udenrigsministeriet 10th February, 1883.

[25] Cable and Wireless. Board 10th January, 1883. Mention of Wade's part in Pender to Dunn, 15th January, 1883: F.O. 17/1009 p. 249; F.O. 17/1008 p. 219 Currie's memorandum 4th January, 1883, p. 229 Pauncefote's memorandum 10th January, 1883.

entitled to whatever benefits the Eastern Extension managed to obtain in the Far East. With an eye to the future it was stipulated that neither party was entitled to take any steps towards gaining new concessions or privileges from the governments of Great Britain, China or Japan except on the basis of a joint agreement. The Great Northern reserved the right to build lines for other authorities but could not build them for the company's own business. The agreement, intended to remain in force until 1912, was signed by the Boards of both companies on 12th January, 1883.[26]

At the same time Suenson delivered a declaration to the Eastern Extension, that the Great Northern would remain entirely passive if disagreement arose between the Eastern Extension and the Chinese government when they tried to reconcile the permission granted to the British government in 1870 and the concession granted to Suenson's company in 1881.[27]

To console itself for the defeat it had suffered the Great Northern, through Falbe, tried to obtain three assurances from the Foreign Office after the agreement was signed: 1) that the government of Great Britain, having been deeply involved in the matter, would in future support the Danish company not only with the Chinese government but with other governments (except Russia) too, 2) that the government would lend its support towards getting the 1881 concession ratified and 3) that it was not in the British interest to undermine the aforementioned concession further than had already happened, since there was no clash of interests between the companies on this point. In the course of discussions with Pauncefote, Falbe tried to get a written guarantee from the Foreign Office of the British government's support in these matters, but Pauncefote observed that the government could not be expected to give a private company this kind of guarantee. He pointed out, however, that since the companies had signed an agreement with each other it was in the British government's interest to support the Great Northern just as much as the Eastern Extension. Falbe was obliged to find satisfaction in this.[28]

In February 1883 there were still hopes in Copenhagen that nothing would come of the Eastern Extension's new cable along the Chinese coast. These were based partly on the difficulties which the Eastern Extension had encountered in landing the cable in Shanghai, partly on the development which was taking place in China's own telegraph. Although barely six months earlier Li's China Adminstration had rejected the Danish proposal for a land line between Shanghai and Canton, the idea had now been adopted and the line built. The other question was the possible realisation of the Kiachta line, a serious financial threat as far as the companies were concerned. Falbe presented these points to Pauncefote in accordance with his instructions from Copenhagen, but obviously without enthusiasm, since what was involved here was the profitability of a private company rather than the

[26] Cable and Wireless. Board 10th and 24th January, 1883; Chinese Agreements No. 7.

[27] Rigsarkivet. St. Nord. Telegraf 236 Journalnr. A7586 Suenson to Eastern Extension 12th January, 1883.

[28] Rigsarkivet. St. Nord. Telegraf 236 Journalnr. A7586 Falbe to Udenrigsministeriet 17th January, 1883.

interests of a government.[29] Besides, by that time the fate of the Danes' Woosung line, to be discussed later, was already a problem looming up and diverting attention from other areas.

Throughout the discussions the Board of the Great Northern had kept in contact with St Petersburg as well as London. In spring 1882 Suenson discussed the duplication of the sea cable and related financial matters with the Russian Minister of Finance, Bunge, and the Minister of Internal Affairs, Tolstoy. The discussions were concluded on 14th July when an agreement was signed whereby the Russian loan promised in 1876 was commuted to a grant payable over 30 years and all Russia's concessions to the company were renewed until 1912, while the company committed itself to duplicating its eastern cables.[30] When the agreement was made between the two companies in January 1883 Minister Kiær informed the Russian government, and assured the Russians that although it had been essential to make concessions the company would do its best to safeguard the Russian government's economic interests in the business between Europe and Asia.[31]

[29] Rigsarkivet. St. Nord. Telegraf 236 Journalnr. A7586 Suenson to Udenrigsministeriet 10th February, 1883, Udenrigsministeriet to Falbe 23rd February, 1183, Falbe to Udenrigsministeriet 14th March, 1883.

[30] *Det Store Nordiske 25* Aar pp. 102–103.

[31] Rigsarkivet. St. Nord. Telegraf 236 Journalnr. A7586 Udenrigsministeriet to Kiær 23rd February, 1883.

III. GOVERNMENTS, COMPANIES AND COMMUNITIES IN CHINA, 1883–1902

1. The Eastern Extension's new lines and The Great Northern's position

While discussions were going on in Copenhagen and London the Eastern Extension set about obtaining landing permission for its cable coming from Hong Kong. According to the 1870 agreement the company was only allowed to extend its cable as far as a hulk in the anchorage for foreign ships. The company was no longer satisfied with this modest concession but demanded the right to bring its cable right on to land. This was essential to the company which found it impossible to accept that the Eastern Extension should have its station on a boat while the Great Northern was already on dry land.

On 27th December, 1882 the Eastern Extension's ship Sherard Osborne left Singapore for Chinese waters to lay the cable between Hong Kong and Shanghai, working with the c.s. Scotia, which came from Europe. On the same day as the Osborne left, Pender applied to the Foreign Office for diplomatic aid in obtaining landing rights for the cable.[1] At the beginning of January, 1883, Grosvenor took action, and gave the Tsungli Yamen a semi-official note proposing that the 1870 concession should be interpreted in such a way that the British cable could be taken onto land near Shanghai and at the intervening harbours. Grosvenor supported his proposal with three arguments. In the first place, he claimed that as far as the parties granting the concession were concerned it was only a formal distinction whether the cable was to be landed actually on shore or brought onto a hulk moored close to the shore, but it was a very serious distinction to those who were being given the concession. Secondly Grosvenor said that the Chinese were already familiar with the telegraph and there was no reason to suppose that the cable would cause unrest or that it would be intentionally damaged. Grosvenor finally mentioned that the Great Northern had earlier been granted landing permission at Hong Kong provided that the company did not have a monopoly in China. In view of this, if the Eastern Extension was not given permission to take its cable onto Chinese soil it could mean the cancellation of the Great Northern's rights in Hong Kong, especially since

[1] F.O. 17/1009 p. 228 Pender to Foreign Office 27th December, 1882.

Cable and Wireless

c/s Sherard Osborne, 1481 tons, built in 1878. Together with c/s Scotia laid the Foochow Shanghai cable in 1883 and the Hong Kong – Foochow and Hong Kong – Macau cables in 1884.

the British government's cable policy was reciprocal. As long as the British company was denied landing rights, Chinese companies could not expect corresponding rights in Hong Kong or in any British territory.[2]

The Eastern Extension planned to end the sea section of its cable in Woosung and to connect it by a land line to Shanghai, just as the Great Northern did. After their January agreement the Great Northern began to oppose the Eastern Extension's plan because it wanted the two wires to use the one cable. The reason for this offer was partly that this would at long last have legalized the Danish line. When the British explained their plans for the line from Woosung to the Chinese they were reminded that the Danish line had never received any kind of licence. The Danes were perfectly aware of this. In a letter to Erichsen written during the winter of 1883, for example, Suenson said that they should try to keep the line although it had never been officially recognised.[3] If the Chinese had now given the British permission to use the wires from Woosung to Shanghai it would have signified recognition of the Danish line and official Chinese acceptance of what had already happened, and far more besides. The sword of Damocles which hung over the affair continued to be the promise given to the Russian government about the Kiachta line. In the winter of 1883 the Chinese officials let it be understood that the Great Northern line would have to be removed and that the British should not count upon getting anything in its place.[4]

Around 20th April the Tsungli Yamen gave orders for the destruction of

[2] F.O. 17/1008 pp. 257–262 Grosvenor to Foreign Office 6th January, 1883.
[3] F.O. 17/1008 p. 478 Suenson to Erichsen in an undated letter.
[4] F.O. 17/1009 pp. 327–332 Hughes to Foreign Office 21st April, 1883.

the Danish line between Shanghai and Woosung. At this point the Great Northern turned to Great Britain for diplomatic support. The Danish minister in London, Falbe, was instructed to go to the Foreign Office and discuss the question with Philip Currie. The outcome was that on 26th April the Foreign Office sent the following instruction to Grosvenor and to P. J. Hughes, the consul in Shanghai: 'Do what you can to prevent the removal of the Northern line'.[5] The Foreign Office thus gave the Danes its support. It was in any case to the advantage of the European community in Shanghai that the cable should operate, and for as long as possible. The Eastern Extension were informed of the Foreign Office position. Pender shared the view that it was proper to help the Great Northern wherever possible.[6]

The Chinese government did not let the matter rest. At the beginning of May the Tsungli Yamen threatened that if the Great Northern did not itself pull down the line it had built 10 years earlier instructions might be sent to the Taotai to demolish the line without delay. The Tsungli Yamen's letter also referred to the fact that as long as the Danes had their cable he could not refuse to grant similar rights to other treaty powers. He also observed that operations in the interior of China were the exclusive right of the China Administration.[7]

Faced with such an unequivocal declaration the Danes had no alternative but to withdraw, and the matter was finally settled so that the Great Northern sold its line to the China Administration and rented to it part of the Woosung station. The agreement stipulated that the company's connection between Shanghai and Woosung should remain as it was, and in addition to the three wires already carried by their telegraph poles the company was to install three more. The Great Northern also gave up its local business between the coast and Shanghai, and this passed into the control of the China Administration.[8]

This arrangement was at least to the Great Northern's good in recognizing the company's operations in Shanghai and Woosung. At the same time the Chinese government had again extricated itself from a situation in which a foreign company had a line on Chinese soil.

In January 1883 Grosvenor had discussions with Chinese officials who showed themselves particularly unwilling to accept any new interpretation of the 1870 agreement.[9] They openly admitted that China was just developing her own telegraph and that the British line would be in competition with China's Overland line.[10] Later in January Grosvenor was given an official reply to his note. In it the Chinese government, justifying its position, announced that it wished regard to the 1870 concession as null and void. And yet if the British company still wished to lay a cable in Chinese waters

[5] F.O. 17/1009 pp. 358–359 Falbe to Foreign Office 26th April, 1883; pp. 354–356 Foreign Office to Grosvenor, Hughes and Falbe 26th April, 1883.

[6] F.O. 17/1009 pp. 368–369 Pender to Foreign Office 27th April, 1883.

[7] Cable and Wireless. Specially printed agreement, containing references to correspondence. Governor of Kiangsoe province to Taotai of Shanghai, approx. 2nd May, 1883, Taotai of Shanghai to Acting Consul of Denmark, W. Paterson, 3rd May, 1883.

[8] *Copies of Licences* pp. 45–48. The Agreement 19th May, 1883.

[9] F.O. 17/1008 p. 236 ff Grosvenor to Foreign Office 19th January, 1883 (with enclosures).

[10] F.O. 17/1008 pp. 269–273 Hughes to Foreign Office 24th January, 1883.

the work was to be carried out strictly according to the terms of the 1870 concession.[11] In addition the Chinese also rejected proposals to connect the sea cable to China's internal network.[12] The Eastern Extension's annoyance was increased when it came to seem unlikely that they would even succeed in bringing the cable as far as the hulk since local officials began to place all kinds of obstacles in the way of the company, mentioning the lively river traffic and the trouble officials would have in protecting the cable. The Taotai of Shanghai was also unable to indicate a place where the hulk could be anchored.[13]

By setting up these practical difficulties the local officials played into the hands of the Eastern Extension. Since it was not possible to get the cable into Shanghai harbour it would obviously have to be landed along the coast. At the beginning of February, 1883, in the face of the Tsungli Yamen's refusal, the Chinese were pressurized in three ways: Dunn approached Sheng, Grosvenor approached the Tsungli Yamen and Wade approached the Chinese ambassador in London. While this was going on c.s. Scotia berthed in Hong Kong with its cargo waiting for some decision to be reached and causing the company a loss of £300 a day.[14]

After tough negotiations things began to turn in the companies' favour. First of all the Tsungli Yamen let it be understood that permission might be given to land the British cable if the Eastern Extension could reach agreement with the China Administration. This change of attitude led Dunn to propose to the Tsungli Yamen that the Eastern Extension's submarine cable should be landed at Woosung and that the company should build a 4-wire line between Woosung and Shanghai. This it would surrender without compensation to the China Administration on condition that the Eastern Extension could keep two wires for its own use for an agreed period and on agreed terms. Sheng, for his part, accepted the proposal, although he wanted the cable to be landed further away from Shanghai on the Yangtze Cape, opposite Gutzlaff Island where the Great Northern had earlier had an important operation.[15] In February – March 1883 Dunn and Sheng reached agreement on the terms of the agreement and it was signed on March 31st.

The text first stated that the Chinese government had abandoned its earlier demand that the cable should terminate offshore and was now willing to allow it to be brought onto the mainland. Telegraphs would be transmitted between Shanghai and the Yangtze Cape along Chinese lines and the Eastern Extension would not be able to establish its own office in Shanghai, but would have to work in the Chinese company's office. The British line would

[11] F.O. 17/1008 pp. 290–292 Grosvenor to Foreign Office 27th January, 1883, containing Tsungli Yamen's reply (pp. 294–306).

[12] F.O. 17/1008 pp. 399–400 Grosvenor to Foreign Office 9th February, 1883.

[13] F.O. 17/1008 p. 310 ff. various letters and memos on subject; 408, 429–438 Grosvenor to Foreign Office 9th February, 1883.

[14] F.O. 17/1008 p. 311 Foreign Office to Grosvenor 5th February, 1883; p. 399, 404–406 Grosvenor to Foreign Office 9th February, 1883; p. 471–472 Pauncefote's memo 22nd February, 1883.

[15] Cable and Wireless. Board 21st February, 1883; F.O. 17/1008 pp. 452–454 Hughes to Foreign Office 13th February, 1883, 504 Hughes to Grosvenor 28th February, 1883, 511–512 Judd to Hughes 20th February, 1883; F.O. 17/1009 p. 4 Hughes to Foreign Office 1st March, 1883, p. 260 Dunn to Eastern Extension 1st March, 1883.

actually begin at Yangtze. Sheng's second stipulation was that the Eastern Extension would not use the rights it had been given by diplomatic grant in some of the treaty ports, mentioning by name Wenchow, Amoy, Foochow, Swatow and Canton. Accepting the exclusion of Canton would also have meant the Eastern Extension abandoning its plan, already mentioned, to take a cable to Canton. On the contrary the draft of the agreement already implied a provision for the Wa-Hop Company to take its cable to Hong Kong since it referred to arrangements for giving the Chinese company a place to work in Hong Kong.[16]

The agreement failed to receive support. The viceroy of Nanking doubted whether the results would prove acceptable, and in London too the Eastern Extension rejected the outcome of the discussions. In Pender's opinion building the line to Yangtze would take too long, and he was not willing to withdraw from the treaty ports despite Sheng's offer that all international telegraphs from anywhere South of Foochow should go to the Eastern Extension in Hong Kong so long as business in the treaty ports was left in the hands of the China Administration.[17] The situation called for further negotiations and discussions. These were held by Grosvenor and Dunn, both of whom were to make use of a long and apparently useless memorandum prepared by the Foreign Office adviser, Wade.[18] The main aims of the China Administration's Directors were financial, and they were not deeply moved by feelings of nationalism as Wade supposed.

In the negotiations which followed the Tsungli Yamen was not entirely opposed to the idea of amending the agreement, and proposed initially that the cable should end in a ship in Woosung, where it could be connected to a land line.[19] In April 1883 the Tsungli Yamen's position was moderated still further with the announcement that it would not oppose the cable actually being brought onto land in Woosung if the Eastern Extension could settle this arrangement with the China Administration.[20] After this, agreement was reached relatively quickly. The earlier agreement signed on 31st March was kept in force, but modified so that the Shanghai line should be brought onto land at Woosung and linked to the China Administration's Shanghai–Woosung line which would be built from the Yangtze line station. Two wires of the Woosung line were to be for the exclusive use of the Eastern Extension. As for the southern ports, it was agreed that the Eastern Extension could choose either Foochow or Swatow, terminating the cables there on board a hulk moored clear of the port. This article of the treaty was still to be placed before the Tsungli Yamen and the British minister for discussion and agreement.

[16] F.O. 17/1010 pp. 8–13 contains agreement; F.O. 17/1009 p. 116 Hughes to Foreign Office 2nd April, 1883.

[17] F.O. 17/1009 pp. 86–87 Hughes to Foreign Office 27th March, 1883; pp. 327–332 same, 21st April, 1883; pp. 266–284 correspondence between Foreign Office, Eastern Extension, Grosvenor and Hughes, March 1883. Cable and Wireless. Board 7th March, 1883.

[18] Cable and Wireless. Board 18th April and 2nd May, 1883; F.O. 17/1009 Wade's memo p. 286.

[19] F.O. 17/1009 p. 52 Hughes to Foreign Office 13th March, 1883; pp. 66–67 same, 13th March, 1883.

[20] F.O. 17/1009 pp. 293–296 Grosvenor to Foreign Office 15th April, 1883.

The Eastern Extension's Special Agent J.G. Dunn and Superintendent Walter Judd signed the amendment on 7th May, 1883.[21]

During the discussions and negotiations the new cable had been laid from Hong Kong to the Yangtze delta, whence its connection to Shanghai was carried out promptly and as early as 23rd May, 1883 the Eastern Extension line from Hong Kong to Shanghai was opened to business, thereby providing the second submarine cable link between the two cities.[22]

With the Woosung question settled, the Eastern Extension turned its attention to the Foochow cable, the alternative it had opted for. The Foreign Office tried to get the China Administration and Chinese officials to come to a quick decision on the question by offering the Chinese the right to open their own offshore telegraph stations in Singapore and Penang.[23] Besides this, in their negotiations with local officials the company's representatives referred not only to the May agreement but also to the Danish station in Amoy. The allusion proved particularly injurious to the Great Northern, since the immediate consequence was the same as in Woosung: the Taotai of Nanking instructed the Great Northern to remove its line and its station.[24] Again the Great Northern turned to the Foreign Office for help, and in semi-official discussions in London the armed defence of the cable was also mentioned. The British were clearly on the Great Northern's side in the matter. In the Foreign Office Currie noted on his memorandum, 'I think we ought to do what we can to help the Danes'.[25] The closure of the cable would have been a precedent and quite clearly in conflict with the promise given to Raasløff in 1875 and with Li's concession of June 1881. Although the significance of both of these was debatable, both nevertheless carried Chinese signatures. Closing down the telegraph would also have caused a great deal of trouble to merchants in Amoy and nearby towns just at the beginning of the tea season.

On 16th May, 1883 the Foreign Office sent Grosvenor a telegram instructing him to defend the Danish cable, and in accordance with this he sent the Tsungli Yamen a semi-official note on the subject.[26] In reply the Tsungli Yamen announced that it was intended to place all foreigners on the same footing, and there was no reason why the Danes should be excepted. Grosvenor believed that the Tsungli Yamen took this position without enthusiasm and he guessed that in fact it owed more to the policy of the Taotai of Nanking than to instructions from Peking.[27] There was no

[21] F.O. 17/1009 pp. 415–416 Hughes to Foreign Office 9th May, 1883. Agreement and amendments in collection, Copies of Licences, pp. 42–45.

[22] Cable and Wireless. Board 30th May, 1883; F.O. 17/1009 p. 84 Hughes to Foreign Office 28th March, 1883, pp. 470–475 correspondence between Eastern Extension and Foreign Office 23rd – 26th May, 1883.

[23] F.O. 17/1009 pp. 393–394 Foreign Office to Grosvenor 1st May, 1883.

[24] F.O. 17/1009 pp. 426–427 Consul at Amoy, Forrest, to Grosvenor, 13th May, 1883 (Enclosures pp. 429–434).

[25] F.O. 17/1009 p. 459 Currie's memo 16th May, 1883.

[26] F.O. 17/1009 pp. 459–462 Foreign Office to Grosvenor 16th May, 1883; pp. 481–496 Grosvenor to Foreign Office 29th–31st May, 1883.

[27] F.O. 17/1010 pp. 2–3 Foreign Office to Erichsen 2nd June, 1883.

explanation to be found as to how far the promotion of the China Administration's own service influenced the closing of the Danes' Amoy station.

However, Amoy officials did not led the matter rest, but on 16th October, 1883 the Taotai instructed the Great Northern to transfer its station to a hulk. The situation in Amoy became very tense with the refusal of the Danish consul to pass the instruction on to the company. The Great Northern once again turned to the Foreign Office, through Falbe.[28] Help was unhesitatingly given, and Grosvenor was told to proceed on the instructions he had earlier received. At the end of November, when the problem still continued unsolved, Grosvenor was exhorted to keep urging his application on behalf of the Great Northern, and Britain's new minister in Peking, H. Parkes, was also instructed to defend the cable.[29] The Foreign Office adopted such a vigorous position over the Amoy question for two reasons. At that very time the Eastern Extension was trying to obtain permission for a station in Foochow, and the expulsion of the Great Northern would have had serious repercussions for this undertaking. Secondly, the Foreign Office believed that the Danish company was actually entitled to operate in Amoy. In a statement approved by Granville it was explicitly declared that the Danes' rights to the Amoy station derived from the fact that it had already been in operation for ten years and in the past the Chinese officials had given it their sanction.[30]

The Chinese did not decide to take forceful measures against the Amoy station, and there things rested for the time being. But in this affair too the Chinese had a long memory, as the Great Northern was once again to learn.

While British diplomacy was at work in China trying to defend the Danish telegraph station in Amoy the Eastern Extension tried to complete its practical arrangements in Foochow. Things proceeded very slowly, however, and local officials blamed the delay on the absence of instructions from the central government, among other things.[31] Nevertheless operations began without the Chinese cancelling the clause concerning Foochow altogether and on its own initiative the Eastern Extension set up its telegraph station on a hulk anchored at Sharp Peak, 30 kms away from the town. The receiving station was placed in Nantai, Foochow's European quarter, and the connection between the boat and the station was maintained by a steam launch.[32] Throughout the summer attempts were made to reach agreement with the Foochow officials about connecting the Eastern Extension cable to the local Chinese line at a point on the White Dogs islands, but without

[28] F.O. 17/1010 pp. 168–169 Falbe to Currie 9th November, 1883, referring to information received from Great Northern's director, F.C.C. Nielsen.

[29] F.O. 17/1010 pp. 170–171, 188 Foreign Office to Grosvenor 10th and 22nd November, 1883, to Parkes pp. 186–187 22nd November, 1883.

[30] F.O. 17/1009 pp. 459–462 Foreign Office to Grosvenor 16th May, 1883.

[31] F.O. 17/1010 p. 15 Foreign Office to Grosvenor 11th June, 1883, pp. 45–47 Grosvenor to Foreign Office 19th June, 1883.

[32] Cable and Wireless. Joint reports pp. 138–139; Board 27th June, 1883; F.O. 17/1010 p. 49 Pender to Foreign Office 19th June, 1883.

success. On the initiative of the company and of the Foreign Office Grosvenor made some inquiries in Peking, and at the beginning of August he was able to report that the Tsungli Yamen was willing to refer a proposal to land cables at White Dogs (White Fort) to the viceroy at Foochow, but declined to recommend the scheme. The Tsungli Yamen would agree, if the viceroy did.[33] Ultimate responsibility was once again being shifted onto somebody else's shoulders, this time to Fukien government officials.

Although the viceroy at Foochow opposed the British telegraph he was pressurized by Peking into at least allowing the discussions which the Eastern Extension's agent held with local officials and with the China Administration about moving the telegraph station from the hulk onto dry land. In November 1883, after six months of discussions, a draft agreement between the Eastern Extension and the China Administration, the so-called Foochow agreement, was drawn up. In the proposed agreement the Chinese side first set forth with great deliberation the reasons why the company was to be allowed on shore: the hulk was in a dangerous place, especially during the typhoons, and there were no other suitable anchorages near Sharp Peak. Fukien's high officials therefore recommended to the Tsungli Yamen that since the China Administration had come to an agreement with the Eastern Extension the British company should be allowed to bring its cable ashore and should be allowed to rent a 'small' building for its telegraph operations. From this place separate Chinese lines would connect the cable to Foochow. The proposed agreement included tough sanctions to be applied if, contrary to the terms of the agreement, the British attempted to take their wires further than the coast: the company would lose all its rights in China and would never be able to re-establish them. According to the agreement the Eastern Extension was to have abandoned its demand for new landing places in China and, furthermore, it was to have promised to support the China Administration's applications for landing rights in Singapore and Penang, if necessary.

The proposed Foochow line differed in two quite important points from the Shanghai arrangement. It was not allowed to join the Eastern Extension and the Chinese line from Sharp Peak to Foochow, but the two lines were to be kept apart and messages between the stations were to be sent by a transmitter. The second difference was that the Eastern Extension was not allowed to establish its own station at Foochow, but had to operate only on the coast at Sharp Peak.[34]

Having spent six months negotiating Dunn recommended that the company should approve the agreement, which he considered to be the best solution that could be reached.[35]

The Board of the Eastern Extension did not, however, agree with him, and rejected the proposed treaty, mainly because of the indirect connection to

[33] F.O. 17/1010 pp. 59–63 Pender to Foreign Office 21st June, 1883, Foreign Office to Grosvenor 22nd June, 1883. pp. 85–86 Foreign Office to Grosvenor 4th August, 1883, pp. 87, 90–91 Grosvenor to Foreign Office 16th August, 1883.

[34] F.O. 17/1010 pp. 246–255 contains draft of text.

[35] F.O. 17/1010 pp. 276–293 contains Extension's internal correspondence. Dunn's recommendation 23rd November, 1883.

Foochow and the fact that the company's station was confined to the coast at Sharp Peak.[36] In January 1884 Pender wrote to the Foreign Office that if they accepted the terms offered by the Chinese the Europeans in Foochow would be left at the mercy of the Chinese: it was better to wait and see and try to come to a better agreement. In any case the arrangements for the Nantai station, with the messenger launch and the station itself on a hulk, worked better than the system now being proposed.[37]

At the beginning of 1884 Parkes and Dunn tried to negotiate in Peking and Shanghai to obtain better terms for the Eastern Extension, but the Chinese stuck firmly to the opinion that the company had already received all that was reasonable in Foochow. The representatives of the China Administration absolutely opposed adopting there the arrangements accepted in Shanghai. The fact that for political reasons an anti-foreign, and particularly anti-British, feeling was gaining force in China at this time made things yet more difficult for the British. When no progress was made over Foochow the Eastern Extension considered giving up its Foochow business altogether and opening a station in Padoga, but the plan was abandoned on Parkes' and Dunn's advice: there was no reason whatsoever to suppose that the company could get better terms elsewhere.[38]

The key to the solution was found in a series of negotiations between Parkes and Li Hung-chang. Li commented that the Eastern Extension could at least try the viability of the Foochow treaty for one year. Pender was ready to do this on condition that he could have one company representative in the Chinese Sharp Peak station and one in the Foochow office. If the arrangement worked, he would be ready at the end of the year to consider a more permanent implementation of the proposed agreement.[39]

Dunn and the China Administration reached agreement on this basis on 17th October, 1884. The Eastern Extension's representatives were simply to see that messages for the Eastern Extension were not being neglected or delayed.[40] In this way the Foochow boat and the Foochow question were removed from the Eastern Extension's list of urgent problems in October – November 1884, and the line from Nantai to Sharp Peak was opened to business in April 1885,[41] with only a minor alteration having been made to the original Foochow agreement.

The agreement made on 31st March, 1883 concerning traffic between Shanghai and Woosung also referred to traffic between Canton and Hong Kong. The fifth article of the agreement stated that the China Administration would have their land line from Canton to Hong Kong connected with the Eastern Extension's line in Hong Kong, and arrangements would therefore be made similar to those agreed upon for Shanghai. The seventh article stated that if the Chinese telegraph department wanted to set up an electric

[36] F.O. 17/1010 pp. 287–288 Eastern Extension to Agent in Foochow 23rd November, 1883.
[37] F.O. 17/1010 pp. 243–244 Pender to Foreign Office 23rd January, 1884.
[38] F.O. 17/1011 pp. 20–24 Dunn to Eastern Extension 16th April, 1884, p. 25 Dunn to Eastern Extension 26th May, 1884.
[39] F.O. 17/1011 pp. 26–27 Pender to Dunn 27th May, 1884.
[40] Cable and Wireless. Board 29th October, 1884; Copies of Licences pp. 49–51.
[41] Cable and Wireless. Board 29th April, 1885.

telegraph office in Hong Kong it was to be organised along the same line as the British office in Shanghai.[42]

As far as the projected connection between Canton and Hong Kong was concerned, during 1882 and 1883 the Governor of Hong Kong was instructed by the Colonial Office not to grant a work permit to the Wa-Hop Company to bring its cable to Hong Kong, and likewise the Kwantung local government did not grant the Eastern Extension a work permit for its cable. In these same years, however, both companies started laying cables towards the towns in question. In accordance with a permit granted on 31st May, 1882 the Eastern Extension laid a cable from Hong Kong to Victoria, and with the help of the Great Northern the Wa-Hop Co. built a land line from Canton to the coastal village of Ko-Wa near Kowloon.[43] The Chinese line went into operation on 9th July, 1883. Since the Wa-Hop Co's line did not yet extend as far as Hong Kong, telegrams were carried the intervening distance by a special steam launch which worked to a regular time-table.

The first Hong Kong telegram to go by this route was sent by the colony's governor, George Bowen, congratulating the viceroy of Canton on the accomplishment of this great Chinese enterprise. The governor was quite sincere in his congratulations, since in a report to the Colonial Office he also recognized the achievement of the Wa-Hop Co., saying that the line had been successfully carried out by a Chinese company under Chinese management. The governor likewise informed London that the European community at Hong Kong had welcomed the new line with great satisfaction.[44]

The question after this was whether the Wa-Hop Co. was to be given permission to bring its own cable to Hong Kong and to open its own office in the town. The governor of Hong Kong had last rejected an application from the Wa-Hop Co. for landing rights at the end of February, 1883. After the Eastern Extension and the China Administration had signed the agreement discussed above, Bowen asked the Colonial Office for guidance should the Chinese company renew its application for landing rights in the light of the new agreement, and he was told to send London news of all relevant proposals.[45]

On 9th July, 1883, the Canton company put in another application for a landing permit. As instructed the governor sent the application to the Colonial Office together with statements from the Eastern Extension's Superintendent in the East and from the Hong Kong General Chamber of Commerce as well as his own views on the matter and his observations concerning the attitude of the European community.

Walter Bullard, the Eastern Extension Superintendent, said in his statement that so far the Wa-Hop Co's directors had made it impossible to connect the British and Chinese cables in Kowloon. According to the agreement Chinese telegraphic business was to be put on the same footing in

[42] F.O. 17/1010 pp. 8–13 contains agreement.
[43] F.O. 17/1008 p. 55 Agent to Eastern Extension 31st May, 1882.
[44] Cable and Wireless. Board 11th July, 1883; C.O. 129/210 pp. 302–327 Bowen to Colonial Office 12th July, 1883.
[45] C.O. 129/210 pp. 336–339 Bowen to Colonial Office 12th July, 1883.

Hong Kong as the Eastern Extension's connection to Shanghai and whatever comparable arrangements the Foreign Office might negotiate with the Chinese in Singapore and Penang. The Chinese therefore were entitled to join British lines at the frontier and to operate on the premises of the British telegraph company's station. If the Wa-Hop Co. was granted the new permit, it would have greater rights than the Eastern Extension had received from the Chinese government and the China Administration.[46]

The Hong Kong General Chamber of Commerce clearly supported the Canton company's application. The Wa-Hop Co. had asked them for backing and promised favourable tariffs, thus evoking their support. The attitude of the Hong Kong Chamber of Commerce showed that the European trading community in the East considered it dangerous to have few telegraph companies with near-monopolistic rights and it was prepared to support other enterprises for the sake of competition.[47]

In his own statement the governor of Hong Kong stated that there were no local reasons why the licence should not be granted, and indeed the colony hoped the line would be opened. However, he understood that there might be objections on the ground of Imperial and international policy. As for Bowen himself, though, there was no doubt that he supported the application.[48]

Nevertheless serious discussions were held with the Wa-Hop Co. in London. The Colonial Office asked for a statement from the Foreign Office, who in turn discussed the matter with Pender. In discussions on 3rd September the Assistant Undersecretary of State Affairs, Philip Currie, stated that Britain could not refuse China similar privileges to those granted to the British when laying the cables at Woosung and Shanghai. Pender was of the same opinion but added that in approving the Chinese application his company would come to hold a worse position in Shanghai and (especially at that time) in Foochow than the Wa-Hop Co. would have in Hong Kong. Pender's motive was more or less what Bullard had said in his statement: in Pender's opinion the proper solution would be that the line should be connected in Kowloon, the Chinese company should work through the Eastern Extension lines as far as Kowloon and in Hong Kong the station should be in the Eastern Extension offices.[49]

The Foreign Office gave its statement to the Colonial Office on 24th September, 1883. Granville's recommendation adopted Pender's attitude. The permit was to be given to the Wa-Hop Co. only on the same conditions as the British company had to accept in Shanghai.[50] On the following day the Foreign Office informed the Eastern Extension of the statement.[51] The Colonial Office for its part sent a telegram and wrote to the Governor of Hong Kong: 'Regret cannot authorise China landing cable'. The reason was

[46] F.O. 17/1010 pp. 114–119 Bullard to Bowen 10th July, 1883.

[47] C.O. 129/210 pp. 410–415 Bowen to Colonial Office 21st July, 1883; F.O. 17/1010 pp. 137–138 contains correspondence between Hong Kong Chamber of Commerce, Bowen and Wa-Hop Co. Also *The Daily Press* (Hong Kong) 21st July, 1883.

[48] F.O. 17/1010 pp. 95–106 Bowen to Colonial Office 12th July, 1883, copy to Foreign Office 31st August, 1883.

[49] F.O. 17/1010 pp. 51–52 Pender to Foreign Office 19th June, 1883.

[50] F.O. 17/1010 pp. 145–146 Foreign Office to Colonial Office 24th September, 1883.

[51] F.O. 17/1010 p. 147 Foreign Office to Eastern Extension 25th September, 1883.

that 'it would appear to be a fair and proper arrangement that the Wa-Hop Co. should work over the Eastern Extension's line across Canton into Hong Kong in the same way as the latter company is permitted to work over a Chinese line from Woosung to Shanghai'.[52]

At this time a change took place in the ownership of the Chinese line between Canton and Kowloon when the China Administration bought the Wa-Hop Co's property and the Wa-Hop Co. ceased operations. It was a question of simplifying operations since most of the Wa-Hop Co's shareholders had put money into the China Administration when the line between Shanghai and Canton was started.[53] The new owner, the China Administration, was ready to link the telegraph to Hong Kong through the Eastern Extension's lines, that is to say, on the terms that the British government had proposed.[54] On 21st January, 1884 an agreement was made between the Eastern Extension and the China Administration for joining the lines in Kowloon and running the line between the two towns according to the Shanghai pattern. In Hong Kong the Chinese were to work in the same building as the Eastern Extension but with their own separate entrance and rooms.[55] On the same day the Colonial Office gave permission for the Chinese to open a station in Hong Kong, and the lines were actually connected at the Kowloon frontier station on 29th January, 1884.[56]

2. The question of the ratification of the 1881 concession. The 1886 agreement between the Great Northern and the Eastern Extension

The eleventh article of the agreement made by the two companies on 12th January, 1883, reads as follows: 'The Chinese Concession dated June 1881 with the Northern Company shall be held and worked as may be mutually agreed for the joint account and benefit of the two companies parties hereto. If any ratification of such concession shall be deemed desirable the time and mode applying for the same shall be mutually agreed on by the two companies.'

In June 1883 the companies agreed that they would set about obtaining the ratification of the concession and both companies sent telegrams to this effect to their agents in Shanghai, stating, too, that they had agreed certain changes to the concession. They were going to try to have the changes accepted when

[52] F.O. 17/1010 p. 150 Colonial Office to the Governor in Hong Kong 29th September, 1883.

[53] F.O. 17/1010 pp. 158–160 Bowen to Colonial Office 28th August, 1883 (containing Bullard's letter to Bowen 20th August, 1883).

[54] F.O. 17/1010 pp. 215–221 Bowen to Foreign Office (enclosures) 12th November, 1883.

[55] Cable and Wireless. Chinese Agreements No. 11 Sheng to Dunn 23rd January, 1884; F.O. 17/1010 pp. 375–386 Bowen to Colonial Office (enclosures) 29th January, 1884.

[56] F.O. 17/1010 pp. 237–242 Colonial Office to Bowen 21st January, 1884.

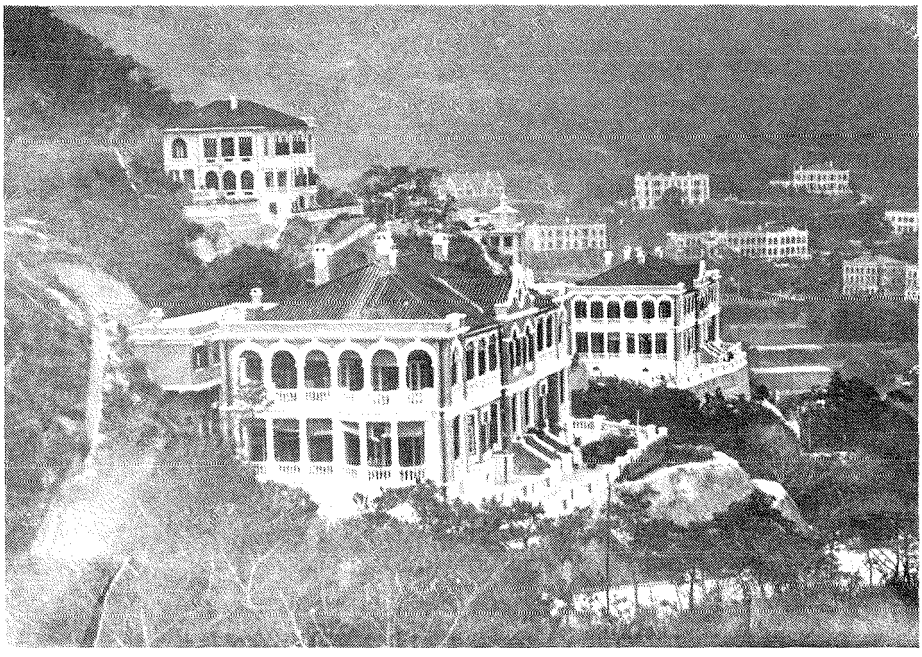
they got the Tsungli Yamen's endorsement, and the agents were instructed to find out whether the Chinese government could be persuaded to ratify the concession. At the beginning of June 1883 Henningsen, the Great Northern's agent, met Li, who was in favour of the document he had already signed and of the ratification of the concession, but he declared that his hands were too full to attend to telegraph matters just then.[1]

After that the matter was set aside until December, when there occurred an opportunity to bring it up with the Chinese government while the Wa-Hop Co. was negotiating with the Governor of Hong Kong about a landing permit.[2] On this occasion other difficulties emerged: the companies no longer agreed on what changes they wanted made to the concession. The state of Chinese telegraph traffic had changed so much that the implementation of the January 1883 agreement was regarded quite differently in London and Copenhagen. The Eastern Extension put forward a claim which had been mentioned neither in January 1883 nor subsequently in June, that the company should also share with the Great Northern whatever privileges the agreement afforded concerning the construction of telegraph lines in China. Article 15 of the agreement stated: 'The Northern Company may, however, (giving full information to the Eastern Extension Company) enter into separate contracts with the Chinese and Japanese governments, or with any company or person, for the construction and laying for Chinese or Japanese account of any telegraphic cables or land lines not directly or indirectly the property of the Northern Company – –, and the profits arising from such separate contracts shall belong to the Northern Company.'

The Great Northern considered itself exclusively entitled to this since it had been building telegraphs in China for a long time, and this had involved maintaining a numerous staff of submarine and land line engineers and expensive stores of materials. It was a costly machinery which could support itself only on such terms as were provided in the article in question. In any case the Great Northern wanted to know why the Eastern Extension had not put forward this claim in previous discussions instead of acquiescing in the Great Northern's position.

The other matter for dispute was the division of business from China's internal lines. Who was to transmit international cables when the route was not specified? The arrangements under the January agreement, whereby southern China belonged to the Eastern Extension's sphere of interest and northern China to the Great Northern's, had quickly become outdated due to the construction of Chinese telegraph lines. Both companies suspected the other of reaping undue advantage. The Eastern Extension was generally suspicious that because of its relations with China Administration officials the Danish company benefited from China's unrouted traffic. The Great Northern's suspicion and irritation centred especially on the fact that the Canton–Hong Kong line had become a joint line beyond the Chinese station so that the British could transmit business to their own lines via Canton. It

[1] F.O. 17/1010 pp. 305–306 Falbe to Foreign Office 3rd February, 1884.
[2] Rigsarkivet. St. Nord. Telegraf 235 Journalnr. 8413 Falbe to Udenrigsministeriet 18th January, 1884.



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The quarters of the Eastern Extension's staff in Hong Kong.

was essential to agree on more precise arrangements for the division of China's internal business, but the actual terms were difficult to settle.[3]

When the companies failed to reach agreement the matter was placed once again in the hands of the Foreign Office and the Danish minister in London. In January 1884 Falbe explained the situation in an unofficial letter to Currie, who complained in his reply that the companies could not work together harmoniously in a spirit of mutual confidence. Currie declared that in his opinion the faults were on both sides. As for the diplomatic handling of the affair, Currie and Falbe agreed that Falbe should send the Foreign Office an official or semi-official note asking the British government to advise their minister in Peking to support the two companies when they sought the ratification of the concession. Following this the Foreign Office would ask for a statement from Pender in order to get his views in writing.[4] Things happened as planned and at the beginning of February Falbe handed the Foreign Office a semi-official note on the question.[5]

[3] The demands and counter-demands are seen clearly in letters and copies sent by Eastern Extension to Foreign Office: F.O. 17/1010 pp. 311–318 Pender to Foreign Office 9th February, 1884, Erichsen to Eastern Extension 25th June, 1884, containing Suenson's memorandum (25th September, 1884); Rigsarkivet, St. Nord. Telegraf 236 Journalnr. A8413 Udenrigsministeriet to Falbe 4th January, 1884, Falbe to Udenrigsministeriet 18th and 26th January, 1884.

[4] F.O. 17/1010 pp. 298–299 and 302–303 correspondence between Falbe and Currie at the end of January 1884.

[5] F.O. 17/1010 pp. 305–306 Falbe to Foreign Office 3rd February, 1884.

In his statement Pender stressed the essential features of the Eastern Extension's attitude as outlined above. He went on to say that the question of constructing lines was of no great financial importance to his company, but it might lead to serious complications if the Great Northern were granted an exclusive monopoly in the construction of telegraphs in China and if the Eastern Extension were to be excluded from negotiations relating to such matters.[6] The question was then passed on within the Foreign Office to the Under Secretary of State, Julian Pauncefote. In a memo he wrote that the Foreign Office would have to support the Eastern Extension in its stand and that their policy should be the same as hitherto, namely, to oppose any foreign company getting a monopoly or any exclusive rights in China's telegraph business.[7] The answer was not quite to the point but the Foreign Office, in accordance with the note, gave Falbe a conditional reply: moves to have the concession ratified would be appropriate after the companies had reached agreement as to its contents.[8]

While diplomatic moves were being made the directors of the companies were holding discussions with each other, and gradually agreement was reached on the subject of China's internal lines.[9] The question of telegraph construction, on the other hand, proved difficult. In a letter to the Foreign Office Falbe observed that the Great Northern had no kind of monopoly for the construction of cables, and the agreement in question simply gave them the chance of having priority when the nearest competitive tender was as good as the Great Northern's. If someone else made a better offer the Chinese had no obligation to give the job to the Great Northern.[10] This consideration had no effect, however, on the Eastern Extension and the Foreign Office.

In the summer of 1884 the Great Northern took steps to get the agreement ratified without help from the Eastern Extension. Their spokesman in Peking was the Russian ambassador, and with the Afghanistan crisis coming to a head he was concerned not only to support Denmark but equally to make sure that China's telegraph did not fall under British influence.[11] Parkes for his part was instructed to try to prevent ratification, and in this he was completely successful: this was an easy task and it suited both the China Administration and the Peking government's plans to announce that it would 'never' ratify this concession.[12]

The situation which had emerged in China in fact suited neither company. Although the Eastern Extension managed to frustrate the Great Northern's attempts to have the agreement ratified, it lost business. In May 1884 Dunn urged an early settlement of the quarrel between the companies on the grounds that while the question remained open most of the traffic coming

[6] F.O. 17/1010 pp. 311–318 Pender to Foreign Office 9th February, 1884.

[7] F.O. 17/1010 pp. 319–322 Pauncefote's memorandum 9th February, 1884.

[8] F.O. 17/1010 pp. 366–368 Foreign Office to Falbe 27th February, 1884.

[9] F.O. 17/1010 pp. 389–390 Pender to Foreign Office 21st March, 1884; F.O. 17/1011 pp. 1–2 Foreign Office to the Danish Legation 1st April, 1884.

[10] F.O. 17/1010 pp. 370–371 Falbe to Foreign Office 10th March, 1884.

[11] Rigsarkivet St. Nord. Telegraf 235 Journalnr. 8413 Kiær from St. Petersburg to Udenrigsministeriet 1st June, 1885.

[12] F.O. 17/1011 p. 34 Pender to Foreign Office 11th June, 1884; p. 36 Foreign Office to Parkes 16th June, 1884; p. 51 Parkes to Foreign Office 5th July, 1884; pp. 54–56 Parkes to Foreign Office 19th June, 1884.

from China's internal lines went to the Great Northern, and the Eastern Extension was getting only a very small part of it. Dunn also claimed that at that time the Great Northern's lines were in better technical condition than the Eastern Extension's lines.[13]

Relations between the two companies remained unsettled after 1884. In September 1885 the matter was discussed in Berlin during the international Telegraph Congress and they came much closer to reconciliation, but it was not until the highest directors of the companies spent a week negotiating with each other in Copenhagen in August 1886 that agreement was reached and the quarrel settled. The success of the negotiations was hastened by the knowledge that Chinese telegraph operations were expanding and that Sino-Russian negotiations were being held concerning the construction of a line from Peking across the Gobi desert to Kiachta.[14] The new route was the shortest between the Far East and Europe and being a land line it would have the advantage of lower capital and maintenance costs than the submarine cables. The line would thus prove to be a devastating competitor if the telegraph authorities of both countries began to use it independently for traffic between Asia and Europe. There was, however, the chance that agreement could be reached with the telegraph authorities of both countries to work in co-operation with the companies, and they could also try to show China that the line was contrary to the 1881 concession, which would therefore have to be finally ratified.[15] But it was certain that this policy would never succeed if the two European companies were quarrelling between themselves.

A question of international relations also helped to bring about agreement. In the Afghanistan crisis between Great Britain and Russia in 1885 the Danish king acted as mediator. Christian IX's task derived in part directly from Denmark's economic and telegraphic interests in the eyes of both great powers. In the spring of 1885 the Great Northern was very concerned about the threat of war and it asked the Danish foreign ministry to instruct its ambassadors abroad that if war broke out the commanders of the Baltic and Pacific fleets should be given appropriate instructions to protect the cables' working capacity if they should be threatened with damage.[16]

The new agreement between the Great Northern and the Eastern Extension was signed on 1st December, 1886, and it was to come into force at the beginning of the new year.[17] In form the agreement was an amendment to the agreements of 1870, 1875 and 1883, and the great majority of the arrangements made in the earlier agreements, concerning for example business between Shanghai and Hong Kong and between the Far East and Europe, thus remained as before. Both companies paid the same sum, Frs.

[13] F.O. 17/1011 pp. 42–45 Dunn to Eastern Extension 16th May, 1884.

[14] Cable and Wireless. Board 9th September, 1885 mentions discussions in Berlin, also 26th May, 9th June, 23rd June, 4th August, 29th September, 1886; Rigsarkivet. St. Nord. Telegraf 235 Journalnr. 8413 Kiær to Udenrigsministeriet 21st December, 1884.

[15] F.O. 17/1097 pp. 36–38 Pender to Foreign Office 13th December, 1886, pp. 31–34 E.J. Monson, Britain's Minister in Copenhagen, to Foreign Office, 21st and 25th August, 1886.

[16] Rigsarkivet. St. Nord. Telegraf 234 Journalnr. 8413. Great Northern to Udenrigsministeriet 30th April, 1885.

[17] Cable and Wireless. Board 24th November, 1886.

Cable and Wireless

Harbour Street in Hong Kong. The tall building on the left is the China Export and Import Bank and to its right are the Hong Kong Telegraph Office and Hong Kong Club. The premises of the Eastern Extension, Great Northern and China Administation were all situated in the telegraph building. The picture dates from 1927.

5.25, into the joint purse for business between Europe and the Far East, while the tariff per word via either India or Siberia was Frs. 8.50. The guiding principle behind operations in China was that neither company should gain a preponderance in any way. The question which had caused most difficulty, that concerning the construction of lines in China, was settled so that work should be carried out in the joint names and for the mutual benefit of the two companies. The Danish company maintained the necessary organisation and stores of materials for building lines in China, and the costs involved were to be divided equally between the companies. Vacancies for technical personnel were gradually to be filled so that half the staff would eventually be British. The sharing of China's internal business was arranged so that all unrouted joint purse messages handed in at the companies' stations in China should, as far as possible, be equally divided between the two routes, and the companies' officials were forbidden either directly or indirectly to influence the public by recommending one route rather than another. Operations were rationalised, in that while in the past both companies had had their own stations near each other in Shanghai and Hong Kong, henceforth only one station would operate in each town, with

half the staff Danish, half English. In Shanghai the Chief Officer was to be Danish and the Controller British, and in Hong Kong vice versa. Although officially Controllers were subordinate to Chief Officers they would be left a free hand to deal with their own company's business. The Arrangement was largely based on financial considerations, since the amalgamation of the stations was supposed to reduce costs, an important consideration in view of the competition from the China Administration. It was further stated in the new agreement that both companies would at once join together in making every effort to obtain the strict fulfilment of the 1881 concession, allowing for whatever modifications might be acceptable to all parties, and the matter was to be carried through with the help of the governments concerned. The agreement was to be in force until 1889, and conditionally extended until 1912.[18]

3. The problem of a direct telegraphic link between China and Russia

The idea of building a telegraph between Peking and Kiachta was one of the earliest, if not in fact the earliest, telegraph projects in the Far East. It had been in the air since the early 1860's but remained unrealised, principally because the Chinese stubbornly opposed it. Kiachta still continued to be a possible destination for a telegraph line, however, since it was the shortest practical route between Peking and Europe, and although China and Russia shared a common border there was no direct telegraph connection between the two: traffic had to use the submarine cable via Japan. Moreover, as there was an important caravan route across the Gobi Desert, along which tea, for example, was taken to Russia in the winter,[1] a line would also have been advantageous from the point of view of local business. After Russia's Siberian line was extended to Irkutsk in 1863 news was sent from Europe to China by this route, using the telegraph as far as Irkutsk and from there travelling via Kiachta and Gobi to Peking. This route did not lose its importance as a means of communication even after the Great Northern's cables were completed, because the tariffs on the Kiachta route were so much cheaper than the full telegraph tariffs that it was often thought worthwhile to use the slower route, especially for business from Peking.[2] In 1875 the Russian telegraph administration completed its line from Irkutsk to Kiachta, taking the telegraph on the Russian side right up to the Chinese border.[3] It was natural to think that beyond Kiachta too messages could have travelled by telegraph rather than horseback.

[18] Cable and Wireless. Chinese Agreements No. 21 and 27; Joint memorandum to the Companies' Agents in China and Arrangements regarding Accounts.

[1] Lerou-Beaulieu, *La rénovation de l'Asie, Sibérie, Chine, Japon* pp. 57–66.

[2] This is seen from the fact that from 1870 onwards correspondence from the British Embassy in Peking travelled via Siberia. Furthermore, European newspapers published in China said by what route their information had been received, and Kiachta was among the places mentioned.

[3] Krüger, Telegraphen pp. 428–430.

Despite the reluctance of the Chinese the Russians kept the Kiachta project to the fore. This was shown for example in the 1869 agreement between Tietgen and the Russian government where it was provided that should the Russian government build a line from Kiachta via Peking to Tientsin, Tietgen's company would have sole rights to connect up their cables and transmit messages by this route throughout the period of the concession. Should anyone else than the Russian government build the line, the government would not allow a rival company to use the Siberian line until the Great Northern's sea cables had been connected up with the cables of the company concerned.

The Russian government kept the project for the Kiachta line very much alive in the early 1870's, too. In 1874 they pointed to the Great Northern's land lines in China and demanded that in accordance with the promise made in 1869 the Russian government should be permitted to build the Kiachta line. The result, as already mentioned, was that the Peking government instructed the Danish company to pull down its lines between Shanghai and Kowloon, and Amoy and Foochow, although only the second line was actually demolished.

It was not only the Russian government that was interested in the possibilities offered by the Kiachta line. In 1881 the Great Northern also tried, with Russian diplomatic assistance, to get permission from the Chinese to build a line and start transmitting telegraphs between Tientsin, Peking and Kiachta.[4] The attempt was unsuccessful, and in the following year, before the company began to duplicate its cables between Vladivostok, Nagasaki and Shanghai, it asked for an assurance from officials of the Russian telegraph department that there were no immediate plans to build the Kiachta line.[5]

It the early 1880's the prospects of the Kiachta line slowly changed after the establishment of the China Administration and the extension of its network. It became at least conceivable that Russia and China might work together and open the Kiachta line. From the end of 1882 onwards there were rumours of negotiations between the two countries on this matter. In 1883 for example it was firmly believed in Peking diplomatic corps that the Chinese government had informed the Russian government that it intended to build a line from Tientsin via Peking to Kiachta at its own expense. By the middle of the 1880's there was continual speculation about the construction of the Kiachta line.[6]

The moves towards realization of plans for the Kiachta line caused considerable concern to the two European companies and forced them to re-consider their policies. In 1883 the Great Northern had duplicated its cables between Vladivostok, Nagasaki and Shanghai. The Eastern Extension, likewise, had reinforced its cables between Singapore and Hong Kong in the

[4] F.O. 17/1007 p. 27 Dunn to Squier 26th November, 1881, pp. 31–34 same 28th November, 1881, pp. 49–56 Pender's memorandum, December, 1881.

[5] Rigsarkivet. St. Nord. Telegraf 236 Journalnr. A9097 Great Northern to Udenrigsministeriet 14th August, 1886.

[6] F.O. 1009/491–493 Grosvenor to Foreign Office 3rd May, 1883; F.O. 17/1097 pp. 33–34 Monson to Foreign Office 25th August, 1886, concerning among other things Sheng's visit to St Petersburg; Rigsarkivet. St. Nord. Telegraf 236 Journalnr. A8413 Kiær to Udenrigsministeriet 21st December, 1884.

early 1880's and, as mentioned, laid a new cable between Hong Kong and Shanghai. Both companies had thus made large capital expenditures just before the Kiachta line emerged as a serious talking point.

The Great Northern's policy developed along the following lines: preferably they sought to prevent the building of the Kiachta line or faute de mieux to have the plan deferred until there should be enough business for the cables as well as the projected line. In an explanation intended for the Russian administration it was argued that after the duplication of the sea cables there was no need for any new cables and that land lines were poor compared with sea cables. However, there might be political reasons why Russia should attempt to reach agreement with China on the question of the telegraph and the line might continue from Kiachta to Peking, in which case the company should try to get a share in the business. In August 1886 the Great Northern asked the Danish Foreign Ministry to instruct its minister in St Petersburg to work along the lines sketched out above, and this he did.[7] Contact was made in St Petersburg at the same time as the Great Northern and the Eastern Extension were coming to a mutual understanding about operations in China.

After the agreement between the companies had been signed, moves were made to persuade the Chinese government to ratify the 1881 concession. The companies were in some hurry, since it was known that the Chinese government was considering with favour the idea of opening the Kiachta line and making a telegraph agreement with Russia. This was precisely what the companies most feared. As well as regarding any such agreement as an infringement of the 1881 concession, worst of all they saw that they might be excluded from the negotiations.[8] On the other hand it was also clear that the Russian government had so much at stake in matters touching traffic between Europe and Asia that it was essential from the companies' point of view that Russia should be one of the parties round the negotiating table.

In accordance with this arrangement negotiations were held at Chefoo from the spring of 1887 onwards between the China Administration and the companies and between the China Administration and the Russian government. Since both groups of negotiators had so many questions in common these negotiations are together known as the Chefoo negotiations.

At the beginning of December, 1886, a few days after the latest agreement between the Great Northern and the Eastern Extension had been signed, negotiations were held in Marseilles between representatives of both companies and a policy was agreed on for obtaining ratification of the 1881 concession from the Chinese government.[9] To be precise, the aim of the companies was not quite to get the 1881 concession confirmed but to get a new but similar concession accepted. In the negotiations reference was certainly made to the 1881 concession and the changes sought by the Chinese government were dicussed. In fact the companies wanted China to propose 'suitable' changes, so that it would then have been possible to draw

[7] Rigsarkivet. St. Nord. Telegraf 235 Journalnr. A9097 Udenrigsministeriet to Kiær 16th August, 1886.

[8] F.O. 17/1097 pp. 36–38 Pender to Foreign Office 13th December, 1886.

[9] Cable and Wireless. Board 8th December, 1886.

up an entirely fresh agreement untarnished by the chequered history of the document which Li had signed.[10]

Both companies made preparations for the negotiations by applying to their own governments for support in Peking.[11] In the spring, in April and May, Suenson travelled to St Petersburg to discuss questions concerning the Far Eastern telegraph with the Russian government. A special commission had already been set up in St Petersburg for the telegraph negotiations with China. In their discussions with the commission the Danes confirmed that it was hopeless to try to resist in principle the construction of land lines between Russia and China, because these would never be abandoned, but any action taken should be aimed at avoiding competition. To begin with, Suenson found it difficult to elicit much sympathy for his company's point of view, since the commission was preoccupied by the other negotiations it was involved in with the Chinese and it gave as much attention as possible to Peking's attitude. Suenson did however succeed in showing officials of the Russian foreign ministry, the Foreign Minister Micael de Giers and his assistant Alexander Vlangaly, that if the Great Northern lost its grip over business in the Far East the Russian telegraph would be dependent upon China and Great Britain. Suenson presented his case so persuasively that the Russian foreign ministry issued instructions to the commission and to Russia's minister in Peking that 1) the Great Northern was to be supported in its attempt to obtain the concession, 2) the connection of land lines between China and Russia depended on the granting of this concession and 3) if the connection was made between Russia and China the Great Northern's position was to be safeguarded against unnecessarily fierce competition. The Great Northern proposed for its share in China's traffic that the company should control business in the coastal towns served by its cables and where it had stations. However, since the Chinese had put forward their own counter-proposals at the same time, the distribution of the business was left unsettled in the negotiations in St Petersburg.[12]

The first step taken in China was to send the Tsungli Yamen a letter sueing for negotiations between Judd and Henningsen, representing the companies, and the Chinese officials. The letter expressed the wish that agreement on the concession could be reached without appealing to the European powers, who could, it was observed, nonetheless be called upon to protect the companies' and all other European interests in China.[13] The proposal, while taking the conventional from of a petition, thus included a mild threat as well.

On 22nd April, 1887 the negotiators were granted an audience with Li

[10] Mention of these tactics in: Rigsarkivet. St. Nord. Telegraf 236 Journalnr. A9097 Memo to Udenrigsministeriet 23rd May, 1887.

[11] Rigsarkivet. St. Nord. Telegraf 234 Journalnr. 9097 Tietgen to Udenrigsministeriet 3rd January, 1887, Kiær to Udenrigsministeriet 17th January, 1887 with information on St Petersburg's instructions to Peking (copy), Currie to Pender 20th December, 1886; F.O. 17/1097 pp. 33–34 E.J. Monson to Foreign Office 13th December, 1886 mentioning discussions with Danish Foreign Minister Vedel, p. 35 Pauncefote mentions discussions with Pender 28th August, 1886.

[12] Rigsarkivet. St. Nord. Telegraf 236 Journalnr. A9097 Udenrigsministeriet 23rd May, 1887; Det Store Nordiske 25 Aar p. 110.

[13] F.O. 17/1097 p. 39 companies to Li 30th November, 1886 in signed letter.

Hung-chang. Li at that time was in charge of commercial policy as well as telegraph matters. The viceroy was in an ill humour and sharply announced that the concession was null and void, and that he would rather go to war than sign such papers on behalf of his government. His sharpness was directed primarily against the Eastern Extension which he did not wish to recognize as a participant, and he said that he had previously agreed the concession in his own name with the Danish company only. The meeting achieved nothing, since the negotiators and the documents they proffered were thrown out of the room.[14]

One of the papers they had tried to give the viceroy which he however had declined to accept was a memorandum in English on the 1881 concession. The paper, which had clearly been prepared with one end in mind, sketched briefly the background to the agreement and tried to demonstrate the reasonableness of the companies' action, especially the Great Northern's. It conveyed the opinion of Martens (see above) according to which the Chinese government was bound by Li's signature to accept the concession, and finally it showed how the China Administration had worked contrary to the terms of the concession. Above all it declared that telegraph connections with Russia by land would be in contravention of its terms.[15]

Having rid himself of the companies' negotiators Li instructed Sheng, the director of the China Administration, to begin negotiations about the Russian agreement and the concession. After all that had happened it came as a surprise to the companies' representatives that the Chinese were so accommodating. As early as the beginning of May the director of the Eastern Extension, Pender, issued instructions for the negotiations, saying 'if you can obtain anything better than above proposal, do so'.[16] In the first half of May the negotiators reported that the China Administration accepted the companies' points of view.[17] When they cast around for some kind of explanation of the surprising compliance of the Chinese the idea gained ground that the Russian ambassador had had a major part in the affair.[18] The idea was in fact quite correct, since in his negotiations in St Petersburg in April 1887 with representatives of the Russian government Suenson had been promised that Russia would not come to any telegraph agreement with China unless China and the Great Northern could also reach an understanding and agreement about the management of the business. The Russians' pledge was in accordance with the terms of the 1869 agreement, and their position showed more clearly than ever before that there were four parties to the negotiations, the two companies, the China Administration and the Russian government, despite the fact that in the first place the question was simply the connecting of Russia's and China's lines.[19]

[14] F.O. 17/1097 pp. 85–86 contains account of discussion.

[15] F.O. 17/1097 pp. 40–42 Memorandum relating to China Telegraphs. A statement there (p. 42) 'In short nobody could have acted in a more zealous, friendly and liberal manner (as Great Northern).'

[16] F.O. 17/1097 p. 65 Eastern Extension to Judd 11th May, 1887.

[17] Cable and Wireless. Board 11th May, 1887; F.O. 17/1097 pp. 62–64 Judd to Eastern Extension 10th May, 1887.

[18] F.O. 17/1097 pp. 66–67 Judd to Eastern Extension 15th May, 1887.

[19] *The Electrician* 11th May, 1888 p. 29; Cable and Wireless. Bullard, A Short History p. 30.

On the other hand there was no question of China simply being used in the negotiations, since the China Administration too had its own interest in the matter. In 1887 the China Administration's line was completed from Peking to Helampo, a Chinese town on the Amur River facing the Russian town of Blagoveshchensk, where there was already a Russian telegraph station. A river cable would have enabled the two national networks to be joined, and the China Administration was very interested in seeing this accomplished.[20]

At the end of May, 1887, when they were about to finalise the conclusions of the Chefoo negotiations, Sheng at the last moment began to demand changes which the others could not accept, and the discussions were broken off. Perhaps it was a tactical manoeuvre on the part of the Chinese, but at the same time the negotiating position of the Eastern Extension was undermined because of the slender diplomatic backing it received from its own country, and the situation was made more awkward by the fact that with the exception of the Russian and French diplomats the general attitude of the diplomatic corps towards the negotiations was critical, since there was a general suspicion that the upshot was going to be a monopoly.[21] When the Eastern Extension complained openly of the lack of support from British diplomacy it provoked no reaction whatever in the Foreign Office.

Even after the Chinese action the companies had no alternative but to open fresh negotiations with the China Administration.[22] Gradually, though, things moved further and further away from the subject of the 1881 agreement and even its mention became rare. The European companies came to have two primary objectives in the negotiations: firstly, to try to make an agreement whereby the tariff between China and Europe would be the same in every case for the China Administration and for the companies regardless of the route the telegrams took; and secondly, to prevent as far as possible the appearance in future of new foreign entrepreneurs in the Chinese telegraph business. As far as the 1881 concession was concerned the companies were thus prepared to make concessions towards the Russian service, but as a matter of principle they would have kept for example the right to control foreign business via the Chinese coastal towns. The companies had certain other objectives in the negotiations, the most important of which was standardisation of tariffs on Chinese coastal lines so that there would be no cause for competition between the China Administration and themselves.

The negotiations for a new agreement were concluded on 10th August, 1887, when Sheng, Henningsen and Judd finalised the details. It was primarily a tariff agreement designed to prevent competition between the parties, but it also contained a clause about possible new competitors. The main tariff regulation was that telegrams to Europe from all Chinese stations were to cost Frs. 8.50 per word. The Administration was to receive Frs. 5.50 of this if the business travelled along its land lines to the international

[20] Bullard, A Short History p. 30.

[21] Cable and Wireless. Board 8th June, 1887; F.O. 17/1097 pp. 68–69 Pender to Foreign Office 14th June, 1887; Rigsarkivet. St. Nord. Telegraf 237 Journalnr. A9097 Kiær to Udenrigsministeriet 14th July, 1887.

[22] Cable and Wireless. Board 6th and 20th July, 1887.

network, in other words if the telegrams crossed China's land frontiers. The remaining Frs. 3 was to go to the other conveyor, for example to the Russian telegraph department or the European companies if the telegrams were destined for Europe. The China Administration did not however receive this Frs. 5.50 for cables that travelled via Shanghai, Foochow, Amoy and Canton, since then they crossed sea frontiers. Business that went via these towns belonged entirely to the companies, except that 10 % of the income from business going to Europe was paid over to the China Administration, which also received its share for business between the inland station and the coast. The tariffs for Chinese coastal business were to be the same for both sea cables and land lines, so that competition would not arise. Article 13 discussed co-operation with other companies, and laid down that neither the China Administration nor the amalgamated companies were to take any part or make any co-operative agreement concerning a line not covered by this agreement, if such action would adversely affect any party to the agreement. This particular article conceded a lot to the China Administration in comparison with the draft agreement drawn up in May, which had tried also to limit the rights of the Chinese to build new lines. The agreement was intended to be in force until 1903, and would come into force in its entirety as soon as the China Administration had connected its land lines across its border to the lines of another country which in turn had a link to Europe. It was further stipulated that the agreement was to be confirmed by the Imperial Commissioner for the Northern Ports, by the Tsungli Yamen on behalf of the China Administration and by the Danish and British ministers at Peking on behalf of the two European companies.[23]

As far as the Eastern Extension and the Great Northern were concerned the greatest advantages of the treaty were that it precluded competition, left them in control of the large volume of business from Shanghai, Foochow, Amoy and Canton, and prevented the future development of any new competition in China. Nevertheless Pender claimed that the terms were the utmost that the companies could approve and that it would prove expensive for them.[24] From the point of view of the China Administration, the companies now accepted that it was free to join its lines to those of neighbouring countries, and it received a larger proportion of the income from business than before. An agreement which precluded competition was certainly not contrary to the interests of the China Administration, either, in fact rather to its advantage, since it too could work in peace free from the threat of new enterprises, and could also refer to this treaty when faced with new applicants for concessions.[25]

Despite the modifications the Peking government was still not willing to sign the agreement, and still tried to get certain advantages for itself.[26] The differences of opinion with the Tsungli Yamen were probably now less serious than before and could probably have been overcome, but then other problems began to emerge.

[23] Cable and Wireless. Board 28th September, 1887; Chinese Agreements No. 22.

[24] F.O. 17/1097 pp. 91–92 Pender to Foreign Office 15th September, 1887, pp. 196–198 same 30th January, 1889.

[25] F.O. 17/1097 pp. 111–112 Walsham to Foreign Office 20th October, 1887.

[26] Cable and Wireless. Bullard, A Short History p. 26.

The final treaty contained a clause according to which the agreement had to be ratified by the ministers of Great Britain and Denmark as well as by the Chinese government. When the companies raised this matter with the ministers they were unwilling to sign, arguing that the matter was an agreement between private companies and the China Administration, not between the governments. The Foreign Office supported this view and supported their minister, Walsham, in his refusal to ratify the agreement.[27] Furthermore, the Russian government's negative attitude towards the agreement influenced the Russian minister, who was looking after Danish interests. The Russian government felt that its interests had been ignored and if no concessions were made to the Russian position, so that Russia could settle the tariff terms with the China Administration, then the Russian ambassador, with all the more reason, would not ratify the agreement.[28] The upshot of all this diplomatic flurry was that by the end of 1887 the agreement and everything concerning it was bogged down in uncertainty.[29]

The rest of the diplomatic community did not take any definite stand on the subject of the agreement. The German minister in Peking, von Brandt, opposed the agreement because of its monopolistic tariffs. Charles Denby, the United States Minister in Peking, did not take Article 13 of the agreement concerning competition very seriously, observing in a statement sent to Washington that he was sure his countrymen could take care of themselves when the time for action came.[30]

In the late spring of 1888 the text of the agreement was published in some of the European papers published in China, and on 9th April it was also published in *The Times* in London.[31] The publicity this gave caused new problems.

On 1st June the Indian government advised the Foreign Office that there was a plan to connect India and China via Burma with a line running through Bhamo and Yunnan. The idea was to introduce cheaper tariffs into the Indian service by means of this line, but if the Chinese government now signed the sort of agreement that was mentioned in *The Times,* the benefits of the Burma line would be lost. The Indian government asked that the British minister in Peking should be instructed to advise the Chinese government against signing the agreement before the proposed International Telegraph Congress of 1890 was held.[32]

The protest was sufficiently strong that the Foreign Office reacted by instructing Walsham to postpone signing the agreement until the question had been investigated in London.[33] This involved among other things

[27] F.O. 17/1097 pp. 107–113 correspondence between Foreign Office, Pender and Walsham October, 1887; pp. 114–115 Foreign Office to Pender 26th October, 1887.

[28] Cable and Wireless. Board 14th and 28th March, 1888, 24th October, 1888.

[29] Cable and Wireless. Board 18th January, 1888.

[30] N.A. 92/82 Denby to Secretary of State 6th October, 1887. Brandt's position also mentioned.

[31] *The Times* 9th April, 1888.

[32] F.O. 17/1097 pp. 116–117 Indian Office to Foreign Office 1st June, 1888.

[33] F.O. 17/1097 p. 117 and 147 Foreign Office to Walsham 30th June, 1888.

discussions with Pender. In a written memorandum Pender conceded that the Indian government's attitude was correct, and offered reduced rates for traffic between India and China.[34] Having gained some purchase on the matter the Indian government was not however satisfied with reductions which it considered insignificant and continued to maintain as before that the question should be postponed until the international telegraphic congress.[35] Ratification too got caught in this web of complication and the result was a delay of about six months. In January 1889 it was observed that the agreement did not in fact prevent China and India from coming to a tariff agreement between themselves for business between their two countries since the concern of the companies and the China Administration was through traffic between China and Europe, or beyond. Pender however remarked that if a competitive land service was set up via India the Russian telegraph department would certainly not approve and would begin to compete for business on its Siberian line, an attitude which was already indicated by Russian disapproval of the agreement between the companies and the China Administration.[36]

The Foreign Office adopted the view that the matter should wait until the coming Telegraph Congress.[37] The situation, however, developed faster than London had expected.

In any case negotiations between the China Administration and the companies were bogged down with the problem of Russian opposition to the new agreement, amongst other things; time was being lost and progress at a standstill. In the autumn of 1888 Suenson again raised the matter personally with the Russian government, but he was merely informed by the government that it wanted greater freedom in its relations with China on telegraph questions.[38]

Not until the end of the following summer was the matter again taken up, this time in negotiations between Li himself and the Russian ambassador Coumany, and an attempt was made to resolve the situation by discussing an agreement between China and Russia. The negotiators reached agreement on 2nd October, 1889, and a draft agreement was signed. Its main provisions were that the China Administration and Russian lines were to be connected at two points on China's northwest frontier as soon as the agreement had been ratified, and the Kiachta line was to be built not more than five years after the ratification. It was intended to make connections in the north east near southern Manchuria for the Korean business, and the Kiachta line would be connected up for intercontinental traffic. According to the draft the tariff for through traffic between China and Europe was to be Frs. 8.50, of which Russia would receive Frs. 3 and China Frs. 5.50. The tariff was the

[34] Cable and Wireless. Board 4th July, 1888 and in many meetings thereafter; F.O. 17/1097 pp. 177–180 Eastern Extension to Foreign Office 26th September, 1888.

[35] F.O. 17/1097 pp. 187–189 Indian Office to Foreign Office 16th January, 1889.

[36] F.O. 17/1097 pp. 196–198 Eastern Extension to Foreign Office 30th January, 1889.

[37] F.O. 17/1097 p. 220 Foreign Office to Walsham 16th March, 1889.

[38] Cable and Wireless. Board 24th October, 1888.

same as that for the companies' business. The tariff for cables between China and European Russia was to be Frs. 2.73.[39]

The progress made in the negotiations between China and Russia forced the companies and the China Administration to go back to the negotiating table. The Russian government was still bound by the undertaking it had given the Great Northern that no agreement could be signed between Russia and China until matters had been settled between the company and the China Administration, and while the negotiations between China and Russia were in progress the Great Northern was reminded that it was time it came to a settlement with the China Administration. Although the idea of altering the agreement reached earlier in the Chefoo negotiations was unwelcome to the companies, Pender and Suenson nevertheless agreed certain changes which they could accept and re-wrote parts of the text of the agreement in London. The question of local business between China and India was to have been kept outside the scope of the treaty and otherwise too the China Administration was to have been given greater freedom of action.[40] On 20th October, 1889 the Russian minister in Peking and Sheng, the director of the China Administration, instructed the companies' representatives to attend the Chefoo negotiations without delay. This brought Judd and Henningsen into the second round of the negotiations.[41]

The amendments which had been made to the text of the agreement were minimal, and Pender and Suenson realised that they had worked in vain in London. The only significant change to the earlier version was a modification of Article 13, involving removal of the words, 'and neither the Administration nor the Companies shall be directly or indirectly interested in or have working arrangements with any other telegraph lines by sea or by land'. This clause was incompatible with the China Administration making any business agreements with the telegraph department of neighbouring countries, and it was therefore erased.[42]

Both companies were satisfied with the outcome and were ready to sign the agreement. The Foreign Office looked in vain for an article referring to the Indian tariff and discussed the matter with the India Office before finally deciding to approve the treaty, so long as it should be clearly stated that the agreement did not cover the Burma line. The Eastern Extension had no objection to this.[43] A telegram conveying this decision was prepared for despatch to Walsham – but the telegram was never sent.[44]

[39] N.A. 92/87 Denby to Secretary of State 24th October, 1889 with copy of draft agreement.
[40] F.O. 17/1097 pp. 246–249 Pender to Foreign Office 4th October, 1889.
[41] Cable and Wireless. Board 23rd October, 1889.
[42] F.O. 17/1097 pp. 256–260 correspondence between Eastern Extension's agent and Board September-October 1889, p. 291 Eastern Extension to Foreign Office 29th October, 1889.
[43] Cable and Wireless. Board 6th November, 1889; F.O. 17/1097 p. 315 Foreign Office to Eastern Extension 9th November, 1889.
[44] F.O. 17/1097 pp. 323–324 draft of telegram to Walsham, about 15th November, 1889.

4. The opponents. The Russo-Chinese agreement

After India had succeeded in distinguishing her claims in the discussions about ratification of the concession, and when it finally seemed that the whole thing was settled, new problems suddenly arose. The United States minister in Peking, Charles Denby, and the European chambers of commerce in the Far East, announced their opposition. Denby concentrated his fire on the Tsungli Yamen, while the chambers of commerce tackled the ministers of the foreign powers and the Foreign Office in London.

In the autumn of 1887 Denby did not think it justified to get involved in anything to do with the agreement, but two years later he changed his mind. The reason was simply that he knew the purpose of the negotiations was to make changes in the earlier text, and without the actual draft he could not know what was at issue. To be on the safe side he delivered an informal communication to the Tsungli Yamen on 7th October, 1889, in which he said that the United States would never recognize the existence of any agreement which might hinder the laying of a Pacific cable between the United States and China. Further, he declared that in telegraph matters involving China the United States would proceed according to the terms of their 1858 Treaty, especially Article XIV, which acknowledged that the United States had the same rights as any other nation to terminate telegraph cables on Chinese soil.[1]

The European chambers of commerce showed signs of a critical attitude towards the telegraph companies from the beginning of the 1880's onward. As it has been seen, when the Cantonese Wa-Hop Co. sought landing rights for its cable in Hong Kong, the town's European community was clearly on the side of the Chinese company and expressed dissatisfaction that the European companies were aiming at a monopoly in the Far East. In 1886 the Congress of the Chambers of Commerce of the British Empire, organized in connection with the Indian and Colonial Exhibition, strongly attacked the telegraph tariffs and demanded a 10 % reduction.[2] The companies countered with the accusation that the merchants had been making enormous savings for themselves by using a code, and employing numerous made-up words (e.g. liqraqkper) which were quite unpronounceable, took far longer than normal to transmit and gave rise to errors.[3]

The first sign of opposition to the Chefoo telegraph agreement from the Europeans in the Far East came at the end of 1887, when the Hong Kong General Chamber of Commerce in a message to Walsham announced itself strongly opposed to the agreement.[4] After that the chambers of commerce began to campaign vigorously against the agreement and in a statement made not long afterwards they claimed that it was partly due to this that the agreement had not yet been ratified.[5]

[1] N.A. 92/87 Denby to the Secretary of State 9th October, 1889.
[2] *The Electrician* 9th July, 1886 pp. 168–173.
[3] *The Electrician* 15th May, 1908 p. 196.
[4] F.O. 17/1097 p. 355 The Hong Kong General Chamber of Commerce to Walsham 9th December, 1887.
[5] F.O. 17/1097 pp. 354–357 The Hong Kong General Chamber of Commerce to London Chamber of Commerce 30th October, 1889.

When news again got about in the autumn of 1889 that the question was being settled in a way that did not suit the merchants, the chambers of commerce began to take more active steps. At more or less same time as Denby delivered his communication to the Tsungli Yamen on 7th October, the Shanghai General Chamber of Commerce sent a note to Denby protesting about the agreement and asking the diplomatic community to take measures to oppose it. The note was delivered on 16th October. At the same time Denby also received a note to similar effect from the American Merchants in Shanghai. Seeking to involve them in a collective move, Denby told his colleagues about the notes. The British Minister, Walsham, thought that the merchants' attitudes were unfounded, and the other ministers were noncommital about pronouncing an opinion. Without his colleagues' backing Denby could not act in the affair as general spokesman, but he could certainly act as Minister of the United States. He sent an unofficial note to the Tsungli Yamen advising that if the agreement had not yet been ratified the action should be postponed until formal protests could be presented to him. In its reply to Denby on 22nd October the Tsungli Yamen simply said that the question of making telegraph conventions was in the hands of the Northern Superintendent of Trade, Li Hung-chang, and that he had arranged and settled it.

From Denby's despatches it is clear that he had obtained a draft of the telegraph agreement between China and Russia, but he certainly had no detailed knowledge of what the agreement between the companies and the China Administration was going to contain. Besides, in one of his later letters Denby talks about the Sino-Russian Convention when he is in fact referring to the Chefoo agreement, although in truth these two agreements were becoming very closely entangled.

It was already clear from the draft of the agreement between China and Russia that the tariff for through traffic via Kiachta was going to be the same as the companies' tariff, i.e. Frs. 8.50. The merchants were very disappointed that although the new route was shorter they would not be able to send their correspondence more cheaply; in consequence they opposed the Chefoo agreement. At the same time they began to count on the Pacific cable in the hope that it would set up competition, so both the merchants and Denby shared a common sense of the importance of getting the Pacific cable to China unopposed. Denby moreover agreed with the merchants that the monopolistic position of the two companies meant the maintenance of excessively high tariffs which was just as bad for the Americans as for the other foreign merchants in China.

In March 1890 Denby got hold of the text of the new Chefoo agreement, and although Article 13 was formulated in a less exclusive sense than before, Denby sent a strongly-worded letter to the Chinese government, dated 20th March, to the effect that because of this article the United States would never recognize the treaty, which by favouring one particular side ignored the equally well-founded rights of United States' citizens. At the same time Denby engaged in fresh manoeuvres in Peking to torpedo the agreement. He contacted the ministers of Germany and Japan and obtained the co-operation of the former, Brandt. His interest in the matter was by no means casual,

since during negotiations which took place in 1881 this same minister had put forward the view that nobody should be allowed a monopoly in China. Denby also applied for an audience with the Tsungli Yamen, and on 24th March first Brandt and then Denby presented their views. Denby says in his report that they both had rather a cool reception, and that Brandt had a rather stormy interview. The only response they elicited was that foreigners could send fewer telegrams. Nevertheless Denby was also asked to present his views in writing, which enabled him to produce a 30-point memorandum for the Tsungli Yamen, covering various points already to some extent discussed. In the first place the foreign merchants opposed the agreement because it meant expensive tariffs which limited their trading activity and hindered the increasing trade between China and other countries. The trans-Pacific cable would also be good for China since it would go via Hawaii, where there were many Chinese. Denby went on to say that the agreement was contrary to the spirit of the 1858 treaty and also to the promise made in 1881 to the United States (?) that the cable might terminate in China, regardless of whatever agreements China had with other countries. China too would be subject to all kinds of inconveniences as a result of the agreement, and the Russian government and its hangers-on had no chance of forcing China into this kind of agreement according to the terms of the international telegraphic convention. Denby finally proposed that the Chinese government should give the matter long and thorough consideration.[6]

It was possibly at Denby's instigation too that the *North-China Daily News,* published in Shanghai, took the question up on 20th March with an article about the vicissitudes of the whole affair. It said that the Russian government had refused to sign the agreement because it too found the draft in conflict with the international telegraphic convention and recognized that the intended arrangement would place telegraph users in an unfair position. The article also said that the merchant community and Denby could congratulate themselves on their efficient work.[7] The article appeared at a time when the fate of the agreement was still uncertain, and the aim may well have been to make retreat easier for the Tsungli Yamen. It appeared too after the Russian ambassador in Peking had returned to Europe, and the signing of the agreement could not take place until he or his successor had arrived in Peking.

On 31st March, 1890, Denby sent the Tsungli Yamen yet another letter in which he discussed some of the technical details of the proposed treaty and continued with a demonstration of how disadvantageous the treaty would be for China. When he reported to Washington he also mentioned the attitude of other countries' ambassadors to the matter. His efforts in this direction had won the support of the diplomatic representatives of Japan and Spain as well as Minister Brandt, who had already been involved previously. The French Minister, however, was reluctant to annoy the Russians and therefore remained on the side lines, and the British Minister, following instructions from London, was striving to get the treaty ratified. Commenting on Great

[6] N.A. 92/88 Denby to Secretary of State 28th March, 1890 (enclosures).
[7] *North-China Daily News* 20th March, 1890.

Britain's attitude Denby remarked that the government was ready to sacrifice the interests of British merchants in China in order to safeguard the country's military interests.[8] At the beginning of the summer it looked as though Denby's efforts had succeeded, and he announced to Washington that the proposed treaty was no longer on the agenda.[9]

When it was learnt at the end of October 1889 that the Chefoo negotiations were drawing to an end the Hong Kong General Chamber of Commerce asked Walsham too to resist the Chefoo agreement, arguing that the agreement would prove detrimental not only to resident merchants but also to all others directly or indirectly concerned with Chinese trade.[10]

Walsham however was unable to comply, observing in his reply that the Chamber of Commerce must have got hold of faulty information, and that it was not simply the special interests of the merchant community that were at stake but other important matters too.[11] His explanation by no means satisfied the Chamber of Commerce, which recorded its dissatisfaction with the minister's conduct. At the same time Walsham became the butt of an offensive by the European press in the East. His activity or inactivity was taken as proof that he preferred to defend one British company rather than the interests of his country's traders in China.[12] Walsham did not communicate anything of the attitude of the Chambers of Commerce to the Foreign Office in London, nor indeed of the basis of his own attitude. The Foreign Office in fact found out Walsham's attitude from the next move made by the Chambers of Commerce.

When the British merchants in the East failed to achieve anything through diplomatic channels the chambers of commerce adopted another tactic: They turned to the London Chamber of Commerce and asked them for help. In their letter they said that special consideration should be given to the importance of the Kiachta line for the reduction of tariffs and they let it be understood that 'the Chinese government has been anxiously trying to escape from obligations hastily entered into'. They declared that the telegraph companies had, however, been making strenuous efforts recently to bring fresh pressure to bear on the Chinese government, and for this reason those who were concerned to avoid high tariffs and protect the interests of trade should now take action.[13]

The London Chamber of Commerce left a note on the subject at the Foreign Office. The note proposed that the minister in Peking should advise

[8] N.A. 92/88 Denby to Secretary of State 2nd April, 1890.
[9] N.A. 92/88 Denby to Secretary of State 28th June, 1890.
[10] F.O. 17/1097 pp. 354–357 The Hong Kong General Chamber of Commerce to London Chamber of Commerce 30th October, 1889, with copies of cable to Walsham.
[11] F.O. 17/1097 p. 355 Walsham to Hong Kong Chamber of Commerce, sine dato.
[12] *North China Daily News* (Shanghai) 21st October, 1889. Also F.O. 17/1097 pp. 359–363 contains press cuttings.
[13] F.O. 17/1097 pp. 354–364 The Hong Kong General Chamber of Commerce to London Chamber of Commerce (enclosures) 30th October, 1889.

the Chinese government against entering into a convention.[14] But the note was apparently brushed aside at the Foreign Office and had no effect on affairs in the East.

The chambers of commerce did not allow the matter to rest there. At the end of November 1889 William Keswick, one of the partners in the firm Messrs Jardine, Matheson & Co., went to the Foreign Office to talk to Philip Currie. As one of the larger British commercial concerns working in the East this firm had a vital interest in anything which affected telegraph rates. Currie agreed that if Keswick had the support of the London Chamber of Commerce he would recommend that the Foreign Office should for the time being refrain from all action in the matter.[15] Since the Foreign Office already possessed a letter to the same effect from the London Chamber of Commerce, a telegram was sent to Walsham the very same day at Currie's suggestion, instructing him to suspend all action until further instructions were received.[16]

At the beginning of December Currie wrote a memorandum on the subject along the same lines. He remarked that up till now the Foreign Office had supported Pender's enterprise. The question was, should the Foreign Office now withdraw its support from the Eastern Extension and begin to support the merchants' aspirations? Currie did not know the answer to this, but suggested that the Postmaster-General should be asked to make a statement on the matter, since he ought to have a better understanding of the matter than any other government official. Salisbury approved, and the question was passed on to the Postmaster-General for his consideration.[17] Pender was also informed of the new turn events had taken; in response he said he was sorry that Salisbury had fallen a prey to the influence of the merchant community.[18] From a historical point of view it is significant that at this juncture Great Britain's Postmaster-General was given a powerful role in international telegraph policy, since it became customary after this for the Foreign Office to ask his advice. Conversely the role of the Foreign Office was clearly on the decline.

The Postmaster-General passed the question on to a secretary well versed in telegraph matters and he himself only supervised the final statement of his official position on the subject. The attitude of the officials within the department was crucial, since the Postmaster-General himself had little, if anything, to amend in the draft statements presented to him.

The Foreign Office request for an opinion on the subject was handed to the first secretary, S. Arthur Blackwood. He had a lot to say about the Chefoo telegraph agreement both in general and in regard to its individual clauses.

[14] F.O. 17/1097 p. 327 London Chamber of Commerce to Foreign Office 19th November, 1889.

[15] F.O. 17/1097 p. 347 Currie's memo 29th November, 1889.

[16] F.O. 17/1097 p. 346 Foreign Office to Walsham 29th November, 1889.

[17] F.O. 17/1097 pp. 368–369 Currie's memo 5th December, 1889 and letter to Postmaster-General 6th December, 1889. G.P.O. 16223/1896 File I.

[18] Cable and Wireless. Board 18th December, 1889; F.O. 17/1097 pp. 376–377 Pender to Foreign Office 13th December, 1889.

He pointed out that the confirmed terminal rate was exceptionally high, higher in fact than in any other examples known to him. In view of the enormous capital investment made by the companies their position was to be weighed carefully, but on the other hand the observations of the commercial community also deserved consideration. The Postmaster-General finally recommended an agreement which would be in force for no more than seven years, after which the terms could be reconsidered.[19]

The statement by the Postmaster-General was sent to Pender for his information and comments. He observed in his reply that the companies had time and again reduced their rates and that they distributed very moderate dividends to their shareholders. The government had reason to be content with the companies' measures, at least in so far as they saved the government from losses which almost all the public telegraph companies incurred. The cost of the merchants' telegrams was already affected by the continued development of their code. The purpose of the concession, according to Pender, was not to increase the existing tariff but to protect submarine cables against undue competition on the part of China and Russia, giving the companies a right to be consulted in all arrangements affecting European traffic. In addition Pender included some observations on the importance of the cables to the British community of nations, but he made no reference to the questions of how long the agreement was to be in force and of possible future tariffs.[20]

In December 1889 the Foreign Office organized discussions between the parties concerned to give them an opportunity to explore each other's points of view. The discussions were attended by the Eastern Extension, the London Chamber of Commerce and the Foreign Office, but the participants were unable to settle on a common policy.[21] In Peking Walsham continued to recommend that the agreement should be approved while the eastern chambers of commerce persisted in their opposition.[22] At the beginning of 1890 the opposition front presented by the chambers of commerce strengthened, and they persuaded the influential China Association in London to back them. In January 1890 the London Chamber of Commerce sent the Postmaster-General a letter in which they said they found it unreasonable that the telegraph companies should use official diplomatic channels to seek privileges for themselves which they were no more entitled to than any other company. If the agreement came into force it would fix a high tariff for telegraphic messages for a long period without any hope of revision or reduction, since competition would be stifled. Under such an arrangement it would be impossible for anyone except the monopolists to establish new lines of telegraphic communication, and a cable across the Pacific could not be launched in China.[23] The attitude of the London

[19] G.P.O. E16223/1896 File II; F.O. 17/1097 pp. 372–374 Postmaster-General to Foreign Office 11th December, 1889.

[20] F.O. 17/1097 pp. 392–396 Pender to Foreign Office 17th December, 1889.

[21] G.P.O. E16223/1896 File X mention in Foreign Office letter to Postmaster-General 20th March, 1890.

[22] F.O. 17/1189 pp. 18–19 Walsham to Foreign Office 19th March, 1890. G.P.O. E16223/1896 File IV–V, VIII contain relevant correspondence.

[23] G.P.O. E16223/1896 File VIII London Chamber of Commerce to Postmaster-General 28th January, 1890.

Chamber of Commerce was given great weight in the Post Office, as evidenced for instance in the discussions between Lamb and the secretary of the Chamber of Commerce, K. B. Murray.

The Postmaster-General's position was that of impartial arbitrator between the various interest groups, but he was not at all willing to approve the interpretation put forward by the Eastern Extension. Before he had succeeded in sorting out this tangle of conflicting positions events took yet another new turn.

The new complications arose from the agreement between China and Russia. The idea had been that the two agreements, redesignated as the Chefoo Telegraph Agreement covering on one hand relations between the companies and the China Administration, and on the other the agreement between the Chinese and Russian governments, should be ratified at the same time. However it became clear at the end of 1889 that the Russian Administration was not satisfied with the agreement and was seeking amendments to it, having instructed the Russian Minister in Peking to break off proceedings for the time being. Furthermore the active leader of the negotiations, Minister Coumany, returned to Russia.[24] It is quite possible that the Russian government began to drag its feet because of the hesitation shown by the Foreign Office and the government expressed reservations in order to safeguard its position.

As far as the Eastern Extension and the Great Northern were concerned the retreat of the Russians meant that the companies too were to be left hanging, especially when they did not know what possible changes would be made in the Russo-Chinese agreement. At the beginning of April 1890 Pender announced to the Foreign Office that for the time being his company would retire from all activity directed towards the ratification of the Chefoo Telegraph Agreement and let the matter remain in abeyance.[25]

It was the easiest course from the point of view of all the British participants in the affair. The Foreign Office too declined to take any further action and announced its decision to the Postmaster-General, the India Office, the chambers of commerce and Walsham. The first three of these replied that they fully concurred in the Foreign Office position.[26] In Peking Walsham's position was eased by the change of Russian Minister which released him from the awkward predicament of having to support Coumany's aims. This is how matters rested in April 1890 as far as ratification of the proposed agreements was concerned and nothing of any significance happened from the point of view of either London or Copenhagen throughout the course of the year.[27]

However, the opposition did cause the Chefoo Telegraph Agreement to be

[24] Cable and Wireless. Board 18th December, 1889; G.P.O. E16223/1896 File XIV Dunn to Eastern Extension 2nd April, 1890; *The Times* 14th June, 1890.

[25] Cable and Wireless. Board 7th May, 1890; F.O. 17/1189 pp. 37–40 Pender to Foreign Office 3rd April, 1890 (enclosures).

[26] F.O. 17/1189 p. 47 Foreign Office to Walsham 16th April, 1890, pp. 45–49 announcements and replies.

[27] Cable and Wireless. Board 8th October, 1890.

Map No. 6 The cable lines between Northern China and Russia.

raised in the House of Commons at the beginning of May 1890, when John Lubbock asked the Under Secretary of State whether he was familiar with the intended Chefoo agreement and whether the government intended to lay the proposed convention upon the table of the House before its ratification. James Ferguson replied that the government would never give its approval to any treaty of this nature without full consideration of all the interests involved and without first consulting with representatives of British commerce.[28] In his reply Ferguson also outlined the policy that the Foreign Office and other British officials would be following. The subsequent course of events showed that this brief exchange in the House of Commons was not without significance.

From the point of view of the companies the subject continued to be of the first importance, and in the first half of 1891 they tried to discuss the most troublesome points with the China Administration. They were however unable to conclude an agreement owing to the many conflicting interests involved.[29]

These negotiations between the companies and the China Administration showed that there was no chance of their making any progress until the Russian and Chinese governments had sorted out their problems. Negotiations between the two governments opened once again in May 1892, in St Petersburg.[30] Since representatives of the companies were also bidden to attend, Judd and Henningsen arrived in the summer to attend to their directors' interests.[31]

In the St Petersburg negotiations the policy of separate agreements was given up and in its place a single agreement was drawn up, a telegraph agreement between China and Russia which also provided for the companies' interests in the section dealing with tariffs. In the agreement the Russian government formally acted as spokesman for the companies. The negotiations, which were influenced by Sergei Witte's desire to develop greater economic co-operation with China, concluded on 25th August (1892), when the agreement was signed by Sheng and the new Russian ambassador to China, A. P. Cassini.[32] The companies felt that their interests had been fully safeguarded, as shown for instance by the fact that now, as indeed at many other stages of the agreement's difficult birth, influential Russian officials received at least tokens of gratitude from the Danes.[33]

The negotiations in St Petersburg had also been followed by the Danish ambassador, Fritz Kiær, and the British chargé d'affaires, Henry Howard. Midway through September Howard told the Foreign Office that he had held wide-ranging discussions with Kiær who had told him that the finishing touches had been put to the treaty and had given him detailed information as

[28] *Hansard's Parliamentary Debates* (1890) Vol. 344 pp. 126, 448–449.

[29] Cable and Wireless. Board 17th December, 1890, 14th January, 28th January and 22nd April, 1891.

[30] Cable and Wireless. Board 18th May, 1892.

[31] Cable and Wireless. Board 15th June, 1892.

[32] Hertslet I No. 87; Cable and Wireless. Board 21st September, 1892.

[33] Rigsarkivet. St. Nord. Telegraf. Journalnr. B989, 1893–1894.

to its contents.[34] This was how the Foreign Office came to hear about the agreement, and it aroused considerable consternation, since neither the Eastern Extension nor Walsham had given the Foreign Office any information about the negotiations. When the news came from St Petersburg the Foreign Office asked Walsham what action, if any, he had taken in the matter.[35] Walsham replied at the end of September and sent a translation of the agreement.[36]

According to the terms of the agreement the telegraph networks of China and Russia were to be linked at three places: 1) Hunchun (Wenchuen) – Nova Kyevsk (and on to Vladivostok), 2) Helampo – Blagoveshchensk, which meant a line across the Amur River and 3) Maimachin – Kiachta, which was a matter of a line from Peking to Kiachta. As soon as the agreement was ratified the lines were to be joined between Hunchun and Nova Kyevsk; the second connection was to be put into operation as soon as the sea cable had been laid between the two stations, and the Kiachta connection was to be ready within five years. The lines were the same as in the 1889 draft agreement, and the tariffs too, as shown in the following table, were unchanged from the earlier draft.

Route	Rate per word	Chinese Share of the Tariff	Russian Share of the Tariff
	Frs.	Frs.	Frs.
China–Asiatic Russia or v.v.	3.73	2.00	1.73
China–European Russia or v.v.	4.73	2.00	2.73
Chinese business via Russia	8.50	5.50	3.00
Russian business via China		2.00	local

The through rate between China and Europe was Frs. 8.50, which was divided as shown in the table. China however had to pay the tariffs on the European lines beyond the Russian lines; this amounted to about one franc. The rate between China and European Russia was Frs. 4.73, which meant that there was an extraordinarily large difference in the cost of telegrams going to the European part of Russia and to the rest of Europe, for example from China to St Petersburg or from China to Copenhagen. According to the terms of the international telegraphic convention China and Russia were at liberty to arrange terminal tariffs between their two countries, however, they wished, and this was what they were now doing. There was one particular clause in the agreement designed to stop speculation in this field, which was already somewhat in evidence. An enterprise known as the Desmond Agency

[34] F.O. 17/1189 pp. 147–149 Howard to Foreign Office 14th September, 1892.
[35] F.O. 17/1189 p. 152 Foreign Office to Walsham 17th September, 1892.
[36] F.O. 17/1189 pp. 153–163 Walsham to Foreign Office 28th September, 1892; Agreement also in F.O. 233/117 (29).

had been receiving messages at Helampo over the Chinese wires and paying the Chinese tariff and then transmitting them at Blagoveshchensk and paying the Russian tariff. By this system of 'smuggling telegrams' the Desmond Agency had been able to reduce the cost of telegraphing considerably. There was a clause in the agreement to protect the companies' interests, stating that the rates for messages sent over the Russo-Chinese line were not to be lower than those charged by the cable companies from the ports of Shanghai, Amoy and Foochow. It also said that land line tariffs would follow changes in the cable tariffs, so that any reduction in the rate of the cables was to be followed by the land lines; otherwise the land line rates could not be altered except by mutual consent. The convention was to last until 31st December, 1902.[37]

Except for the fact that the interests of the companies were now covered in the new agreement the changes made to the 1889 draft were minimal and of no real significance. This tends to confirm the theory put forward above, that the Russians' hesitation over the 1889 draft was primarily a matter of tactics. The tariff between European Russia and China was Frs. 2 lower than the current tariff for business going via Vladivostok and Shanghai, and when Russia could also expect income from new business the agreement became very much to her advantage. As far as China was concerned the benefit she would derive would depend on the condition in which she kept her lines. Most of the traffic between China and the rest of the world was bound for the great treaty ports where the cable companies had their offices, and as long as tariffs were the same and cables more dependable than land lines that is how the situation would remain. As long as tariffs remained the same only the Kiachta line would offer a serious threat to the cable companies, since being the shortest route, so long as it was well maintained it would also be the quickest way between China and Europe.

As far as the Eastern Extension and the Great Northern were concerned the Russo-Chinese telegraph agreement was to be welcomed because it signified the avoidance of competition. This had been the companies' prime concern. Another important point of view was the fact that China would no longer be bound to the promise given to the Russians in 1865 concerning most favoured nation status with regard to land telegraphs and the companies would then be able officially to operate on Chinese soil. The abandonment of the plan for two separate agreements at this stage did in fact mean that the companies still had not managed to get the 1881 concession ratified. The Russo-Chinese agreement certainly followed the spirit of the 1881 concession in that it precluded price competition, but it was contrary to it in so far as China had arranged new lines without at least the written consent of the Great Northern. There was, however, nothing to stop the companies from trying to have the 1881 concession ratified in the future.

For the Great Northern in particular it was the Kiachta line which would cause most problems in the future. Its opening would mean a reduction in traffic, especially between Vladivostok and Japan, and therefore a diminution

[37] Cable and Wireless. Chinese Agreements No. 25. Agreement also in G.P.O. E16233/1896 File XXXIX and N.A. 92/94 Denby to Secretary of State 15th January, 1893.

in the financial returns from their operations, since traffic on the Siberian line between Europe, China and Japan would now be transmitted via Kiachta and Peking (and, in the case of Japanese traffic, Shanghai). On the other hand the Great Northern also had some reason to be satisfied with the Kiachta scheme, since physical conditions east of Irkutsk made the Siberian line very difficult to keep up and the Kiachta line would guarantee a service and an alternative route should one route be disrupted.

When the Foreign Office in London received news of the agreement it informed the Postmaster-General and the India Office. The latter had nothing to say on the subject so long as traffic between India and China did not come within its scope.[38] The news also reached the chambers of commerce who once again sought to prevent the treaty from being ratified. The China Association was particularly vigilant in London on behalf of eastern commercial interests, and the Association presented the Foreign Office with a statement of its views as to why ratification should be opposed, pointing out that since all correspondence between Europe and the Far East took place by telegraph the question of tariffs was of the first importance to the companies. The merchants felt that the telegraph companies could easily reduce their tariffs and would be compensated by an increase in the volume of business. From the point of view of the merchants the agreement meant the elimination of competition in the Far Eastern telegraph service.[39]

The scope of the chambers of commerce to affect the implementation of the agreement was now very much less than it had been, since the point at issue was no longer an agreement between companies but between two nations. China and Russia were absolutely free to conclude an agreement, especially since it was entirely within the terms of the international telegraph convention. The claim made by the chambers of commerce on the other hand, that there should be competitive tariffs on the same routes, would have been quite contrary to the convention.

The attitude of the diplomatic community was very restrained. In October 1892 the German minister in Peking, von Brandt, discussed the possibility of supporting the chambers of commerce with the British chargé d'affaires, Beauclerck. As doyen of the diplomatic community Brandt had assumed a leading role in the affair. During the discussions Beauclerck said he thought there was no chance of protesting against the agreement since it was an agreement between two powers and not in conflict with the international agreement which his government had signed. Brandt concurred and said that he would be very reluctant to take any action because negotiations for a trade agreement between Germany and Russia were in progress and his interference might have adverse effects.[40]

Denby, who had been so active in opposing the Chefoo Telegraph Agreement two years earlier, was also taking no action to oppose the ratification of the new agreement. Explaining his inaction to Washington he

[38] G.P.O. E16223/1896 File XXVIII Indian Office to Foreign Office 21st December, 1892; F.O. 17/1189 pp. 218–219 Postmaster – General to Foreign Office 9th December, 1892.

[39] F.O. 17/1189 p. 181 China Association to Foreign Office 10th November, 1892, enclosing memos received from Far Eastern Chambers of Commerce.

[40] F.O. 17/1189 pp. 174–177 Beauclerck to Foreign Office 20th October, 1892.

said that no corporation or American citizen had appealed to him to intervene and prevent the ratification of the treaty. Certain Shanghai newspapers had spoken out against the agreement, but Denby suspected that the article had been partly due to the relations of the aforementioned Desmond Agency with the papers and anyway Denby could not accept the claim made by the papers that the agreement would be contrary to the terms of the international telegraph convention. The second main reason that Denby gave for his passivity was that if the tariff was found exorbitant the demand for competition would grow in strength and thereby the laying of an American trans-Pacific cable would be hastened.[41]

It was somewhat surprising, however, when Great Britain's new minister in Peking, Nicholas O'Conor, began vigorously to oppose ratification of the agreement in the autumn of 1892. It seems that when the minister arrived in Peking he was strongly pressurized, especially perhaps by C. Poulsen, a Dane employed by the China Administration. The Minister came down firmly on the side of the merchants and considered even the view stated by the Postmaster-General to be inadequate.[42] The Minister's attitude did not, however, affect the Foreign Office which concurred in the statements of the Postmaster-General and the India Office and announced that there was no cause to oppose ratification of the agreement, especially since there was in any case no possibility of the tariffs being changed until the next International Telegraph Congress was held in 1895. The agreement concerning the traffic between Burma and China was made up in September, 1895. The correspondence on this line was allowed solely between China on the one side and Burma, India and Ceylon on the other.[43]

The agreement between Russia and China was ratified on 10th January, 1893,[44] and the route via Helampo was opened on 1st March, thus providing the long-awaited land line between China and Europe.[45] However, the line encountered such difficulties from rivers in flood and other natural hazards almost immediately after its opening that traffic on it was interrupted for about three months.[46] An additional agreement concerning the Kiachta line was made by China and Russia in September 1897. This stipulated that the line should be completed by the end of 1898, but it proved impossible to adhere to the timetable; the line was not opened for public traffic until the turn of the century (1899/1900).[47]

[41] N.A. 92 94 Denby to the Secretary of State 15th January, 1893.

[42] Cable and Wireless. Board 16th November, 1892; F.O. 17/1189 pp. 193–199 O'Conor to Foreign Office 26th and 28th November, 1892.

[43] F.O. 17 1189 p. 225 Foreign Office to O'Conor 12th December, 1892; MacMurray, *Treaties* I pp. 498–501; Hertslet I No. 21.

[44] Cable and Wireless. Board 11th January, 1893; F.O. 17/1189 p. 231 O'Conor to Foreign Office 20th January, 1893.

[45] *The Electrician* 5th May, 1893 p. 23.

[46] *The Electrician* 27th April, 1894 p. 735.

[47] G.P.O. E22994 1903 File XIII Sonne to Satow 25th March, 1902; MacMurray, *Treaties* I s. 382–383; *Notification* No. 500, 513.

5. The joint purse of the three enterprises in China

At the same time as O'Conor sent news of the signing of the agreement he also sent the Foreign Office a set of calculations which showed that the through rate from China to Europe was cheaper by the China Administration lines than by the companies'. O'Conor asked permission for the Peking embassy to use the China Administration service for less important messages in order to save money.[1] The Foreign Office gave its approval, although Pauncefote commented that 'this will appear very unpatriotic to Sir John Pender'.[2]

The fact that the China Administration was offering different tariffs for through traffic came as a surprise. It was a situation which should not have arisen after the Russo-Chinese agreement of 1892, since Article 9 explicitly laid down that the tariff should be Frs. 8.50 and that the exchange rate for converting this in China was to be Frs. 4.25 to one Mexican dollar, so that the tariff should have become two dollars per word. The cable companies, however, had begun to charge Mex.$2.30 per word while the China Administration was content with two dollars.

Soon after the signing of the Russo-Chinese agreement the companies and the China Administration became involved in a price war. It began with China's internal business which the cable companies began to seek for themselves, and according to allegations made by the Chinese the companies offered reductions if telegrams were directed to go by their routes. In response the China Administration began to charge Mex.$2 per word on telegrams that went by their own line and put a surcharge on telegrams directed for transmission by the cable routes, behaviour which was in any case contrary to the terms of the 1892 agreement. The companies offered to refund the extra to their clients, but in practice such a system was difficult to organise.[3]

Apart from the manipulation of the tariffs the China Administration and the companies were in serious disagreement over the question of the exchange values of the currencies in use.

The change in the relative values of gold and silver from the 1890's onwards meant that the relationship between the gold-based franc and the silver-based Mexican dollar also changed. When the 1892 agreement was signed the rate was 1 : 4.24, but after that the Mexican dollar weakened and in the spring of 1894 the rate was 1 : 2.65. As a result of this serious weakening of the Mexican dollar the cable companies tried to compensate themselves for the change in the currencies' relative values by raising the nominal price of telegrams, and they also tried, without success, to persuade the China Administration to follow suit. Henningsen's negotiations with Sheng led nowhere.[4] The companies were seeking to raise the tariff between

[1] F.O. 17/1189 pp. 241–243 O'Conor to Foreign Office 8th March, 1893.
[2] F.O. 17/1189 p. 244 undated entry, p. 265 Foreign Office to O'Conor 4th May, 1893.
[3] Cable and Wireless. Board 8th February, 1893; G.P.O. E16223/1896 Files XXXV-XXXVII relevant correspondence; N.A. 92/94 Denby to Secretary of State 18th April, 1893.
[4] Cable and Wireless. Board 4th and 15th October, 13th December, 1893, 24th January, 21st February, 1894.

China and Europe to Mex.$3, though this would actually have brought the rate per word to eight francs at the current rate of exchange, instead of the Frs.8.50 mentioned in the agreement. It was certainly a strange situation in which telegrams sent from Europe to the east were paid for in gold currency and therefore in fact more expensive than those sent from east to west.

To add to these difficulties, once the Russian agreement had been signed the China Administration also began to compete with the companies for coastal business between Shanghai and Canton, reducing the nominal tariffs by about 50 % compared with what they had been in 1886.[5] Since the reduction in the tariffs was based on calculations made while gold and silver were still at the old rates, the actual reduction in the tariff was so large as to make it impossible for the cable companies to compete.

This real reduction in tariffs benefited the foreign commercial groups in China and they backed the China Administration as it began to compete with reduced tariffs. As the other party to the 1892 agreement, the companies now tried to persuade Russia to take action to force China to abandon this tariff war. In Peking Henningsen tried to convince Cassini of the need to readjust the tariffs, but the minister disapproved of the companies' policy and accused them of aggressive behaviour in China.[6] In fact the Russian telegraph administration witnessed the competition between the China Administration and the companies with pleasure since it was important for the Russians to get business on the Siberian line. Russia was also inclined to support the China Administration for the sake of getting the Kiachta line into operation, a matter of great political importance to the Russians.[7] Apart from anything else, the Russian government was at the time conducting a policy aimed at maintaining the political status quo in the Far East, with China's help, and Cassini saw no reason to upset the Chinese over such a trivial matter as the price of telegraphs.

Negotiations between the China Administration and the companies in 1894 were completely fruitless. The Chinese insisted upon maintaining their tariff at Mex.$2 while the companies on their side fixed upon Mex.$2.70, i.e. about Frs.7 per word and therefore still clearly below the tariff settled in the 1892 agreement. The secretary of the Eastern Extension, F. E. Hesse, claimed at one stage that the companies made no profit whatsoever on telegrams from China.[8] The companies nevertheless had a satisfactory volume of business from China to the west and this was due to the fact that their lines were in better technical order than those of the China Administration. But from the companies' point of view the situation was simply deteriorating: they had landed up in competition, the very situation which they had striven to avoid by taking part in the negotiations for the Russo-Chinese Agreement.

The chances of the companies managing to resolve their difficulties became all the more remote because the British minister in Peking, O'Conor, continued to oppose their position and support the commercial community.

[5] *The Electrician* 27th April, 1894 p. 735.
[6] Cable and Wireless. Bullard, A Short History pp. 39–41.
[7] Cable and Wireless. Bullard, A Short History p. 44.
[8] G.P.O. E16223/1896 Hesse to Lamb 9th November, 1895.

As a result the Eastern Extension asked the Foreign Office for help and in London Pender tried to convince the Chinese ambassador of his company's moderation.[9]

Within the Post Office the application from the Eastern Extension was given to Mackay, who got various details and statements on the matter before finally concluding that increasing the tariffs was a technical question and within the terms of the international telegraph convention so that there was no reason to oppose the companies' stand. The Foreign Office also approved the Postmaster-General's opinion and informed the minister in Peking that he need no longer oppose the new tariffs, instructing him at the same time not to behave in any way which might give the impression that the interests of the cable companies and Great Britain were one and the same.[10]

The moves made in London had no effect at all in China, since the negotiations between Sheng, Judd and Henningsen in the summer and autumn of 1894 still bore no fruit.[11]

The Sino-Japanese war, which began in February 1894, resulted in a complete change in the hitherto dismissive attitude of the China Administration. The Helampo route, which had already proved itself to be very unreliable, was closed during the war, and the China Administration was unable to use its own lines for traffic to the west.[12] No longer able to provide a reliable service it therefore lost customers and income.

In February 1895, while the war was still on, the China Administration told Cassini, the Russian minister in Peking, that it might adopt a more compliant attitude to certain of the companies' proposals.[13] Cassini played a leading part in subsequent negotiations resulting in a Draft Agreement, dependent upon the approval of the governments of Denmark, Russia, Great Britain and China before it could be finalised.[14] Denmark and Russia were ready to give their approval at once. According to the draft the tariffs for through traffic were to be the same regardless of what route they used. This was not new. On two points, however, the agreement differed from earlier practice: firstly, each of the three enterprises was to use the same rate of exchange and the rates were to be settled annually. In principle the China Administration approved of linking the price of telegrams to gold. The second new feature was that the revenue from through traffic would go into a joint purse which was to be divided into three parts, one third going to the Chinese and the remaining two thirds to the companies. Business between China and its neighbours, such as Indochina, India and Russia would not form part of this arrangement. The intention was to make the treaty valid for twenty years, which was quite a long time.[15]

[9] Cable and Wireless. Board 4th April, 1894; G.P.O. E16223/1896 Files XLI and XLVI relevant correspondence.

[10] G.P.O. E16223/1896 File XLI Foreign Office to Postmaster-General 3rd July, 1894, Postmaster-General to Foreign Office 17th July, 1894.

[11] Cable and Wireless. Board 11th July and 19th September, 1894.

[12] *The Electrician* 1st May, 1896 p. 30.

[13] Cable and Wireless. Board 6th February, 1895.

[14] Cable and Wireless. Board 3rd April, 1895.

[15] G.P.O. E16223/1896 File: Cover, has draft.

The Eastern Extension and the Great Northern were disappointed by the fact that once again O'Conor decided to oppose the agreement. In view of this Cassini too refused to take the matter further.[16] Once again Pender turned to the Foreign Office and they asked the Postmaster-General to look into the matter in the autumn of 1895. This time the matter was handled by Spencer Walpole.

Walpole's attitude was that the companies could be given support on condition that the merchant community in the east was compensated by reduced tariffs. On September 5th and 18th Walpole discussed the matter with the Great Northern's representative in London, Nielsen, who announced according to instructions from Suenson that his company was ready to consider giving a 20 % reduction.[17] The Eastern Extension proved much more awkward. On 9th October one of the company's directors, Hesse, went to the Post Office for discussions with Lamb. Hesse was hoping for the support of the Postmaster-General vis à vis the Foreign Office, and represented the draft agreement to Lamb not as a new departure but as being entirely in accordance with precedents which were already approved by the government. Such a misleading statement provoked Lamb to inform Hesse that he was very familiar with the proposed agreement, and he read him a rather severe lecture on the subject. The Post Office had supported the companies earlier and the British minister in Peking had given up his opposition to tariff changes made desirable by the alteration in the rate of exchange on the basis of a recommendation to this effect from the Postmaster-General. The Post Office was by no means ignorant of the fact that the Eastern Extension was a British company, but it was essential to take into account the British merchants in the east, and the government might incur a good deal of hostile criticism if it supported the company in their present scheme. Lamb demanded a reduction in the tariff of over one franc but Hesse insisted that one franc was the limit.[18]

Walpole's memorandum was written on the same day as the discussions between Lamb and Hesse were held. Walpole commented that the draft agreement involved far more than simply the normalisation of tariffs and rates of exchange. On the whole Walpole was critical of the draft, and expressed his surprise that the Chinese had been persuaded to accept a twenty-year limit on its freedom of action. The arrangement meant an end to earlier competition. Although the draft agreement did not bar the lowering of tariffs, such was not to be expected for a long time. Walpole believed that O'Conor's opposition to the agreement had been well-founded. Both companies, it was true, had performed valuable services to the mercantile community and they had a right to expect comparable benefits in return; one should also remember, however, the criticism that had been levelled at them because of their aspirations towards a monopoly and because of the high level at which they had maintained tariffs. Should the present proposed treaty be concluded a certain amount of hostile criticism must be expected from the mercantile community. It would work out best if, in return for the

[16] Cable and Wireless. Board 18th September and 2nd October, 1895.
[17] G.P.O. E16223/1896 File XLVI Walpole's memos 5th and 18th September, 1896.
[18] G.P.O. E16223/1896 File XLVI Lamb's memo 9th October, 1895.

assistance given them, the companies could be persuaded to make concessions and to announce a reduction in their tariffs following the international telegraph conference which was to be held in Budapest in 1896. Moreover, since the China Administration played an important role in the telegraph business Walpole thought that diplomatic channels should be used to get the Administration into the international telegraphic convention.[19]

In their reply in mid October 1895 the Foreign Office asked the Postmaster-General to continue negotiations with the companies,[20] and on 20th October the Postmaster-General therefore held a meeting attended by Lamb, representing the Post Office, Hesse and Nielsen. On this occasion Lamb asked the other two to recommend to their companies that the period of the agreement should be reduced from 20 years to 10 and that the tariff should be reduced from Frs. 8.50 to Frs. 7.[21] In a written reply the companies bargained for a 15-year term for the agreement, to commence in 1895, demanded Great Britain's political support with the Chinese government and agreed to the reduction in tariffs.[22] The Postmaster-General considered that this counter-offer should be accepted and recommended the Foreign Office to confirm the agreement on this basis. Lamb also wrote direct to Pender and Suenson, saying that the Postmaster-General had approved the treaty on these terms and was recommending the agreement to the China Administration, although in principle he retained the right in all cases to consider the means of promoting Britain's commercial interests whenever the question of communications arose.[23]

The Foreign Office acted as the Postmaster-General recommended and in November 1895 Beauclerck was instructed to support the agreement on these conditions. At the same time the chargé d'affaires was to try to impress upon the Chinese government the importance of joining the international telegraphic convention.[24] As long as China remained outside the convention international agreements had no force in China and the country could act without regard for such things as international tariff agreements if she so chose. It would have been very much easier to control things if China had been a member of the convention. Beauclerck's words were treated seriously enough that the Tsungli-Yamen asked the Chinese minister in France to find out the regulations of the convention, and said that if they were advantageous to the Chinese telegraph he should enter the Union and add his signature.[25] Nothing came of it, and it was not until 1908 that China joined the international telegraph convention, and in the same year sent a representative to the Lisbon Telegraph Congress.[26]

[19] G.P.O. Minutes 12636/1895 Postmaster-General to Foreign Office 9th October, 1895.

[20] G.P.O. E16223/1896 File XLVIII Foreign Office to Postmaster-General 14th October, 1895.

[21] G.P.O. E16223/1896 File XLIX memo 18th October, 1895.

[22] Cable and Wireless. Board 30th October, 1895; G.P.O. E16223/1896 both companies to Postmaster-General 30th October, 1895.

[23] G.P.O. E16223/1896 File LI Postmaster-General to Foreign Office 4th November, 1895; to Suenson and Pender 23rd November, 1895.

[24] Cable and Wireless. Board 27th November, 1895; G.P.O. E16223/1896 File LI Foreign Office to Beauclerck 22nd November, 1895.

[25] G.P.O. E16223/1896 File LII Beauclerck to Foreign Office 11th December, 1895, the Tsungli Yamen to Beauclerck 19th December, 1895.

[26] F.O. 262/987 Eastern Extension to Foreign Office 11th February, 1908.

Before the agreement between the three telegraph authorities could come into force it required the approval of the Russian, Danish, British and Chinese governments. On 11th July Cassini signed it 'vu et approuvé'. The new British minister in Peking, Claude MacDonald, had instructions to sign the agreement if it met with his approval.[27] MacDonald had a lot to say against the treaty and for the time being he did not sign it. He was principally concerned about the rising tariffs and about what he considered the verbal imprecision of the agreement. In any case he had invited the Eastern Extension's representative to Peking to explain things.[28] On the diplomatic side the matter came back again to the Postmaster-General, who agreed with Walpole that the arguments put forward by MacDonald were already familiar and had already been discussed. On the suggestion of the Postmaster-General MacDonald was advised to go ahead and sign,[29] which he did on 30th July, 1896 on receipt of these explanations and instructions. The Tsungli Yamen approved the agreement on the following day.[30]

The final agreement followed the draft negotiated in 1895–1896 except for the through traffic tariff and the duration of the agreement, points where changes were made as demanded in London.[31] The companies did not secure a positive monopoly but the agreement did establish a community of interests which tended in practice to be monopolistic. As the revenue from traffic via China's land lines and the companies' cables was put into a joint purse and divided into three equal shares, this meant that if there were a new competitive cable China would lose considerably on telegrams directed via the new line with the interior, for she would have to put her land line revenues into the joint purse for division with the companies while the income of the new line would not be put into the joint purse for sharing with her.

Moreover, China might well find herself under an obligation to take into account the interests of the two companies in her attitude towards any new project. There was no certainty that the China Administration would hold themselves free to grant landing rights to another company at any point where China possessed sovereign rights.

The agreement came into force (Art. XVI) on 1st July, 1896 and was to be in force until 31st December, 1910. The reduced tariffs and particularly the new seven franc tariff were confirmed at the International Telegraph Conference in Budapest in 1896 and came into force at the beginning of 1897. In consequence the nominal tariff rose steeply after the beginning of July since all parties to the agreement, as stipulated, used the same exchange rate for Mexican dollars and francs: tariff increases of 38 % for European

[27] G.P.O. E16223/1896 File LIV Foreign Office to MacDonald 10th July, 1896.
[28] G.P.O. E16223/1896 MacDonald to Foreign Office 13th and 14th July, 1896.
[29] G.P.O. E16223/1896 File LIV Postmaster-General to Foreign Office 23rd July, 1896, Foreign Office to MacDonald 25th July, 1896.
[30] Cable and Wireless. Board 5th June and 16th September, 1896; G.P.O. E16223/1896 File LIV MacDonald to Foreign Office 29th July, 1896, File LV Postmaster-General to Foreign Office 18th November, 1896.
[31] *Copies of Licences* pp. 51–55 for ratified agreement; Hertslet II No. 182; MacMurray, *Treaties* I s. 59–67, 382.

business, 43 % for American business and 100 % for the Shanghai–Hong Kong line were recorded.[32]

Such a sudden increase in tariffs provoked a great outcry from those concerned in trade with the east. MacDonald's comments on the agreement did not seem unfounded. On 19th September, 1896 the Hong Kong General Chamber of Commerce organized an extraordinary meeting to protest against the increase in telegraph rates. Two bankers emerged at the meeting as the principal opponents of the companies, Mr. T. Jackson, Chief Manager of the Hong Kong and Shanghai Banking Corporation, and the Hon. T. H. Whitehead, Manager of the Chartered Bank of India, Australia and China. It was no coincidence that it was bankers who felt so strongly about the matter, since the rise in telegraph rates was of major consequence as far as the costs of international banking were concerned.

Both bankers pointed out that while the economic position of the telegraph companies was quite firm and they were able to distribute quite considerable profits they took advantage of the monopolistic rights they had obtained to raise tariffs. Whitehead recalled the promise made by the representative of the Foreign Office in the House of Commons in 1890 that before agreements of this kind were approved they would be discussed with the representatives of British commerce. Whitehead thought that the promise had been overlooked and the interests of trade sacrificed for the benefit of the shareholders in the two telegraph companies. – The meeting moved three resolutions, condemning the new tariffs as unjust, protesting against the action of the London government and announcing that it would give its fullest support to new enterprises whose lines would connect Asia to the other continents.[33]

Similarly the Shanghai General Chamber of Commerce protested and entered into correspondence with Henningsen as representative of the Great Northern in China. The Shanghai Chamber of Commerce tried in particular to demonstrate that the increases were greater than was reasonable in view of the actual change in the relative value of precious metals. In reply Henningsen rejected these claims, using the fact that in the past there had been many tariffs in use in China because of the competition, and Henningsen did not have much difficulty in presenting his explanation. Both companies also pointed out that shipowners operating in the east also calculated their tariffs according to the gold value of the Mexican dollar and it would be strange if another branch of the transport sector could not do likewise.[34]

The opposition put up by the chambers of commerce went as far as London and aroused a good deal of attention at least in Great Britain.[35] The

[32] The calculations were included in the next Board report of the Hong Kong General Chamber of Commerce. Neither the companies nor the Postmaster-General found any fault with the calculations. The matter principally concerned tariffs calculated in Chinese currency.

[33] G.P.O. E16223/1896 File LV with a printed reference to this meeting.

[34] G.P.O. E16223/1896 File LV The Shanghai General Chamber of Commerce to MacDonald 17th August, 1896, to the Great Northern 4th and 11th August, 1896, the replies 11th and 13th August, 1896.

[35] Mentioned in the G.P.O. E16223/1896 File LVII Lamb to Hesse 26th January, 1897.

Foreign Office once again passed the complaints on to the Postmaster-General for investigation, drawing particular attention to the question of how to respond to that area of grievance which touched upon the undertaking given in the House of Commons in 1890. Lamb said in his reply that the agreement was mostly based on the Russo-Chinese telegraph agreement, in which the British government had no chance of interfering. From the beginning the telegraph policy of Russia and China had been that the telegraph authorities of these countries would not compete with the companies and this was also in conformity with the International Telegraph Convention. Lamb observed that the tariffs had been correctly calculated and added that the government had been fully alive to the views of the mercantile community.[36] The Foreign Office then wrote a draft letter on the basis of the Postmaster-General's reply. The draft was first inspected by the Postmaster-General and then sent in mid-December to the chambers of commerce in the east.[37]

The attitude of the Postmaster-General and the Foreign Office meant some measure of defeat for the merchants in the east. The move to oppose the tariffs was not, however, in vain since, as events subsequently showed, the Postmaster-General and the Foreign Office paid more careful attention than before to the interests of the mercantile community and the financial position of the cable companies operating in the east. At least in 1896 when the Postmaster-General was considering the Indian tariff he commented on the good returns and firm financial standing of the Eastern Extension, and on the fact that the eastern tariffs were too high compared with the tariffs on the North America line.[38]

The most important result for the companies was that they were freed from competition with the China Administration and entered into a near-monopolistic agreement with it. The improved relations were important too in daily routine matters affecting the reliability of business.

Having achieved this degree of co-operation the companies tried to settle an old question, the connection of Amoy and Foochow. As stated above, the Great Northern operated on Kulangsu island and the Eastern Extension on the coast at Sharp Peak. The China Administration wanted things organized so that both companies would open an office in the foreign settlements in Amoy and Foochow. The matter was settled by correspondence between the companies and the China Administration, but the China Administration had to present the matter to the Tsungli Yamen for approval and they refused to give it, considering the arrangement a violation of China's sovereignty. The Administration, finding itself between the devil and the deep blue sea, asked the companies to free it from its engagement. Since the companies had just come to an understanding with the Chinese they refrained from taking the

[36] G.P.O. E16223/1896 File LV Foreign Office to Postmaster-General 5th November, 1896. Postmaster-General to Foreign Office 24th November, 1896.

[37] G.P.O. E16223/1896 File LV Postmaster-General to Foreign Office 4th December, 1896; Postmaster-General to Foreign Office 9th December, 1896.

[38] G.P.O. Minutes 4251/1896 statement 25th March, 1896.

matter any further except that in annulling the correspondence they asked the China Administration to sign a general declaration to the effect that the companies might continue to work their cables in China with no change, on the terms and conditions under which they were working at the moment.[39] The declaration thus confirmed the status quo, although it is certainly worth remarking that the Tsungli Yamen expressed no opinion on this. The affair was of some value to the Great Northern whose position as regards its concessionary rates was strengthened.

In 1902 the Eastern Extension tried once more to get British government support for the removal of its station to Foochow, but once again nothing was accomplished.[40] The matter was not, however, of the greatest significance to the company since with the decline of the tea trade Foochow itself had declined rather than increased in importance.[41]

6. The question of exclusive rights in China

The settlement of relations between the companies and the China Administration in 1896 paved the way for a joint purse agreement made in 1897 between the Great Northern and the China Administration respecting Russo-Chinese traffic, to be valid for the same period of time as the 1896 agreement. The income for local traffic between Russia and China was to be paid into a joint fund to be shared equally between the parties.[1] The agreement was made shortly before the opening of the Kiachta line and it was to the advantage of the Danish company since the Shanghai-Vladivostok line, slower and less reliable than the Kiachta line, would be sure to lose business. The Chinese on the other hand would be able to share in the profits from telegrams travelling between the two countries 'via Northern', and there was a considerable volume of such traffic owing to the esteem in which the company was held.

In 1898 both the European companies took steps to secure the final ratification of the 1881 concession which would have given them a monopoly of new telegraph connections between China and other countries. In April the Great Northern asked the Danish foreign ministry to support them in this, arguing mainly on the grounds of the competition which would be brought about by a possible cable from America to China via Japan. The foreign ministry was also asked to get the co-operation of the Russian government for the companies in this matter.[2] The foreign ministry did as requested and at the beginning of the summer Denmark's minister in St

[39] G.P.O. E16223/1896 File LIX contains relevant papers and correspondence; *Copies of Licences* pp. 58–61.
[40] G.P.O. E22994/1903 File XII contains relevant documents.
[41] Cable and Wireless. Joint Reports, p. 139.

[1] Cable and Wireless. Agreements with China & Great Northern Telegraph Co. & C. p. 320; MacMurray, *Treaties* I pp. 99–103.
[2] Rigsarkivet. St. Nord. Telegraf 237 Journalnr. B4122. Great Northern to Udenrigsministeriet 28th April, 1898.

Petersburg reported a favourable response: instructions had been sent to the Russian minister in Peking to offer his support.[3] The idea was to add an Appendix to the 1896 Agreement providing that until the end of 1910 no-one else would be allowed, without the consent of both parties concerned, to land telegraph cables on the coast of China or on islands belonging to her, or otherwise to establish telegraph connections which might create competition with or injure the interests of existing lines. China had the right to construct internal lines so long as they did not compete with the companies' cables. After 1910 China could enter into agreements with whomsoever she chose, but the companies would have preferential rights to enter into any new convention and in any case they had the right to continue operating their own cables.[4]

The purpose of this appendix was to protect the Great Northern and the Eastern Extension against new entrepreneurs. It was known only too well that France, Germany and the United States were planning to lay cables in the Far East and in the future others too might become involved in the Chinese business, especially if China came to lose territory to the great powers, as had happened in 1897 when Kiaochow was taken over by Germany.

The China Administration had long had a station in Tsingtau, but when the Germans occupied this district they decided to lay a new cable from Tsingtau to Shanghai, partly for political reasons and partly on account of the poor service offered by the China Administration, and a German telegraph network was built in the Kiautschou district. In the autumn of 1898 the Eastern Extension and the Great Northern offered to connect Shanghai and Tsingtau, either under contract to the subscriber or else using the companies' own cable in return for an annual subsidy. The companies also asked for a clause in the agreement that no third company should be permitted to land cables in the German part of China and that if the German government itself wanted new cables preference was to be given to the two companies in laying and operating them. The agreement would have given the companies a monopoly in Germany's Chinese territory, and the *Reichspostamt* rejected the proposal, preferring to build and run cables at its own expense. It accordingly began to make financial and technical preparations for its own submarine telegraph links.[5]

The 1896 agreement was formally ratified by the governments of the United Kingdom, Russia, Denmark and China, and this meant that any amendments also had to have the approval of these governments. In London, therefore, the Eastern Extension once more turned to the Foreign Office for its approval and support.

The affair passed via the Foreign Office into the hands of the Postmaster-General, and he in turn handed it down to Mackay for his consideration. In his statement Mackay said that several countries were interested in landing

[3] Same collection. Udenrigsministeriet to Løvenørn 2nd May, 1898, Løvenørn to Udenrigsministeriet 7th June and 19th July, 1898; Cable and Wireless. Board 12th October, 1898.

[4] G.P.O. E7078/1905 File I Eastern Extension to Foreign Office 19th July, 1899.

[5] Kunert, *Telegraphen-Seekabel* pp. 306–308.

Finnish National Museum

The majority of the Great Northern's traffic between Asia and Europe passed through Uusikaupunki, a small town on the west coast of Finland. The staff of the station were partly Danish and partly Finnish.

cables in China and that against such a background to seek exclusive rights would probably raise questions of international concern. Besides, the proposed All British Line put the question in a new light from Great Britain's point of view, since that might possibly concern China too. As before, it was important to consider the opinions of the commercial community in the Far East, and the government would certainly encounter criticism if it gave its support to privilege clauses. The community would probably offer less resistance to the scheme if tariffs were reduced and if they were bound to a sliding scale whereby tariffs would be reduced as business increased. From the British point of view it was suggested that the offices of the amalgamated companies should be divided so that the Eastern Extension and the Great Northern worked with different staff. It was also essential that the new agreement should not prevent the building of the cable between Hong Kong, the Saddle Islands and Wei-hai-wei, which was very important for British interests. As far as the All British Line was concerned the Postmaster-General considered it imperative that it should be able to connect up with Chinese lines, and if the appendix was designed to prevent this the British government had cause to refuse the companies the help they sought. The Postmaster-General thought the question extremely difficult. It would

perhaps have been possible to try to have an exception made in the new agreement for Imperial schemes, but then other governments would have resisted this, especially Russia. The Postmaster-General said further that the amendment was unlikely to fit in with the plans for the Pacific cable and would be of questionable advantage to others with an interest in the business, as for example the commercial community.[6]

Despite the fact that the Postmaster-General, the Foreign Office, the Admiralty and the Treasury were all essentially opposed to the agreement, the Eastern Extension was offered support on condition that the above-mentioned requirements were met. The Colonial Office, on the other hand, went further in laying down terms. It demanded that a general reserve clause about the All British line, allowing the interested governments to land and operate a cable on Chinese territory. Within a few months the Colonial Office went even further in its demands, proposing that the Eastern Extension should surrender the preferential rights in the Straits Settlement, North Borneo and Hong Kong which they had secured in 1893 for a period of 25 years.[7] These demands were so extreme that although discussions were never officially broken off the Eastern Extension did not refer to the matter in London again.

The Eastern Extension withdrew its suit for the simple reason that it was just as possible to reach agreement without the support of the British government, or even its knowledge. On 6th March, 1899 the representative of

[6] G.P.O. E7078/1905 File I–II correspondence between Postmaster-General, Foreign Office and Treasury August 1899 – January 1900. Postmaster-General's reply to Foreign Office 29th August, 1899 and 10th January, 1900.
The All British Line mentioned here will not be covered in depth as it constitutes a separate subject for study on its own. However, the principal points about the Line until the end of the century were, briefly, as follows:
In 1874 an engineer on the Canadian Pacific Line, Sanford Fleming, suggested that the cable which was then running as far as the end of the new Pacific railway line, should be continued as a submarine cable as far as Australia, establishing a connection from the United Kingdom to Australia via Canada. Thus began the project which later became known as the All British Line, the name deriving from the fact that for political and military reasons the line was intended to run entirely through areas under the control of the British government.
Fleming's proposal did not arouse much interest for a decade, until a request was made at the Postal Conference held in connection with the Colonial Exhibition in 1886 and the Colonial Conference considering questions of Imperial military and security policy in 1887 that the Colonial Office should investigate immediately the possibility of laying a cable from the west coast of Canada to Australia. The British government acknowledge the value of such a project but in practice did very little about it.
The next time the All British Line was mentioned at all seriously was in 1894 at the Second Colonial Conference in Ottawa, when Canada, because of her great interest in the project, brought it to the fore. The result was various recommendations, one of which was that the cable should be laid from Australia via the South India Ocean to the Cape, and thence to London.
Following the Ottawa conference the proponents of the All British Line became more active at the same time as the Eastern Telegraph Companies, now seeing in the government cable a dangerous competitor, began to oppose it and to pursue a policy whereby the danger could be averted. This was just the sort of thing that would worsen relations between the cable companies and the public when the latter were already complaining about the monopolistic tariffs of the companies.
It seems that the experience of the United States during the war with Spain, when the importance of cables to military activities became clear, and the vigorous activity of those in favour of the cable, led the Colonial Office in 1899 to establish a commission to examine the question, which had gradually come to be seen as an element of Britain's imperial prestige.

[7] G.P.O. E7078/1905 Files I-II.

the Great Northern, Henningsen, and the Director-General of the China Administration, Sheng Hsuen-huai, signed a new agreement, which was confirmed by the Tsungli Yamen and the Russian and Danish minister in Peking, Micael de Giers. The Eastern Extension was not mentioned in the agreement which took the form of an appendix to the 1897 Danish-Chinese agreement. The principal points were those mentioned above. Certain reservations were specified, but in point of fact these tended to increase rather than decrease the monopolistic and exclusive nature of the agreement.[8] The Eastern Extension gained from the arrangement since it shared in the benefits the Great Northern enjoyed, but the way the company went about the matter was very strange, since it tried to get its country's diplomatic support over an agreement which had already been signed. Overtures were first made to the Foreign Office on 19th July, 1899, when the agreement had already been confirmed, although the company had received information from Suenson, on the basis of which negotiations could have taken place at the beginning of the year.[9] It seems as though the board of the Eastern Extension supposed it virtually hopeless to attempt to get support from London, but tried nevertheless to see whether the government could be brought round to the completed agreement. The other governments which had ratified the agreement, the Danish and the Russian, had nothing against the new measure; in fact it tended to their advantage. The Russian government did not, however, offer its favours for nothing; over five years the companies paid £2000 for its services in the affair.[10]

Hardly had the ink dried on this agreement when the movement known as the Boxer Rebellion began in China. In a move to help the European population in Peking the combined white forces landed at Taku, the port of Peking, in July 1900.[11] During the uprising the rebels had destroyed the land lines in northern China and the only means of carrying telegrams northwards from Chefoo was now by warship.[12] It thus became imperative to establish a telegraph connection between Shanghai (Woosung) and Taku. At this time neither company had sea cables north of Shanghai: all connections to the north had been via the lines of the China Administration. Both companies were particularly sensitive to the dangers of the situation. In this critical state of affairs foreign powers might bring their own cables to the area and the companies would have found it hard to defend their privileges despite all agreements. Besides, the companies had to protect the China Administration as well; seeing as it was the other party to the agreement the Administration became of considerable importance to them, and a diminution of the standing would not have been at all in their interests. The present situation also meant an opportunity, perhaps the only one that the companies would have, to extend their activity towards all-important Peking.

[8] Cable and Wireless. Chinese Agreements No. 29.
[9] Cable and Wireless. Extension's Board January – February, 1899; mention of letter to Foreign Office 19th July, 1899.
[10] Cable and Wireless. Extension's Board 12th October, 1898.
[11] Morse III pp. 228–229.
[12] *The Electrician* 29th June, 1900 p. 355.

In these circumstances the board of the Great Northern proposed to the Eastern Extension and to the China Administration that both companies together should lay a cable from Shanghai via Chefoo to Taku, the work to be carried out at the request of the China Administration. The job, which was most urgent, could be completed at once using the companies' cable stores in the east. The China Administration agreed to the proposal seeing in it a chance of preserving its position now it was certain that the land lines north of Shanghai had been destroyed. The agreement was signed on 4th August, 1900, but an appendix was added on 26th October. Under contract to the Chinese the companies were to lay a cable between Shanghai and Taku connecting Chefoo on route, with the right to lay branch cables from Chefoo to Wei-hai-wei, Port Arthur and Kiaochow to meet the requirements of the British, Russian and German governments. The China Administration was to pay the companies £10,000 over a period of 25–30 years at 5 % interest. The cable, buildings and equipment were to be the builders' security. The companies would also operate the lines with their own officials. One of the most important clauses in the agreement was that all the agreements between the China Administration and the companies were to remain in force until 31st December, 1930.[13] This referred to the agreements of 1896, 1897 and 1899.

The companies gained more than their earlier experience would have allowed them ever to dare hope for in China. As well as being financially worthwhile the agreement assured them for a long period exclusive rights to open lines between China and other countries.

The Shanghai-Taku cable was laid with great speed at the end of the summer of 1900. The companies also laid a cable for the Russian government from Chefoo to Port Arthur, and another for the German government from Chefoo to Tsingtau and thence to Shanghai (map p. 188). [14]

At this stage the British government became more deeply involved in China's telegraph question than she would have done in normal circumstances. For a long time the government had been discussing with the Eastern Extension the idea of laying a cable from Shanghai to Wei-hai-wei, but during the Boxer Rebellion the link now became essential. Since it had already been decided that the companies would build the Shanghai-Taku line, the Eastern Extension offered to connect Wei-hai-wei and Chefoo in return for a very moderate subsidy if the British government would undertake to ensure that the China Administration fulfilled their contract liabilities. The offer was accepted by the British government.[15] One of the liabilitites of the China Administration was the extension of the company's exclusive landing rights for a further period of 20 years, and the British government therefore, with a view to saving the expense of a cable from Shanghai to Wei-hai-wei, ratified for 30 years the provisions which they had

[13] G.P.O. E22994/1903 File I contains agreement and amendment (4th August and 26th October, 1900). Sheng Hsuen-huai signed agreement for Chinese; Cable and Wireless. Chinese Agreements No. 32 and 33.

[14] Cable and Wireless. Board 26th September, 1900; Kunert pp. 309–310.

[15] G.P.O. E22994/1903 File I agreement 23rd April, 1901.

previously refused to ratify for 10 years without numerous conditions. The only one of these conditions which was imposed on the companies in the contract for the Wei-hai-wei cable was the separation of the British and Danish staffs at Hong Kong and Shanghai.[16]

The signing of this agreement meant that the British government too had now ratified the 1899 agreement. However, the Chinese government was never informed of the agreement reached between the Eastern Extension and the British government, and this rather devious handling of the affair caused considerable differences of opinion later between the Chinese government and the Eastern Extension over the British companies' rights in the 1899 agreement.

The far-ranging concessions made to the companies by the China Administration find their explanation in China's political difficulties. As a result of the unrest the Administration's services in northern China were seriously disrupted or entirely halted by rebel attacks on stations and lines.[17] In the late summer of 1900 the important connection between Taku and Peking was broken and since the China Administration was itself incapable of repairing the line it first gave the work privately to its Danish adviser, Poulsen, but then made another agreement with the companies for the reconstruction of the land lines between the coast and the capital and the re-opening of the public stations at Taku, Tientsin and Peking. The companies forced Poulsen's enterprise to give up its operations by simply refusing to transmit his telegrams on the international service.[18] The agreement between the companies and the China Administration was to be in force until the majority of the foreign troops were withdrawn and peace and normality re-established. So long as the line was in the companies' hands the Chinese staff were to be subordinate to the European officials.[19]

During the Boxer rebellion another European country, France, brought cables to China. The event was not of great practical import, but it was certainly of some political significance when one considers the authority the companies had in China.

The French government line was laid in the late winter of 1901 from Hué to the Danes' Kulangsu station in Amoy, where the French began operations with their own staff and using their own separate rooms.[20] The Great Northern's acceptance of the French venture stemmed from the good relations that existed between the company and the French government: the political set-up in Europe meant that the Great Northern's cables between

[16] Shanghai – Chefoo – Taku cable duplicated in 1901. Cable and Wireless. Board 30th January and 24th April, 1901.

[17] G.P.O. E22994/1903 File XIII the Tsungli Yamen to Satow 2nd February, 1902.

[18] Cable and Wireless. Board 24th October, 21st November and 5th December, 1900. In 1900 – 1901 there were also temporary lines belonging to the occupying powers in China. The longest was the German field telegraph between Shanhaikwan, Tientsin and Peking. Kunert pp. 315–316.

[19] Cable and Wireless. Chinese Agreements No. 34; G.P.O. E22994/190 File IV agreement (26th October, 1900) and Hesse to Foreign Office 30th March, 1901; MacMurray, *Treaties* I p. 267–269.

[20] F.O. 228/1376 Hesse to Postmaster 14th May, 1901.

France and Russia were of quite some importance. The Great Northern did not take this step without first discussing it with the Eastern Extension, but the British company had nothing against it provided that certain limits were set to the operations of the French cable, the most important of which was that it should not be used for through traffic between Europe and China.[21]

The French had discussed the matter with the Great Northern but they had sought no licence from the Chinese government or the China Administration and they simply installed their cable on the island. Nor did the Great Northern ask the Chinese for permission to allow the use of its station for the French cable. The position of the French cable was therefore quite different from that of the Russian, German and British cables linked to the companies' cables in Chinese waters in the north of the Empire, since these were covered by the agreement between the China Administration and the companies.

The French still aimed in 1902 to connect Amoy and Port Arthur by a new cable which would form a connection between Russia and Indo-China independent of both the companies and the China Administration. However, Russia, probably on the Great Northern's advice, rejected this idea and the cable was never laid.[22] In fact the French cable in China had very little business. Financially it was clearly unviable and politically it caused more trouble than it was worth. But in terms of power politics and prestige overseas the French could now say that they too had a cable in China.

7. The amalgamated companies after the Boxer Rebellion

Around the turn of the century the Great Northern was intent upon getting under its own control as many lines as possible linking the East to the North of Europe, and this was only natural. It was a continual source of problems to the company that the lines in Europe and on the eastern coast of Asia were in other hands than their own, namely the Russian Telegraph Administration and the China Administration. The Great Northern did its utmost to ensure that the Russian Administration kept its line in good condition, and to some extent it succeeded by emphasizing the importance of a quick and regular service. At the end of the 1880's, for instance, telegraph machines made at the Great Northern's instrument factory in Copenhagen were introduced on the Siberian line and at the same time Danish officials were employed on this line by the Russian Telegraph Administration.[1] But despite all this the working of the stations left much to be desired and the service was continually interrupted. When one remembers that the connection between Europe and east Asia was the sine qua non of the Great

[21] Cable and Wireless. Board 17th January, 1900.
[22] Cable and Wireless. Board 18th June, 1902.

[1] *The Electrician* 6th May, 1887 p. 573, 11th October, 1889 p. 567; *Det Store Nordiske* 25 *Aar*. p. 122.

Northern's operations it is easy to understand these attempts to overcome the unreliability of the Chinese and Siberian lines.

In part the difficulties in Siberia derived from topographical and climatic conditions. However, oriental dilatoriness and lack of organising ability also played their part. In 1885 the Russian post and telegraph departments were in the same department of the ministry of internal affairs and the telegraph section was in the charge of generals who had no knowledge of the telegraph system, while starvation wages were paid to the staff.[2] As the end of the century drew nearer the condition of the lines became worse rather than better, despite the fact that the lines were relatively new. One reason was that in its generally straitened economic circumstances the Russian government could not afford to put enough money into one communications sector, the telegraph, especially when the railways, not least the trans-Siberian line, were competing for money from the same funds. In 1894 and 1895 during the war between China and Japan there were continual interruptions to the service and in 1900–1901 the Siberian line worked so badly that the Russian government had to start sending its own telegrams to the east by the Eastern Extension. This, though, brought no benefit to the British company, because according to the terms of their agreement it had to work for the Great Northern either completely free of charge or at reduced rates. In 1897 the board of the Eastern Extension, reviewing the 1883 agreement, resolved that the Great Northern would have to operate more efficiently.[3] In St Petersburg the Great Northern's representative was always having to urge the Russian Telegraph Administration to keep their lines in good condition and their stations working correctly and efficiently.

The breakdown of the Siberian service in 1901 was an appropriate moment for the Great Northern to approach the Russian government with a proposal that the company should add a wire for its exclusive use to the line between Kiachta and Leypaja. This could be used for international through traffic and manned by officials of the company. Approval of the proposal would have meant the opening of Danish telegraph stations in Russia and the movement of Danish maintenance staff along the line.

Tietgen discussed the proposal personally in St Petersburg in July 1901, encountering a generally favourable climate of opinion; even the Tsar was said to display understanding on the question. The scheme was not without its opponents, amongst them the Russian Foreign Ministry, but Tietgen's position was improved by the fact that the Russian Telegraph Administration had failed at a critical moment in foreign policy. Tietgen returned to Copenhagen with a promise that the Russian Council of Ministers would consider the question at the end of 1901.[4]

After this no progress whatsoever was made. In the summer of 1902 the Danish minister in St Petersburg, Poul Løvenørn tried to clarify the situation, and during discussions the Foreign Minister Lamsdorff and the

[2] *The Electrician* 16th October, 1903 p. 1031; Krüger, Telegraphen- und Fernsprechwesen, *Archiv für Post- und Telegraphenwesen* 1901 Nr. 4 p. 103 ff.

[3] Cable and Wireless. Board 10th November, 1897.

[4] Rigsarkivet. St. Nord. Telegraf 237 Journalnr. B6501 Tietgen's letter and memorandum 14th July, 1902.

head of the Asian Department cautiously announced that things had cropped up which would make it difficult to accept all the company's points.[5]

A year or so later the question was still not settled. The Great Northern tried to hurry along a decision by using diplomatic channels. In June and July Lamsdorff, according to the information Løvernørn received, had changed his mind and come round to accepting the company's proposals, while the Minister of Internal Affairs, Pleve, had begun to have doubts about it. Since Løvernørn was worried by these repeated delays and the continuing uncertainty as to what would emerge, he referred to the matter in an audience he was granted with the Tsar. Løvernørn's appearance at such a high level was due to the fact that he was continuing the negotiations of two years previously when Tietgen had also had contact with the Tsar over this same question. Above all Løvernørn wanted the Tsar to realise that the company wanted a definite answer, even if it meant a refusal.[6]

Despite all the Great Northern's attempts to hurry things along progress continued to be slow. After the Japanese war the Russian Telegraph Administration agreed that through traffic would be better organised along the lines the company had suggested and the Duma budget commission gave its approval for funds to be allocated for installing an extra wire. The Russian treasury, however, had no money available and it was easy for ministers to delay the matter further when they could demonstrate that there were still various obstacles preventing an agreement. At this stage the Great Northern offered to lend sufficient money to build the line on very favourable terms, but the Russian government was undecided about accepting this offer too. An added difficulty was that the Great Northern would have wanted from St Petersburg a written promise that Danish officials would be employed to handle traffic on their line.[7]

The Great Northern's representatives in St Petersburg had not entirely wasted their efforts since after 1902 the standard of the Russian Telegraph Administration improved. In 1903 there was a reform of the Russian post and telegraph departments, whereby they were formed into a separate ministry run by officials, and the pay and entrance requirements of the staff were reviewed. In addition more money than before was put into developing the telegraph and this led to an improvement in the condition of the lines. After the second half of 1903 there were no significant disturbances on the Vladivostok and Kiachta lines,[8] which meant that as far as the Great Northern was concerned there was no longer any urgent need for its own wire.

In 1907 the Russian government renewed its 1869 agreement with the Great Northern for twenty years, so that it should remain in force until the end of 1926. The company's activities in Russia were thus safeguarded for the life-time of one cable and one director.[9]

[5] Rigsarkivet. St. Nord. Telegraf 237 Journalnr. B6501 Løvenørn to Udenrigsministeriet 30th July, 1902.

[6] Rigsarkivet. St. Nord. Telegraf 237 Journalnr. B6501 Udenrigsministeriet to Løvenørn 23rd May, 1903. Løvenørn to Udenrigsministeriet 5th Juni and 2nd July, 1903.

[7] Rigsarkivet. St. Nord. Telegraf 238 Journalnr. B8653 Udenrigsministeriet's memo 5th February, 1910. Udenrigsministeriet to minister Scavenius 7th February, 1910.

[8] *The Electrician* 16th October, 1903 p. 1031 and 13th May, 1904 p. 163.

[9] Cable and Wireless. China and Japan. Agreement No. 3 and Board 13th November, 1907.

The Great Northern's connections to the Far East extended beyond Russia along their own or the Eastern Extension's cables to various coastal towns, but as far as inland connections were concerned, these had to be made on Japanese or Chinese lines. There was nothing to complain about as far as Japan was concerned, but the service of the China Administration which, it must be remembered, covered a far wider area than the Japanese network, gave rise at times to a considerable amount of criticism and there was perhaps never a time when the Administration enjoyed a reputation for reliability. The Europeans believed that most of the day-to-day problems were caused by the way the Chinese ran their telegraph. In 1890 a Danish engineer in the service of the China Administration, O. Möller, described how, when a new director arrived at a telegraph station, the first thing he did was to dismiss the old staff and appoint in their place people from his own province and personal friends, regardless of their competence. This was apparently the customary procedure in China. The result was that people worked mechanically and without interest, and worse still, they made a lot of mistakes, so that when telegrams were received the recipients derived no benefit from them.[10] According to an estimate made in 1903 by Superintendent Bullard of the Eastern Extension the Chinese were very good operators when working directly under Europeans, but when left to themselves personal convenience or inclinations took precedence over duty. Bullard also said that since there was a tendency to reduce the number of Europeans working for the Administration and to replace them with Chinese, the result was a deterioration of the service.[11]

The want of confidence in the Chinese-operated lines meant that even before the Kiachta line was finished the Great Northern opened negotiations with the China Administration in the hope of getting the use of one or two wires on the Peking-Kiachta line. The negotiations were successful, partly because the war between China and Japan showed the Chinese the value of a direct link between Peking and Russia and also probably because they realised how big a task it would be for them to build and operate the Kiachta line. The agreement was to be signed and ratified as soon as circumstances permitted, and it was to be ratified by the governments of Russia and China. The Great Northern also informed the Eastern Extension of what was being planned, and no objections were raised.[12]

The Kiachta line was completed in 1899, that is after agreement had been reached in principle. The signing of the agreement was delayed, however, and did not take place until 26th October, 1900, during the Boxer Rebellion. This was a very timely moment from the point of view of the China Administration, since the Peking-Kiachta line which had cost so much to build was largely destroyed after only 18 months in operation. It was essential to have a telegraph connection, but there was little possibility of the

[10] Rigsarkivet. St. Nord. Telegraf 237 Journalnr. A9655 O. Möller to Consul J. Kramer (Canton) 31st January, 1890.

[11] Bullard, A Short History pp. 67–68.

[12] Reference to this in Tietgen's memorandum mentioned above.

Chinese being able to repair the line and it was therefore sensible now to give the Great Northern the right to use the route. The agreement was signed on behalf of the China Administration by Sheng, and by Julius V. Petersen and Kay Suenson on behalf of the Great Northern. By the terms of the agreement the China Administration surrendered the use of one line between Taku, Peking and Kiachta to the Danish company free of charge, together with adequate working facilities. The company was not, however, allowed to come into direct contact with the public, and telegrams were to be passed on by officials of the China Administration. The company was to pay the salaries of the staff involved in operating and maintaining the line. The Chinese staff, while formally in the service of the China Administration, were to be under the complete control of the company's agents. All international telegrams were to be given to the company for transmission via either Kiachta or Shanghai. The arrangements for telegraph charges and the companies' joint purse agreements were not affected. It was a requirement that the agreement should be confirmed by the Tsungli Yamen and the minister for Russia and Denmark.[13]

This agreement meant simply that the Danish company took over the operation of one wire between Kiachta and Taku on the coast. In earlier negotiations the Great Northern had spoken about a connection extending as far north as Peking, but the present situation and the damage inflicted on the Chinese lines enabled the company to press its advantage as far as the coast. What this meant in practice was that international telegrams from Taku, Tientsin and Peking were handed over by the China Administration on receipt and the Danes did the rest. The agreement meant a substantial financial sacrifice on the part of the Danish company, but it was buying itself the opportunity to serve its customers more reliably and efficiently than before.

The Eastern Extension knew of the agreement but explained later in another connection that it did not demand comparable rights for itself because it considered such an enterprise unprofitable.[14] The explanation does not quite make sense, however, because in fact on the same day as the Great Northern signed the agreement, 26th October, 1900, the three telegraph enterprises also signed the agreement discussed above for the use of the Taku-Tientsin-Peking line during the disturbances. It was a manifest oversight and imprudence on the part of the Eastern Extension that it was then satisfied with a temporary agreement.

When during the Boxer Rebellion the Taku-Peking line came under the companies' management the Eastern Extension nonetheless began to demand that it should be put on the same footing as the Great Northern in relation to the line between Peking and the coast.[15] In practice this would have meant the Peking-Taku line coming permanently under the control of the

[13] Cable and Wireless, Chinese Agreements No. 33; MacMurray, *Treaties* I pp. 267–269.
[14] G.P.O. E22994 1903 File XIII Hesse to Foreign Office 4th April, 1902.
[15] Rigsarkivet, St. Nord. Telegraf. 237 Journalnr. B6501. Tietgen's memorandum 14th July, 1902.

amalgamated companies. The issue was of quite some significance at least in that had such a situation arisen the companies could subsequently have prevented competition more effectively than before, as well as supervising perhaps the most important inland line in China.

Although the Great Northern already had an agreement with the Administration it had no alternative but to come to an arrangement with the Eastern Extension, albeit reluctantly. In April 1901 the Eastern Extension turned to the Foreign Office for support, and around the same time Bullard, the Eastern Extension's agent, asked for help from Satow, the British Minister in Peking.[16] The Foreign Office passed the question on to the Postmaster-General, and John Ardron, who handled the matter, opined that the proposed arrangement could hardly be satisfactory from the British point of view unless measures were taken to ensure an effective share in the control of the lines by persons of British nationality. He continued that the close connection between the British company and the Great Northern had given rise to a lot of criticism in the east, and to claims that the Great Northern was dependent upon Russia and worked with Russia's interests in mind. Not one case had ever been discovered, however, in which the Great Northern would have been acting improperly in the interests of Russia.[17] The Foreign Office gave an answer along these lines to the Eastern Extension in London.[18] When the Eastern Extension was able to show that the demands concerning the nationality of the staff had been satisfactorily met, the Postmaster-General declared in a statement in June 1901 that there was no longer any obstacle to agreement.[19] The Foreign Office for its part encouraged Satow to support the proposed agreement.[20]

When Satow received his instructions he made contact with everyone involved in the matter. He tried in particular to reach an understanding with the Russian minister, but despite his efforts no progress at all had been made by the end of 1901; nor had the companies' negotiators made any contact with the China Administration by that time. The matter was delayed because it was just then that the Administration of China's telegraph system was reorganized and because of the changes in personnel there was nobody in a position to take responsibility for decisions. On 6th January, 1902 Satow and Lessar gave the Tsungli Yamen a semi-official note suggesting that since the question had now been pending for about a year it was perhaps time it was settled.[21]

When negotiations commenced in February 1902 it became clear that the China Administration did not want to relinquish the line, but on the contrary wanted to resume control by that spring. Sheng candidly informed the companies' representatives that during the unrest the companies help in reconstructing the broken lines had been imperative, but now that the China

[16] G.P.O. E22994/1903 File IV Hesse to Foreign Office 30th March, 1901; File VIII Bullard to Satow 10th May, 1901 and Satow to Bullard 24th May, 1901.

[17] F.O. 228/1376 Postmaster-General to Foreign Office 21st June, 1901, G.P.O. E22994/1903 File VI Postmaster-General to Foreign Office 21st June, 1901.

[18] G.P.O. E22994/1903 File VI Foreign Office to Eastern Extension 26th June, 1901.

[19] G.P.O. E22994/1903 File VII Postmaster-General to Foreign Office 9th July, 1901.

[20] G.P.O. E22994/1903 File VII Foreign Office to Satow 13th July, 1901.

[21] G.P.O. E22994/1903 File XI Satow to Foreign Office 8th January, 1902.

Administration had funds it no longer needed foreigners to be involved.[22] In February 1902 at the Eastern Extension's request the Foreign Office urged Satow to negotiate for a wire to be made available to the Eastern Extension, on the same terms as the Great Northern had obtained between Kiachta and Taku.[23] After further discussions Satow delivered another note in March and entered into negotiations with C. Chr. Sonne, the new European adviser of the China Administration.[24] In a written statement Sonne outlined the policy of the China Administration, and announced that the Administration now saw its way clear to establishing a really efficient service. With this in view it had employed a number of superintendents and clerks from the Danish staff of the Great Northern, thus ensuring a uniform service throughout, both on international and internal traffic. Officials of the China Administration and the Great Northern shared a common training since Danes ran China's training schools and this had brought the advantage that one single system was in use thoughout the country. Besides this Sonne said that as individuals the Danes were absolutely neutral, disinterested and beyond any political influence whatsoever. If Great Britain was granted the right it sought other great powers would demand the same. Sonne announced that henceforth all the staff in the service of the Administration would be Danish and gave Satow no reason to hope that the British proposal would be approved.[25]

Through the Eastern Extension's attempt to get this permit Satow and the Postmaster-General gradually came to learn about the 1900 agreement between the Great Northern and the China Administration. The Eastern Extension's 'forgetfulness' in making this known meant that the British were moving too late and the negotiations were to some extent pointless. To a greater or lesser extent this negligence caused considerable irritation in the Foreign Office and even the Postmaster-General spoke about 'the incorrect description', and said he was astonished that the company had not taken action earlier.[26]

Half-way through May the Foreign Office once again turned to the Postmaster-General, asking for an opinion on the question of whether the Chinese government should be pressed to continue existing arrangements for the line between Taku and Peking, or, on the other hand, to lease a wire between those places to the Eastern Extension.[27] Lamb replied, saying that China's sovereignty would not suffer even if foreign companies were allowed to work between the coast and inland stations. Lamb used the United Kingdom as an example, where various cable companies, foreign as well as British, were allowed the right to work land lines connecting the landing

[22] Cable and Wireless. Board 12th and 26th February, 1902; G.P.O. E22994/1903 File XIII the Tsungli Yamen, following reply from China Administration's director Sheng, to Satow, 2nd February, 1902; F.O. 228/1433 Eastern Extension's agent to Eastern Extension dated February 1902.

[23] G.P.O. E22994/1903 Foreign Office to Satow 16th February, 1902; F.O. 228/1433 Eastern Extension to Foreign Office 12th February, 1902.

[24] G.P.O. E22994/1903 Satow to the Tsungli Yamen 11th March, 1902.

[25] G.P.O. E22994/1903 File XIII Sonne to Satow 25th March, 1902.

[26] G.P.O. E22994/1903 File XIII Foreign Office memorandum, undated; File XIV Postmaster-General to Foreign Office 17th May, 1902.

[27] G.P.O. E22994/1903 File XIII Foreign Office to Postmaster-General 15th May, 1902.

points of their cables with London or the principal provincial towns. Lamb considered the main problem to be the fact that the companies had themselves agreed to temporary arrangements and that the Eastern Extension had clearly erred when it had not demanded equal rights with the Great Northern when the question was being discussed. Lamb thought the situation very complicated, and even more difficult in that the Russian Minister had confirmed the agreement for the Great Northern. Lamb's advice and the advice of the Postmaster-General was that the Minister in Peking should be recommended to continue in his efforts to have the temporary arrangements made permanent, or at least to demand a wire for the Eastern Extension.[28] The Foreign Office acted on this suggestion and Satow was instructed accordingly.[29]

In May 1902 the board of the Eastern Extension got the impression from a report in the press that the agreement between the Danish company and the China Administration concerning the Kiachta-Taku line had not yet been ratified. This proved to be the case, and the Eastern Extension and Satow tried to use this situation to their advantage and get the British company included in the agreement. The China Administration, however, refused to alter its attitude and at the end of May announced to both companies that on 1st June it intended to take control over the lines from Taku.[30] Satow again asked the Tsungli Yamen to intervene and to delay matters for the time being.[31] In London too it was considered advisable to try to persuade the Chinese to accept some other alternative.[32]

This belated manoeuvre on the part of the Eastern Extension came as an unwelcome surprise to the Great Northern, and it warned the Eastern Extension against going too far, since it was known in Copengagen that the Chinese had threatened to renounce all its agreements relating to the telegraph.[33] With Danish diplomatic help the company tried to save the situation by suggesting in July 1902 that the agreement should be ratified and the British thus faced with a fait accompli.[34] Now, however, it proved to be the Danes who had left things too late, for the British already had a foot in the door. According to a statement made by the Russian foreign ministry, Lessar, the Russian minister, would have acted earlier if a telegram containing his instructions had not got lost on the way – a rather striking proof for the Russians of the unreliability of the telegraph service.

Since neither company was able to make any headway with the China Administration they had no alternative but to discuss the matter with each other. By this time the Great Northern was willing to amend the agreement

[28] G.P.O. E22994/1903 File XIV Postmaster-General to Foreign Office 17th May, 1902.
[29] G.P.O. E22994/1903 File XVI Foreign Office to Satow 21st May, 1902.
[30] G.P.O. E22994/1903 File XX China Administration to Eastern Extension 27th May, 1902; Eastern Extension to Foreign Office, 27th May, 1902.
[31] G.P.O. E22994/1903 File XXII Satow to Foreign Office 14th June, 1902.
[32] G.P.O. E22994/1903 File XXII Eastern Extension to Foreign Office 11th June, 1902.
[33] Rigsarkivet. St. Nord. Telegraf 237 Journalnr. B6501 Tietgen to Udenrigsministeriet 12th September, 1902.
[34] Rigsarkivet. St. Nord. Telegraf 237 Journalnr. B6501 Løvenørn to Udenrigsministeriet 30th July, 1902.
[35] Rigsarkivet. St. Nord. Telegraf 237 Journalnr. B6501 Tietgen to Udenrigsministeriet 12th September, 1902.

signed in 1900. By the middle of September the negotiations had progressed so much that agreement had been reached on all points except for the Eastern Extension's demand that it should have the right to transmit not only telegrams expressly marked 'via' but all 'British' telegrams, without exceptions. The other negotiators asked for a more precise explanation of exactly what was demanded, and the Eastern Extension hid behind the Foreign Office saying it was they who had demanded such a clause. This claim was unfounded, and nobody in fact gave any credence to it. Since no progress could be made on this one point Tietgen asked the Danish foreign ministry to ask their ambassador to clear the matter up with the Foreign Office. Tietgen specifically said that it was in all probability a spurious claim by the Eastern Extension.[35] When things took their course and the matter was broached at diplomatic level in London the Eastern Extension retreated and on 20th September, 1902 the Danish chargé d'affaires reported to Copenhagen that the companies had settled the point of contention.[36] On 22nd October, the China Administration and the companies made two new agreements, one between the China Administration and the Eastern Extension, the other between the Administration and the Great Northern. The latter agreement replaced the 1900 agreement between the China Administration and the Great Northern relating to the Kiachta-Taku line.

In the agreement with the Eastern Extension the China Administration gave the British company the use of a wire or wires between Peking and Taku, and the Eastern Extension was allowed to set up its own stations in Peking, Tientsin and Taku on the property of the China Administration. The company had to pay the salaries of any staff involved in separate work for the company. The company was not allowed to have any contact with the public, but the China Administration had to pass on for transmission by the company all telegrams that were routed 'via Eastern Extension'. There were no changes in the tariffs and the 1896 joint purse agreement was to remain valid.[37]

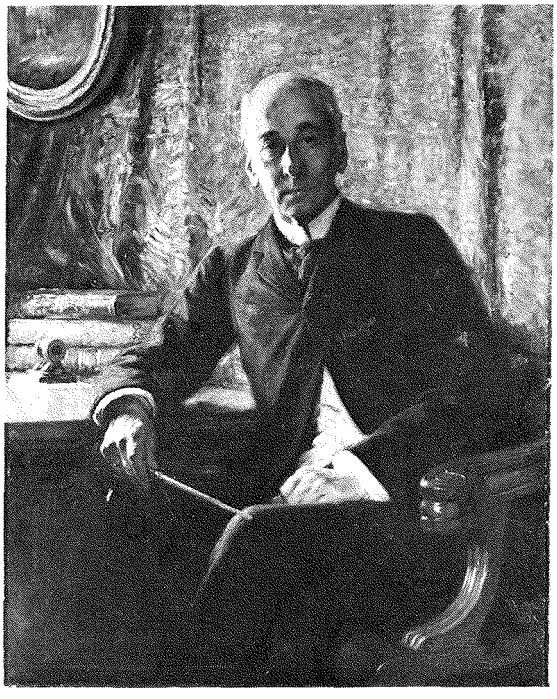
The agreement with the Great Northern followed in part the agreement made in 1900 and in part the present agreement with the Eastern Extension. Compared with that of 1900 this new agreement was far more detailed and gave the Great Northern greater advantages than before. In particular it was stated that the China Administration would give the Danish company all telegrams for transmission on the Kiachta line and all cables which were not explicitly marked to go via the Eastern Extension. The Danish company had the right to appoint its own controllers at the Chinese controlling stations. If the Russian Telegraph Administration so desired the Kiachta line could be directly connected to Russia's lines without a Chinese station at the border. Again, there were no alterations in the tariffs.[38]

A third agreement was signed on the following day concerning the arrangements at Foochow, which had now existed unchanged for 20 years.

[36] Cable and Wireless. Board 28th August, 1902. Rigsarkivet. St. Nord. Telegraf 237 Journalnr. B6501 Danish Embassy in London to Udenrigsministeriet 20th September, 1902.

[37] Cable and Wireless. Board 14th January, 1903; G.P.O. E22994/1903 File XXX contains published agreements; MacMurray, *Treaties* I pp. 375–380.

[38] Cable and Wireless. Chinese Agreements No. 44 (22nd October, 1902).



Det Nationalhistoriske Museum på Frederiksborg

Edouard Suenson served as a young officer in the French navy from 1865–68 both in the Mediterranean and Far East. In 1870 Suenson was aide-de-camp to Raasløff, the minister of marine. Through his superior Suenson became acquainted with Tietgen. After working as the organizer of the company's activities in the East Suenson was appointed administrative manager of the Great Northern in 1877. Succeeding Tietgen, he was the managing director of the company from 1898–1916. A painting by B. Wegman.

The China Administration granted the Eastern Extension a wire or wires for the exclusive use of the company between Sharp Peak and Nantai (the European quarter of Foochow) and the company was permitted to set up its own separate station in Nantai. Thus ended the long-standing complications around Foochow's telegraph service.[39]

The China Administration made concessions to the Eastern Extension in the agreements and also extended the rights of the Great Northern. The Administration absolutely refused to give up the entire Peking-Taku line to the companies and its attitude here was defensible, for the Chinese government's own business would then have been in the hands of foreigners and open to their inspection. Giving foreign companies the use of individual wires was in this respect harmless and it was certainly financially advantageous to the China Administration since the foreign companies paid the overheads and freed the Chinese from the responsibility of looking after part of the traffic, while tariffs and the joint purse were unchanged.

[39] Cable and Wireless. Chinese Agreements No. 43 (23rd October, 1902).

The political support given to the Eastern Extension reflected clearly the view of British officials and the British government that British telegrams should be transmitted through British hands. Satow's reports on the situation show how much he suspected that the Great Northern was under the influence of the Russian government. When the Great Northern's new agent quite openly declared that if the Peking-Taku line returned to the China Administration the Britons who were working on the line would be replaced by Danes, there was still more reason for the Eastern Extension to organise its own line linking Peking with the sea cables.

From the point of view of the China Administration letting out wires rather than a whole line was expedient in that if yet another foreign entrepreneur turned up on the coast of China there would be connections to Peking and other parts of China along Chinese lines. Despite all the exclusive clauses in existing agreements, the position of the companies would have been more securely monopolistic if the line to Peking had been in their control. This was a privilege which they did not receive.

To the Great Northern the prime importance of having its own wire between the coast and the Russian border was in the improvement it meant in the service, even though the Chinese lines formed only one section of the company's route between Europe and Asia, and a far longer line lay within the Russian Empire.

The Danish Kiachta line was opened to business at the end of February, 1903, and almost immediately it proved particularly advantageous to the company. During the Russo-Japanese war the Russians cut the cable between Vladivostok and Nagasaki at the Vladivostok end. However, business between Japan and Europe could be sent to Shanghai, and from there either by the southern route handled by the Eastern Extension or the northern route via Peking and Kiachta. The Danes claimed that during the war the Russians did not exercise any censorship on the Kiachta line, but the sharp rise in the use of the Eastern Extension lines during the war shows that the Japanese assumed there was censorship and sent government telegrams by the southern route.[40]

In 1904 the Eastern Extension and the Great Northern agreed to work together on the Shanghai-Chefoo-Taku sea cable and founded the Submarine Telegraph Service. It was kept apart from the other cables belonging to the companies and operated separately with separate accounts. Business coming from the north was distributed at a joint station in Shanghai to be transmitted from there according to a system worked out so that unrouted traffic would be divided between the companies as fairly as possible. It was laid down that where government telegrams were concerned British and German telegrams should go via the Eastern Extension and French and Russian ones via the Great Northern. Half the staff of the service were to be Danish and half British and there were to be joint stations at Chefoo and Shanghai.[41]

[40] *The Electrician* 6th May and 13th May, 1903 pp. 120–121 and p. 163 contains report of general meetings of Eastern Extension and Great Northern.

[41] Cable and Wireless. Chinese Agreements No. 48 (October, 1904).

After the Boxer Rebellion, in 1903, the position of the China Administration changed when as part of the so-called Ch'ing reform of the Chinese government it became a state department, the so-called New Administration. This was accomplished by edict, and arranged so that the Chinese government bought up the capital stock of the China Administration. As part of this same move Sheng lost his position and the viceroy Yuan Shih kai became Director General of the new official enterprise.[42] Since the Chinese government was virtually penniless as a result of the war the buying up of the shares was delayed and it was not until 1908 that the Chinese government managed to secure a majority of the company's shares, although despite this it had already taken over controlling authority.[43] All the funds of the new Administration were needed to repair broken lines and ruined stations. In 1909 a prospectus was published on the development of China's means of communication, proposing the establishment of new telegraph lines and the improvement of others, as well as a reduction of 20 % in telegraph charges. It was also stated that China was to become a member of the International Telegraph Convention.[44] The continuing shortage of capital was, however, a great source of frustration to the new Administration so in order to get China's internal service working better and to help the Administration over the economic difficulties it had to face as a result of the organisational changes, the Eastern Extension and the Great Northern made the Chinese a loan of £500,000 in 1911.[45] The terms of the loan were favourable to the Chinese, but as far as the companies were concerned they too stood to gain from the improvement of China's telegraph system, and they could also expect in return some evidence of favour from the new Administration in the future.

Six months after this loan was made the Great Northern came to an agreement with the China Administration over the organisation of the Amoy business. The company laid a cable between the town of Amoy and Kulangsu and made it over at a nominal charge to the China Administration, while retaining possession for a period of 20 years. The Danes thus received proof of Chinese good will and the question of a connection between the Amoy station and the mainland was finally settled after nearly 40 years.[46]

[42] G.P.O. E22994/1903 File XXX Walter Townley to Foreign Office 30th March, 1903 with appendices including among other things translation of edict relating to transfer (15th January, 1903); *The Electrician* 8th May, 1903 p. 143.

[43] Cable and Wireless. Board 1st July, 1908.

[44] F.O. 233/132 (No. 14).

[45] Cable and Wireless. Chinese Agreements No. 54–55.

[46] Cable and Wireless. Chinese Agreements No. 56 (30th September, 1911), Board 23rd January, 1912.

IV. THE PACIFIC CABLE AND THE PACIFIC COMBINATION

1. The United States' Pacific Cable

a. The beginnings

The earliest plans for taking a cable from the west coast of North America across the Pacific to Eastern Asia belonged to an American businessman, Cyrus W. Field. At the beginning of the 1870's Field and his associates put forward a scheme involving a route from California via Alaska and the Aleutian Islands to Japan. In 1871 Field presented memoranda and petitions to the Russian court about this scheme, but nothing came of them.[1] The agreement between Tietgen and the Russian government was an obstacle, but the failure of the earlier plan for the Bering Sea and the Aleutian Islands may have made the Imperial government suspicious of any new plans for the Arctic regions.

After drawing a blank in Russia, at the end of the 1870's Field took up a scheme for a cable across the Pacific to Japan via Hawaii. In 1873 one of his representatives had discussed with the Japanese government the idea of bringing a cable from San Francisco to Yokohama and thence to China. One condition of this project was that the Japanese and United States' governments should agree to pay the company a subsidy, and when Japan rejected the idea the matter rested there.[2] Field took up the question once again at the end of the decade. He applied to the government of Hawaii for the exclusive right to land the cable, and during the course of a world tour with his wife in 1880 he discussed the question once again with the Japanese.[3] Field's plans, if indeed technically capable of realisation, were an unfortunate victim of the United States economic crisis of 1880, which undermined their promoter's financial position, and the Pacific cable was left until later.

Field's activities did at least mean that the idea of a Pacific cable had been aired and discussed. American diplomats in Japan began to follow telegraph negotiations there in order to reserve for their own countrymen the right to land a cable there and continue on from there to China.

[1] McDonald, *A Saga of the Seas* pp. 215–225.

[2] Rigsarkivet. St. Nord. Telegraf 234 Journalnr. 2397 Consul de Bavier to Udenrigsministeriet 7th September, 1873.

[3] *The Electrician* 21st June, 1879 p. 49.

In the mid 1880's American foreign and commercial policy became more active in Eastern Asia and this created an increasingly urgent sense of the need for a telegraph connection across the Pacific. At the end of 1886 while presenting before Congress a review of United States relations with Hawaii President Cleveland declared that the United States had an interest in the islands as an intermediary station for business between North America and Asia, and that the importance of telegraph communications between the United States and the Hawaiian Islands should not be overlooked.[4] Two years later he again stressed in Congress the commercial importance of a telegraph connection between Hawaii and the United States.[5]

The President's attitude was reflected in his ambassadors' activities in the Far East in the 1880's. In 1885 Charles Denby was reconciled to the terms of the treaty although after 1887 he became active in his opposition to any kind of monopolistic rights. In 1889, acting without instructions from Washington, he began to investigate the profitability of a Pacific cable, assisted by Poulsen of the China Administration. In the first section of his rather lengthy report Denby said that the aim of the discussions in China had been both to demonstrate how much the United States needed a direct connection across the Pacific and also to prevent the Chefoo agreement, which was then being considered. Denby also stressed the importance of the cable in terms of the United States' political strength on the high seas, and as regards its profitability he optimistically estimated a net return of 14–16 % depending upon the tariff policy of the enterprise.[6]

In January 1892 a proposal was put before the U. S. Congress for laying a cable across the Pacific which involved giving a private company a subsidy of $250,000 for 15 years to lay and operate a cable between the United States, Hawaii, China and Japan. The Senate approved the proposal, but the House of Representatives thought that since the Hawaiian government was not interested in the project the United States government would do better to lay the cable as a government enterprise, without subsidising any private bodies; it therefore rejected the proposal.[7] The reading of the bill prompted Denby to renewed activity in China, and he made new calculations concerning the profitability of the cable, estimating this time a return of a further 4 % on the capital invested, given specific conditions. Whatever the outcome, the calculations were now more carefully performed than 3 years before.[8] The scheme was also revived in Japan when the American minister, Dun, on instructions from Washington, enquired of the Japanese government what chances there were of Japan accepting some kind of telegraph agreement. Whitney was informed that an agreement existed between the Japanese government and the Great Northern which 'for a limited number of years' guaranteed the company a monopoly in traffic between Japan and the mainland of Asia. The Japanese foreign ministry delivered the information

[4] *Papers Relating to the Foreign Relations of the United States* 1886 p. VI.

[5] *Papers Relating to the Foreign Relations of the United States* 1888 Part I p. XV.

[6] N.A. 92/88 Denby to Secretary of State 20th October, 1890.

[7] 52nd Congress 1st Session H.R. 3685. Discussion of question in Congress, Congressional Record. 54th Congress 1st Session p. 728 (1896).

[8] N.A. 92/88 Denby to Secretary of State 26th February, 1893.

with great reluctance, however, without going into details, and what little information was disclosed was given in confidence.[9]

b. Congress and the companies

The Panic of 1893 and the depression which followed were obviously responsible for the fact that in the early 1890's there were no serious attempts in the United States to set about laying a Pacific cable.[10] The situation changed in 1895 when the Eastern Extension made some moves towards getting a cable laid under its supervision between North America, Hawaii and Japan. It was an important strategic decision for the company, an attempt to protect its interests in the Far East by getting in ahead of possible competitors, and it was this reasoning which led the company to play a central role in realising the plans current in the United States for a Pacific cable.

In 1895 John Pender was in touch with Colonel Zephaniah Swift Spalding, a native of Ohio but by then a naturalized Hawaiian who had large business interests on both sides of the Atlantic. He had also served for several years as United States' consul general at Honolulu.[11]

The result of the discussions between Pender and Spalding was that in spring 1895 it was agreed that Spalding should try to obtain an exclusive concession from the Hawaiian government for landing a cable which would run between the islands and the United States; he was also to try to get subsidies from the Hawaiian and United States' governments. The agreement between Spalding and the Eastern Extension was signed in June, 1895.[12]

On 12th August two documents were drawn up in Hawaii. In the first the Legislature of the Republic of Hawaii passed a law allowing the President to negotiate and conclude a contract for the construction and operation of a telegraphic cable connecting the Republic with the countries lying in or bordering upon the Pacific Ocean.[13] On the same day President Sanford Ballard Dole granted Spalding 'the sole and exclusive privilege for and during 20 years to construct and land a submarine telegraph cable from North America' and promised an annual grant of $40,000 for the enterprise. The cable was to be completed by the beginning of November 1898 and the arrangement was conditional upon the United States government also granting Spalding a subsidy.[14]

Thus far Spalding was successful; the start had been most promising. On 13th December, 1895 a company called The Pacific Cable Co. (New Jersey) was founded to take up the rights Spalding had been granted. Capital of $1,000,000 was put up by nine partners amongst whom was Spalding, but

[9] N.A. 135/66 Secretary of State to Dun 26th August, 1893, the answer 29th September, 1893.

[10] This appears from e.g. index to correspondence between U.S. Ministers in Japan and China, in which there is no mention of cables 1893–1895.

[11] *Congressional Record.* 54th Congress 1st Session p. 731.

[12] Cable and Wireless. Board 15th May and 12th June, 1895.

[13] *Congressional Record.* 54th Congress 1st Session p. 731.

[14] Senate. 54th Congress 1st Session, Calendar No. 943.

there was no trace of participation by the Eastern Extension.[15] The company only existed on paper, and it was not intended that it should perform the task of transmitting telegraphic business across the ocean. A company was not established for this purpose until the following summer, when the Eastern Extension (and/or its affiliates) was to have 50 % of the share capital, the Great Northern 25 % and Spalding's group 25 %.[16] The distribution of the capital holdings meant that the Eastern Extension would have absolute authority in the enterprise.

It was the intention of the Eastern Extension and the Great Northern to lay a cable between the United States and Hawaii taking advantage of Spalding's concession, and then to run a joint cable belonging to both companies between Hawaii and Japan.[17] Since the Great Northern already had an agreement with the Japanese government it was obvious that it should fall to the Danish company rather than the British to negotiate for licences on the western side of the Pacific.

At the beginning of February 1896 Suenson informed the Director General of Telegraphs in Japan, Den Kenjiro, that Henningsen was authorised to negotiate about a cable between Japan and Hawaii; he also said that the Great Northern had a share in exclusive rights for Hawaiian traffic.[18] In reply Den Kenjiro announced that his government would probably be unwilling to give a concession for business on the eastern route to the same company which held exclusive rights over west-bound business.[19] Henningsen then sought the help of W. H. Stone, the foreign chief engineer in the Japanese telegraph organisation. Stone too was cool about the schemes and replied that it was generally believed in Japan, in his opinion correctly, that it was impossible to make comparisons between the position of the telegraph business in Japan and in continental Europe. Since the European countries had inter-connecting land lines they were independent of sea cables, and the governments had a greater chance of influencing tariffs. Because Japan was an island state she was dependent upon sea cables, and if they were all in the same hands it would mean a virtual monopoly. Commercial interests in Japan were already complaining about high tariffs and in view of this it was not at all desirable that monopolies should be allowed to grow further. Stone also said that the existing monopoly had been a source of considerable inconvenience, especially with respect to communications with Korea, for without the existing treaties the government would have been able to double or treble its communications links with Korea.[20] This comment referred to the fact that in 1894 during the Sino-Japanese war the Japanese government wanted to buy the Korean cable from the Great Northern, but the company had declined to sell it.[21]

The Eastern Extension asked the Foreign Office in London to provide the

[15] *Congressional Record*. 54th Congress 1st Session (1896) pp. 726–740.
[16] Cable and Wireless. Board 15th May, 8th June, 20th June, 17th July, 1896.
[17] Cable and Wireless. Board 5th February, 1896.
[18] F.O. 262/739 Satow to Foreign Office 21st May, 1896 contains copies of letters mentioned here and in notes 19–20. Here Suenson to Kenjiro 2nd February, 1896.
[19] Kenjiro to Suenson 7th February, 1896, Suenson to Kenjiro 9th February, 1896.
[20] Stone to Henningsen 22nd February, 1896.
[21] See p. 186.

Great Northern with diplomatic support in its attempt to obtain from Japan the concession for the Hawaiian cable.[22] The question was passed on to the Postmaster-General for consideration and it was Lamb who actually handled the matter. The Secretary had considerable reservations about the Eastern Extension's request, observing that the scheme was openly in fundamental conflict with the United States' Pacific cable and with the All British Line. It was appropriate, before any action was taken, to find out how far the United States had got with plans for a Pacific cable. The most Britain could do was to direct her minister in Tokyo to ask the Japanese government to defer decision on any application until the British government had communicated to the Japanese government their views on the subject. Lamb also declared that the matter should be considered from the point of view of its possible effects on the projected British cable between Canada and Australasia.[23] Lamb's statement showed that he was not entirely familiar with the actual plans of the companies, since a lot of information about the United States' Pacific cable could have been obtained not from Washington or New York but from the Eastern Extension's office in London assuming that the company was prepared to provide it.

The Postmaster-General, the Duke of Norfolk, approved this attitude and a communication along these lines was sent to the Foreign Office, which proceeded in accordance with the views put forward.[24]

The Colonial Office was likewise negative in its response to the plans of the Great Northern and the Eastern Extension, and in a statement to the Foreign Office they declared that the companies' plans for a cable implied competition with the All British Line. Since it was important from the point of view of the projected British Line that it should at least carry business between Canada and Australia, it should be made a condition of supporting the companies that they would not connect their Pacific cable with Australasia without the consent of the British government.[25]

On his own initiative the Postmaster-General returned to the question of the companies' cable in May 1896, remarking to the Foreign Office that the time was not yet ripe for reaching a definite conclusion over the Great Northern's application. The Postmaster-General recommended that the matter should remain open until the Committee appointed to consider the projected cable between Canada and Australia had completed its labours. The Postmaster-General supposed that the Japanese government would approve of the delay especially since the laying of a cable between the United States and Hawaii had encountered complications in Congress.[26]

The coolness of the Japanese government, the Postmaster-General, the Foreign Office and the Colonial Office towards the companies' cable between Japan and Hawaii was a source of disappointment to the companies and

[22] Cable and Wireless. Board 19th February, 1896; G.P.O. Minutes 1896 No. 18527 Postmaster-General to Foreign Office 13th February, 1896.

[23] G.P.O. Minutes 1896 No. 18258 Foreign Office to Postmaster-General 24th February, 1896.

[24] F.O. 262/738 Foreign Office to Satow 11th February, 1896.

[25] C.O. 323/407 Colonial Office to Foreign Office 14th February, 1896.

[26] G.P.O. Minutes 1896 No. 18531 Postmaster-General to Foreign Office 21st May, 1896.

affected their arrangements since it was uncertain on what conditions the line would be able to continue from Hawaii to the Asian coast. Spalding's plans were nonetheless prosecuted, the next task being to obtain the concession for a cable from the west coast of the United States to Hawaii together with the relevant annual subsidies from the government.

The bill proposing a work permit and subsidies for the Pacific Cable Co. (New Jersey) came before the Senate for the first time on 16th January, 1896. According to the bill the United States' Postmaster-General would be authorised to give the company an annual grant not exceeding $100,000.[27] However, less than a fortnight after the presentation of this bill the House of Representatives was presented with a second bill, seeking for another company the right to lay a cable across the Pacific; this was also called The Pacific Cable Co., and was also to receive a grant from the government.[28] Two enterprises were now competing for the concession, one, belonging to Spalding, registered in New Jersey, the other in New York.

The company registered in New York State was an affiliated company of The Western Union Telegraph Co. and represented the interests of the magnate J. Pierpont Morgan. The managing director was James A. Scrymser. The parent company operated traffic between Central and Southern America, and the North under an exclusive concession granted by the U. S. Congress.[29]

The companies' applications differed from each other on one point. Scrymser intended to lay a cable as far as Asia while Spalding's company was contenting itself with Hawaii. Despite this difference they were in competition with each other, since both sought support from the United States and did not want her to support two cables, for there was no chance that the volume of business would allow scope for two companies on the same route.

Both companies had supporters in Congress and there was deadlock in the committees. Besides, there was no lack of other applications for a Pacific cable: during the first session of the 54th Congress 10 laws were presented for approval for the cable in question; one of these proposed a line along the northern shores of the Pacific via the Aleutian Islands to Japan. Some of the proposals were put forward not with a view to starting work on laying a cable at once but in order to prevent anyone else having the chance.[30] This is borne out by the fact that only the bills on behalf of Spalding and Scrymser were given serious attention in Congress.

A move was made towards overcoming the deadlock in the summer of 1896, when the Committee on Foreign Relations put before Congress a bill which would have allowed the Postmaster-General to confer with the two rival enterprises and approve the best offer.[31] However, even this proposal did not get far enough in Congress to be enacted as law.

[27] 54th Congress 1st Session S. 3068 (Report No. 871); *Congressional Record* 54th Congress 1st Session pp. 726–740.

[28] 54th Congress 1st Session H.R. 9252 (Report No. 2092).

[29] *Washington Post* 15th April, 1896.

[30] 54th Congress 1st Session S. 3110, H.R. 8732, H.R. 9252, S. 3068, S. 1316, S. 876, H.R. 2282, H.R. 3449, S. 3146, H.R. 8412. Also Senate Document No. 194, *Hearings before the Committee on Foreign Relations* (1896).

[31] 54th Congress 1st Session S. 3068 also Senate Report No. 871.

One factor which contributed to the failure of this latter proposal was the emergence in Congress during discussion of Spalding's bill, of the opinion that the cable across the Pacific should be built and operated as a government enterprise and that neither of the two companies should be granted a concession.[32] In subsequent discussions of the competing bills it became clear that the idea of a government cable enterprise had so much support that for the moment none of the proposals could come to anything. By the middle of 1897 the question of the Pacific cable had made no progress whatsoever in Congress.

This delay was particularly annoying to Spalding, since the agreement he had made with the Hawaiian government included a time limit for the completion of the cable and also stipulated that he was to have a subsidy from the United States' government. When the decision came to be delayed in Congress Spalding discussed the matter first in London and Copenhagen and then tried to negotiate with the government of Hawaii to extend the time limit. In order to exclude competitors from the field he also tried to broaden the agreement so that the Hawaiian government would grant exclusive rights to connect the islands to Japan and Australia for twenty years. Spalding's attempt was unsuccessful and he did not manage to get any alteration at all in the original concession.[33] The Hawaiian government was in no hurry and preferred to wait for the United States' Congress to act.

While Congress was considering the two rival bills some speculation arose as to the possibility of merging the two enterprises. The likelihood of success was very slight. Scrymser's Western Union Telegraph Co. had been a rival of John Pender's enterprises for a long time. The clash of interests between the two men came in the South American business, which Pender's European cable empire had reached in the early 1870's through the Brazilian Submarine Telegraph Co. Working from this basis Pender expanded his business in South America, and it was precisely in the 1890's that competition for business along the west coast of South America developed into a bitter struggle with Pender founding the Chilean Transandine Landlines Co. intended to transmit messages directly to Europe via South Atlantic cables, thus by-passing North America.[34] Scrymser and obiously many others knew the main points of Spalding's scheme, if not the details. At the beginning of 1896 both groups tried to negotiate a compromise solution, but without success.[35]

John Pender died in 1896, and his death meant that Scrymser could negotiate with the new management of the Eastern Extension with more hope of a satisfactory outcome than before. From the Eastern Extension's point of view, on the other hand, the question of the Pacific cable had progressed nowhere at all along the desired path by the middle of 1897. Difficulties appeared on all sides and time was working against the company.

[32] 54th Congress 1st Session; *Congressional Record.* p. 737.

[33] Cable and Wireless. Board 11th and 25th November, 1896; *Washington Post* 25th November, 1896.

[34] Baglehole, *A Century of Service* pp. 6–7; also *The Electrician* in these years closely followed development of South American telegraph.

[35] F.O. 262/738 General Consul P. Sanderson to Foreign Office 15th April, 1896; F.O. 262/759 Sanderson to Pauncefote 3rd May, 1897; *Washington Post* 15th April, 1896.

Even now it was uncertain whether the cable could be completed within the period of the Hawaii concession and every day that passed made the situation more difficult. A second and ever-increasing threat was the All British Line, the completion of which would mean business from Canada to Australasia taking that route. Perhaps it might have been possible to influence the planned All British Line had there been something definite to show in connection with the Pacific cable, but this was not the case, and the realisation of the All British Line took its own course.

Because of the strained relations between the Western Union Telegraph Co, and the Eastern Extension, the Great Northern took the initiative in bringing together the companies interested in the Pacific business in the summer of 1897. Scrymser's representative, Baylies discussed the question first in Copenhagen and then in London.[36] Things moved quickly once it became clear that a reconciliation would have to be effected and in July 1897 steps were taken to form a consortium, involving the Great Northern, the Eastern Telegraph Co., The Eastern Extension and Scrymser's Pacific Cable Co.[37] The negotiations were concluded at the turn of 1897 and four agreements were signed on 3rd January, 1898, [38] founding a collective company to operate Far Eastern traffic on a joint purse basis, with cables connecting San Francisco with Hawaii, Japan and eventually Australia in stages over five years. China was not mentioned at all on account of the Great Northern's position in business between Japan and China. The lines were to be constructed and used by the Pacific Cable Co., for which capital of $8.5 million was to be contributed in equal shares by the three parties, the Eastern Telegraph Co. and the Eastern Extension being considered as one company. Each party was to nominate three representatives for the board of directors. The scheme was made conditional upon governmental financial support and it was specifically stated that the company was to operate according to the standards of economy appropriate to a profit-making business.

In the autumn of 1898 Scrymser travelled to Japan to discuss the matter with the Japanese government and to obtain the landing rights needed for the scheme. He actually took along a previously prepared draft agreement as a basis for the negotiations.[39]

Scrymser arrived in Japan to open negotiations at the same time as the Treaty of Paris was being signed at the end of the Spanish–American War. For the first time ever this war demonstrated the importance of modern means of communication in warfare and it aroused much attention for this reason. Although the Americans would anyway have come to appreciate the importance of cables during the course of the war they very soon taught themselves a lesson in the subject when in the spring of 1898, during the early stages of the war, the U.S. fleet cut the Eastern Extension cable between Hong Kong and Manilla only to realize very soon afterwards that the cable

[36] Cable and Wireless. Board 23rd June, 1897.

[37] Cable and Wireless. Board 21st July, 1897 and thereafter.

[38] Cable and Wireless. Board 5th January, 1898. Agreements in 'Pacific Agreements' collection.

[39] Cable and Wireless. Board 28th September, 1898.

would have been of use to them. Half way through May the United States' government was already asking the Eastern Extension through its minister in London to re-open the line. The British government also participated in these negotiations. The Eastern Extension, however, refused to open the Hong Kong end of the cable, since according to the terms of its licence from the Spanish government its cables could not be used against Spain, and this was now the question. After endless negotiations and compromises the service to Manilla was re-opened at the end of August 1898, by which time the military and political situation had already clearly changed.[40]

The United States' government was given a very clear demonstration of the politico-military importance of cables. After the war the Signal Officer of the U.S. Navy, Captain George Squier, campaigned fiercely in speeches and statements on behalf of the United States' Pacific cable: the story of the Spanish–American war was largely the story of coal and cables, the lack of cables was worse than the lack of ships, the route that cables took should be secret and the places where they landed should be like fortresses; after the Panama canal was completed a Pacific cable would be even more important, and shipping between the United States and Asia had already experienced great difficulties as a direct consequence of the absence of the telegraph.[41] The need of the cable and the understanding that it would soon be laid became evident at the Paris Peace Conference in the autumn of 1898. Especially during discussions between the United States and Germany concerning the fate of the Spanish-owned islands, the Americans frequently indicated the necessity of obtaining suitable landing-places in the Caroline Islands or the Marshall Islands, although these islands had no further significance for the United States.

The result of the Spanish war meant that the routing of the Pacific cable was changed and it was to be taken in the first place to the Philippines instead of Japan. The problem of needing foreign government approval for the landing of the cable was also removed. The political and economic interests of the U.S. government in Asia made the cable essential, while at the same time the scheme would gain in profitability. It was argued in Congress that the United States' government would have to pay expensive telegraph charges for telegrams to the Far East if it used the monopolistic European companies.

Between 1896 and 1898 the cable question made no progress in Congress. The various interest groups could reach no agreement and no initiative as to the Pacific cable was ever legally adopted. During the Spanish war support grew for a government cable, especially in republican circles. One man who opposed the granting of work permits to private companies and stood out for a government cable was John B. Corliss, the representative from Michigan.

Extensive correspondence about this in collection N.A. 30/181. More precise identification of sources is here unnecessary. Discussions in Congress also stressed experiences of the war.

[41] Squier, An American Pacific Cable. *Transactions of the American Institute of Electrical Engineers* Vol. XVI pp. 605–626; Bright, *Imperial Telegraphic Communication* p. 89; Squier's special knowledge of subject often mentioned in debates in Congress.

Support for the government cable rested on the view that when public utilities of this character were granted to private companies they became monopolies; charges and tariffs became excessive to the considerable profit of the owners while at the same time discriminating against those who most needed the services of the cables. The lobby in favour of the government cable was also influenced by the fact that while these discussions were going on in the United States, it was decided in Great Britain to construct the government-owned All British Line. Doubts were also raised by the relations between the private companies and the Eastern Extension and there was concern about the secrecy requisite for the defence of national interests.

The failure of the U.S. government to support Scrymser in his attempts to get landing rights in Japan made matters very difficult. In January 1898 two bills were put before Congress, both of them concerned with the concession and the subsidy for Scrymser's Pacific Cable Co.[42] The proposals came up against rather severe criticism in Congress and the Pacific Cable Co. met with no greater success now than before.[43] An attempt to get the matter settled by presidential decision also ended in failure when the government rejected an application to this effect from the Pacific Cable Co. on 31st December, 1898. The rejection was not directed against the company but was intended rather to leave Congress a free hand, since on 20th December Corliss had presented a bill to authorize the president to construct and operate a government cable between the United States, Hawaii, the Philippines and other countries.[44] Announcing the government's decision to Buck, the minister in Tokyo, Secretary of State John Hay said vaguely that in any discussions the same 'courtesies and facilities' as before could be shown to Scrymser.[45] Mid-way through January Hay was prepared to speak to the Japanese on behalf of Scrymser's scheme to run a cable via the Aleutian islands, but only on condition that it should not involve exclusive rights, and there was no mention of a subsidy from the United States' government.[46] The company was not in the least interested in this. In February 1899 when the matter was still in doubt from every side President McKinley in a message to Congress emphasised the importance of a cable, but also announced that he would not take sides in the question of whether the cable should be private or government-owned.[47] Congress still held the keys to the solution.

The indecision of Congress and the U.S. government gave the Japanese government an easy excuse for abstaining from any action whatsoever. At the end of January 1899 the Japanese Foreign Minister informed Buck outright that Japan was waiting to see the United States' official position in the matter before taking any further steps. The Japanese found another convenient excuse for inaction in the promise given to the British government in 1896 that the Japanese government would not grant any exclusive rights without

[42] 55th Congress 2d Session S. 3057, H.R. 8961.

[43] 55th Congress 2d Session H.R. Report 664 Part 2.

[44] 55th Congress 3rd Session H.R. 11310.

[45] N.A. 133/72 Secretary of State to Buck 31st December, 1898.

[46] N.A. 133/72 Secretary of State to Buck 14th January, 1899.

[47] *Congressional Record* 55th Congress 3d Session p. 1686.

first discussing the matter with them.[48] The Japanese were, however, undoubtedly keen to establish contact with North America via the Pacific cable in official co-operation with other interested governments.

At the end of 1898 and early in the following year the Japanese Foreign Minister privately enquired of the British ambassador in Tokyo to what extent Japan was now included in the plans for the All British Line. As a result of this and reports received from Washington and New York on the subject of the United States' Pacific line the Foreign Office asked the Postmaster-General whether there might be reason to revise the instructions given to the ambassador in Tokyo in 1896. Lamb handled the question at the Post Office, and stated that the route of the All British Line had not yet been finally decided and it was still best to pursue a policy of discouraging Japan from granting anyone monopolistic rights.[49] The Colonial Office came to a similar conclusion, adding that there was, however, no reason to interfere with Scrymser's scheme so long as there was no question of exclusive or preferential rights.[50] The Foreign Office adopted the position suggested and gave Satow instructions on 12th January, 1899 to proceed in line with the views of the Colonial Office if anything new arose.[51] Since Scrymser was in fact seeking a monopoly from Japan for Pacific business, the instructions from the Foreign Office were contrary to his designs. The Eastern Extension for its part did not ask Great Britain for political support for the American enterprise, since such a step would have meant revealing to some extent the co-operation between the Eastern Extension and the Pacific Cable Co. which had till then been a carefully guarded secret. Moreover, because of the All British Line, no help was to be expected.

In June 1899 a review of the situation was drawn up jointly by Scrymser and the board of the Eastern Extension and it was decided to aim at obtaining an exclusive concession in Japan as quickly as possible. In order to do so it was also necessary to try to get the matter through Congress. In 1899 Congress was presented with a new bill which provided that the U.S. government should make available a maximum of $300,000 per year for 20 years to a private company for the construction of a Pacific cable, and in exchange the said company was to carry government messages free for the same period of 20 years.[52] It was well understood that if the bill became law Scrymser's Pacific Cable Co. expected to be the beneficiary and obtain the contract. After the bill was presented it had an easy passage through Congress since the Committee on Interstate and Foreign Commerce recommended its approval.

When it seemed likely that the bill would become law the U.S. government began to support the Pacific Cable Co. in its application for a landing permit

[48] N.A. 133/72 Buck to Secretary of State 23rd January, 1899.
[49] F.O. 262/805 Foreign Office to Postmaster-General 27th December, 1898, Postmaster-General to Foreign Office 2nd January, 1899.
[50] F.O. 262/805 Colonial Office to Foreign Office 10th January, 1899.
[51] F.O. 262/805 Foreign Office to Satow 12th January, 1899.
[52] 56th Congress 1st Session S. 1479, H.R. 8303.

in Japan. In September 1899 Hay informed the United States Minister to Japan that if the Japanese government displayed any interest in the idea of a direct cable between the United States and Japan he could make representations to the Japanese government that the Pacific Cable Co. should be authorized to establish cable communication between these two countries.[53] Buck promptly replied that the Japanese Foreign Minister, Aoki Siuzo, was favourably disposed to the idea.[54] Later in the autumn representatives of the Pacific Cable Co. negotiated with the Japanese government the terms on which the company's work in Japan would take place. The government guaranteed the cable a definite amount of government business for 20 years or, failing that, an equivalent subsidy. At the same time the government was not to grant any company permission to lay another cable across the Pacific between America and Japan, although there was an important proviso here, that if the Japanese government deemed it important to establish and work another submarine cable between Japan and either of the American continents the government was entitled to grant a work permit for the new cable, but the Pacific Cable Co. was to be given the first chance of tendering for the new cable. If the company did not accept the job, the government was at liberty to grant the concession to others.[55] As far as the American company was concerned it was very important that the line to Japan should continue to China, but while negotiations for the work permit were going on the Japanese government repeated what it had said in 1893, that as long as the agreement with the Great Northern remained valid it was unable to permit the continuation of the line from Japan to China.[56] The Japanese government was prepared to approve the concession officially after the U.S. government had granted the company its charter.

In the spring of 1900 the British government also interfered in the question of possible Japanese government concessions, since consideration was then being given to the idea of taking the cable between Canada (Vancouver) and Australia as far as Japan, as part of the All British Line. In April 1900 Minister Ernst Satow urged on behalf of his government that the Japanese government should not commit itself to any arrangements regarding a Pacific cable before consulting the British government.[57] The British government referred to the matter again at the end of May in a note to the Japanese government declaring that although they were unable at that moment to submit definite proposals for laying a branch to Japan from the projected British cable, their scheme was rapidly maturing and the British government earnestly hoped that the Japanese would not grant any exclusive concession which would prevent the connection of the British Pacific cable with Japan. It was also stated that the British government would not claim any exclusive rights and it was observed that tariffs would come down as the result of a new line. The Japanese replied that they had not granted any rights for the

[53] N.A. 133/73 Secretary of State to Buck 7th September, 1899.
[54] N.A. 133/73 Buck to Secretary of State 18th September, 1899.
[55] N.A. 133/73 Buck to Secretary of State 11th December, 1899.
[56] N.A. 133/73 Buck to Secretary of State 10th and 12th February. 2nd March, 1900.
[57] G.P.O. E9792/1901 File LXXXI Satow to Foreign Office 4th April, 1900.

Pacific service, although on the other hand it was difficult for them to commit themselves as to what they might do in the future.[58]

While Scrymser was enjoying moderate success in Japan the position of his scheme in the United States was as uncertain as ever. Throughout the summer of 1900 opinion in Congress continued to swell in favour of a government cable and protest grew against the payment of a large subsidy to a private corporation. The whole question of the cable had Congress in something of a turmoil, for in the first session of the 56th Congress no less than 12 bills were considered on the subject of the Pacific cable.[59]

Of all these bills the Senate passed one (S. 2), in April 1900, which provided that the government itself should lay a cable at its own expense. The bill went to the House of Representatives and was referred to the Committee of Interstate and Foreign Commerce. The committee, however, struck out the whole bill, doubting in particular whether the government cable would obtain a landing permit in Japan and China, and pointing out the financial weakness of a government cable.[60] There were also differences of opinion about the route the cable should take and there was even support in Congress for the idea that the government cable should go via Alaska and the Aleutians.[61]

The cable question remained at a standstill throughout the 56th Congress, and in the 1st Session of the 57th Congress in 1901 a whole bundle of proposals for a Pacific cable was again presented. Five of these related to a government cable, one to a subsidy for a private undertaking and one proposed giving the government wide-ranging powers to control the ownership and operation of cables even if they were privately owned.[62] Besides this in the summer of 1901 an entirely new entrepreneur appeared on the scene with an application for a work permit for a Pacific cable which did not seek a subsidy from the government. This put the whole situation in an entirely new light.

The company applying for a permit without any subsidy was the Commercial Pacific Cable Co. It was a subsidiary of two companies, the Commercial Cable Co. and the Postal Telegraph Co. and belonged to a consortium directed by John W. Mackay. John W. Mackay was a typical self-made American who was one of the leading financiers in the American cable business. James Gordon Bennett, a multi-millionaire financier,

[58] G.P.O. E9792/1901 File LXXXV Chargé d'affaires Whitebread from Tokio to Foreign Office 31st May and 1st June, 1900.

[59] These bills were: S. 2, 1479, 1625, 1928, 2604, 3140, H.R. 930, 1069, 2980, 3330, 6766 and 8303.

[60] 56th Congress 1st Session S. 2. *Congressional Record* pp. 85, 3071, 4011–4013, 4106 and 4581; Senate Document 174 and 192 Senate Report 674 and House Report 1114. The truth is that the Japanese government was very much against granting permits for cables owned by foreign governments, since then even the most trivial questions concerning the cable would have demanded inter-governmental discussions. This is mentioned in: F.O. 46/549 Satow to Foreign Office 4th April, 1900.

[61] 56th Congress 1st Session. Senate Document 174.

[62] These bills were: S. 61, 62, 491, H.R. 5, 158, 168, 272; also Senate Document 141 and House Report 568 and 2438.

provided the capital for the concern. John W. Mackay was president of the company and their general manager was Geo. G. Ward.[63] The Mackay-Bennett group was one of the rivals of the Scrymser-Morgan concern in the telegraph business.

Halfway through 1901 Mackay held negotiations with the board of the Eastern Extension in London about landing rights in the Philippines and it was decided that an agreement should be prepared setting up a combine for the Pacific business, with the Eastern Extension and possibly also the Great Northern taking part. Since it was particularly important to the Eastern companies that they should have control over the United States' Pacific cable they were now willing to get moving without financial support from the United States' government and with this new move also preclude the government from opening its own Pacific cable. At the same board meeting at which the Eastern Extension registered this decision it was also recorded in the minutes that discussions with Scrymser were to be deferred.[64]

As soon as Mackay returned to the United States he set about establishing the company, and the Commercial Pacific Cable Co. was actually registered on 23rd September, 1901. Even before the enterprise had been registered Mackay asked first the Secretary of State, John Hay, and then in September President Roosevelt for a concession for a cable from the west coast of the United States to the Filippines. The Commercial Pacific Cable Co. did not ask for exclusive rights and accepted that another company might also lay a cable, though not the government, since it would be capable of the most damaging measures in competition with a private firm which another private company could not have at its disposal. The Commercial Pacific promised immediate reductions in tariffs and further reductions over the next few years. When they were given a hearing by the Committee on Naval Affairs the directors of the company adopted a confident tone which was received with enthusiasm.[65]

Defenders of govcrnmcnt owncrship and opcration did not abandon their position but spoke out more passionately than ever in defence of their views and even persuaded Scrymser, an earlier opponent, to join their camp. The Western Union Telegraph Co., the American group which owned the Pacific Cable Co., was not prepared to risk $12,000,000 without any kind of government subsidy, and fearing that Pacific traffic would fall into the hands of the Mackay-Bennett group they preferred to back the idea of a government-owned cable and withdrew their own application for the concession.[66] At the same time the proponents of the government cable found their position in Congress weakened, since it was difficult to justify the use of government funds for something which a private company would carry out without a subsidy. The results achieved by Marconi with his wireless telegraph also affected the deliberations and raised a doubt that if the developments in radio advanced further a government cable would be an

[63] 57th Congress 1st Session *Congressional Record* pp. 6624–6625.
[64] Cable and Wireless. Board 25th September, 1901.
[65] 57th Congress 1st Session. Senate Document 141.
[66] 57th Congress 1st Session. House Report 568. *Cables between the United States and Hawaii, Guam and Philippine Islands* p. 6.

even worse undertaking than calculations had already suggested. The only argument left to defenders of a government-owned cable was a politico-military one, drawing on the example of the All British Line and involving hints that the Commercial Pacific was affiliated to the Eastern Extension.[67]

The question of a work permit for the Commercial Pacific was not at all the same as it had been for Scrymser's Pacific Cable Co. since what was now being sought was simply a permit, not a subsidy, and there was no question of exclusive rights. It was thus impossible to reject the application on the grounds of monopoly. It was a source of difficulty that there was little or no U.S. legislation relating to the laying of cables. According to one view it was impossible to lay a cable between the United States and any other country without permission from Congress, but on the other hand Congress was not provided with any general regulations on the subject of cables.[68] Since the Commercial Pacific was seeking neither a grant nor a monopoly, it was possible that no legislative action, in other words no Congress decision, was necessary.

In the autumn of 1901 the President would not commit himself to a decision on the subject and left Congress with a free hand as before, since there were still proposals for a government cable to be considered. Besides, further discussions were still needed between the U.S. government and the Commercial Pacific since it was an essential requirement for the government that the company should lay its own cable to China; it was stressed that the line must be American. Discussions between Mackay and the Eastern Extension had, however, started on the basis that the Commercial Pacific would not lay its own cable between the Philippines and China but would work through the Eastern Extension. In addition there were differences of opinion as to the route the cable should take. The Commercial Pacific wanted to avoid Guam, which was commercially of no significance but was, however, of great strategic value to the United States. The alternative route was via the Carolines, which were of some commercial value, but they belonged to Germany and this route was therefore opposed by the United States' army and navy.[69]

The situation became clearer when in June 1902 the House of Representatives rejected by a decisive majority the bill (H.R. 5) for the laying of a Pacific cable by the government.[70] This meant that while the U.S. government found itself more than ever in need of a cable and under pressure to get one laid, it was now perfectly clear that there was no chance of laying a government cable within the foreseeable future.

At the beginning of August 1902 the President assumed responsibility and settled the matter by granting permission in principle to the Commercial Cable to operate a telegraph between the western coast of the United States,

[67] This is clear from e.g. debate 11th June, 1902 in the House of Representatives, *Congressional Record* p. 6612 ff; also *The Evening Star* 14th February, 1902.

[68] 57th Congress 1st Session. House Report 568.

[69] *The New York Times* 13th October, 1901; *The New York Daily Tribune* 4th June, 1902.

[70] *Congressional Record* 57th Congress 1st Session pp. 6635–6636.

Hawaii, the Philippines and China.[71] Discussions about the dangers of a monopoly and further arguments put forward for a government cable delayed final agreement on the concession, but it was signed at the beginning of November 1902.[72] The concession laid down that the Commercial Cable was not to combine or associate with any company or concern to exclude any other company formed in the United States from obtaining the privilege of landing its cables on the coast of China, and that the company was not to combine with any other enterprise for the purpose of regulating rates between America, China and Japan and anywhere else in the orient, except for the purpose of establishing reasonable through rates. The concession also stipulated that the cable was to be taken via American territory to China independently of all foreign companies.

The United States government was familiar with the agreements between the European companies and the Chinese government when the condition of taking the line as far as China was inserted. However, there was also Denby's 1890 note to the Chinese government stating that the United States could never approve any kind of agreement which would bar a Pacific cable from terminating in China, and would consider any such agreement a contravention of the 1858 treaty.[73] From the American point of view a very important principle was at stake, since the treaty had considerable bearing on commercial relations and to yield on one point would have weakened the value of a document which formed the basis of the United States' position in Chinese trade.

When it lodged its application for the concession from the United States' government the Commercial Pacific announced that the cable had already been ordered. The announcement was meant not only to emphasise the serious character of the enterprise but also to preclude discussion as to whether the cable should be manufactured in America, as was claimed in some quarters.[74] Considering who and what were behind the Commercial Pacific it was quite possible to claim and indeed provide formal proof that the cable had already been ordered. It was made by a British firm, the India Rubber, Gutta Percha and Telegraph Works Co. (Silvertown Co.). The laying of the cable commenced in San Francisco at the beginning of December 1902, and by the following July the cable had reached Manilla. The official opening took place on 25th July, 1903.[75]

[71] *The New York Daily Tribune* 9th August, 1902, also following reference.

[72] 57th Congress 2d Session. Senate Document No. 24 (1902) *Submarine Telegraph Cables in the Pacific Ocean.*

[73] Treaty of Peace, Amity and Commerce 18th June, 1858 between the United State of America and the Ta Tsing Empire (China). Article XXX:
'The contracting parties hereby agree that should at any time the Ta Tsing Empire grant to any nation, or the merchants or citizens of any nation, any right, privilege or favor, connected either with navigation, commerce, political or other intercourse, which is not conferred by this treaty, such right, privilege and favor shall at once freely inure to the benefit of the United States, its public officers, merchants and citizens.'
(Malloy, *Treaties* I p. 221.)

[74] This becomes apparent in various ways, but particularly worthy of mention is 56th Congress, 1st Session. Senate Document No. 192 *Report of Hearing before the Committee on Naval Affairs* etc. (1902).

[75] *The Electrician* 19th December, 1902 p. 371, 9th January, 1903 p. 492; *The Times* 6th July, 1903; *Notification* No. 558, 559; Rigsarkivet. St. Nord. Telegraf 237 Journalnr. B6501 Brun to Udenrigsministeriet 6th July, 1903.

From around the time when the Eastern Extension and Mackay first came into contact with the plans for a Pacific cable there had been discussions between the various interest groups about sharing the Commercial Pacific amongst themselves. In November 1902 the Great Northern finally decided to participate in the enterprise, but not until 1903 and 1904 were the actual agreements concerning ownership of the Commercial Pacific finally prepared. The fundamental point was that the capital was divided between four owners, the Eastern Extension, the Eastern Telegraph, the Great Northern and the Mackay Companies (Boston, Massachusetts). The first two companies held 50 % of the capital.[76] There was an additional agreement between the three European shareholders which stated firstly that none of the companies in question would proceed except on condition that all the parties retained the share they now held and that no one should relinquish or try to acquire shares or bonds of the Commercial Pacific without the approval of all parties: the basis of ownership was to be maintained exactly as it then was. Besides, no share-holder was permitted to lay cables of their own in competition. Each share-holder nominated two directors to the board of the company.[77] In the initial stages the paid-up stock changed in accordance with what was needed, but after the cables were complete and operations had been established the long-term finance capital of the company was $11 million, with $3 million in capital stock ($4 \times 7.500 \times \$100$) and $8 million in paper value mortgage bonds ($4 \times \$2{,}000{,}000$).[78]

The balance of ownership meant that the British Eastern group controlled half the company and that Europeans held absolute control in the American Pacific cables. Those American voices which raised doubts as to how far the Commercial Pacific was really American were not far wrong. The basis of ownership in the company was top secret and officially there was no indication of the share owned by the Eastern companies and the Great Northern. Shares were in the directors' names for the purposes of any official discussions with the government.[79] In the Eastern Extension's balance sheet there was no sign of the Commercial Pacific shares in the list of shareholdings in other companies and their interest was entered under 'Cost of cables, Land lines, Stations, Ships and Investments in other Companies', which gave nothing away to outsiders since the company had interests in many other cable enterprises.

It was clear that only a very small circle recognised the Commercial Pacific company as a front for other interests. This is brought out by the way in which the German writer Thurn in his work 'Seekabel' (1909) repeatedly emphasized that the American cable put an end to British domination of the cable business.[80] From a financial point of view this was clearly not the case, although there was some point to what he said to the extent, that the staff of the Commercial Pacific consisted of American nationals.

[76] Cable and Wireless. Pacific Agreements 19th December, 1903.
[77] Cable and Wireless. Pacific Agreements 26th July, 1904.
[78] Cable and Wireless. Pacific Agreements. Memorandum 18th September, 1905.
[79] Cable and Wireless. Board 19th October, 1904, 9th November, 1909, 23rd November, 1909, 4th January, 1910.
[80] Thurn, *Die Seekabel* p. 134 ff.

2. The German-Dutch Company

An extension to the United States' Pacific cable forming a connection from Guam to Shanghai and Borneo was provided by a German-Dutch enterprise, the *Deutsch-Niederländische Telegraphengesellschaft* (German-Dutch Telegraph Co.).

The Netherlands had for a long time had a telegraph connection from Europe to the East Indies using the Eastern Extension route via India which provided the most direct link between the Netherlands and the East Indies. From a purely economic point of view there was no call for another line, and there was no economic justification for adopting a route which involved the expense of transmitting messages across two oceans. The main reason for the new cable was stated quite clearly by the Dutch Foreign Minister, Melvil van Lynden when he addressed the States General in 1902: it was better to have several lines in case during war-time cables should be cut. Since in any case the Netherlands were dependent upon foreign cables for their communications with the East it was better to operate via the lines of as many countries as possible so that if problems were encountered in one direction there would be other lines to fall back on.[1] One sees from Lynden's argument that concern for the safe transmission of cables was also felt in Dutch government circles and the censorship practised by the British during the Boer War had left the Dutch considerably ill at ease.[2] One other important factor, even if it did not gain much public notice, was that the Netherlands was in the process of coming to an agreement with Germany which was financially very much to their advantage since Germany was to take responsibility for most of the costs of the new enterprise. At the centre of the campaign for Dutch Telegraph operations in the Far East and later instrumental in realising these plans was Captain J. J. le Roy, an officer who had served in the forces of the Dutch East Indies and a teacher at the military academy at Breda. Around him there was formed an association in support of numerous cable schemes.[3]

There was no doubt about the importance to the German Empire of a cable link with its new colonies in the Pacific. However, the connection from Kiaochow and Micronesia to Europe was shorter via India or Siberia than via America. In Germany even more than in the Netherlands it was seen as essential to get free of Britain's 'cable empire' and a whole flurry of statements and opinions to this effect were published in Germany, where the United States' Pacific cable was considered a welcome alternative.[4] The idea of a German-owned cable was also connected in the *Auswärtiges Amt* with

[1] Tweede Kamer der Staten – Generaal. 74ste Vergadering. 177 Overeenk. met de Duitsche Regeering wegens kabelverbindingen etc. Vel. 418, 1603 (report 10th June, 1902).

[2] British censorship in Boer war is reported in *The Electrician* 10th November, 1899 p. 67, 17th November, 1899 p. 104, 24th November, 1899 p. 138. Censorship operated at Cape and Aden

[3] *Encyclopaedie van Nederlandsch-Indië*. Derde Deel p. 479.

[4] e.g. Thurn, *Die Seekabel* (1909) considers in another decade 'Die Notwendigkeit eigener Seekabel und die Einschränkung der englischen Kabelmonopols'; Hennig, *Die deutsche Seekabelpolitik* p. 24 ff; Lenschau, *Das Weltkabelnetz* pp. 64–66. The question was brought up again in *Deutsche Kolonialzeitung* e.g. in 1897, pp. 11–12, 1900 pp. 236–237.

the familiar concern about how Reuter, supported by the British cables, spread pro-British news across the world and, so it was said, either belittled or simply misrepresented news about Germany. At the turn of the century the German Foreign Ministry tried to support news agencies with a view to making their bulletins in the Far East more effective and with this in mind it was essential to organise cables outside British control.[5]

The fact that attitudes in Germany and Holland were moving in the same direction led to negotiations between the two governments to consider the possibility of establishing cables to carry information between their colonies in Asia and connecting them to the American Pacific cable – this was even before the final decision to lay this cable had been made. Apart from this the German cable manufacturer Emil Guilleaume, backed by various bankers interested in the possibilities of telegraph development in the Pacific area, started discussions with the Dutch telegraph administration and colonial Office in 1900 on the subject of connections to the Dutch Indies. There was still one more German group interested in the project, the *Deutsche Bank* together with Siemens and Halske AG, which held discussions with the Dutch Colonial Office about a cable between the Dutch East Indies and Saigon.

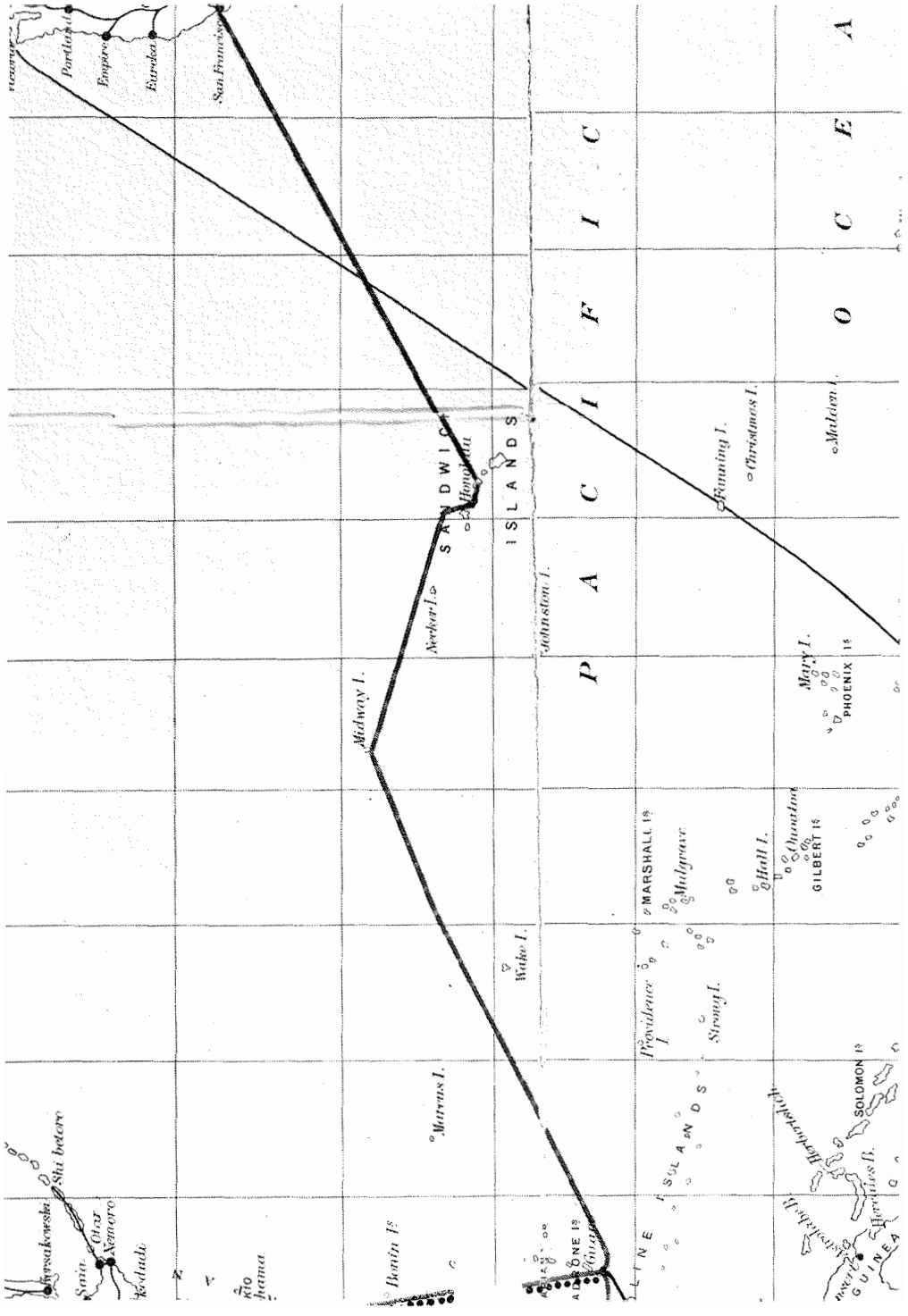
The first official negotiations between the German Post Office, the Dutch Colonial Office and the Dutch Telegraph Administration concerning telegraphic communications with Asia took place in May 1901 and on 24th July the governments concluded an agreement to lay and operate a cable linking the American Pacific cable, the Dutch East Indies and the German territory in China. The cable company was to receive governmental support to the tune of RM 1,400,000 per year, of which RM 1,025,000 would come from Germany and RM 375,000 from the Netherlands. The agreement was to remain in force for 40 years. In the Netherlands the agreement was approved, though not indeed without opposition, in the second chamber on 10th June, 1902 and in the first chamber on 1st July.[6]

Before the German-Dutch company was actually founded the cable manufacturer Felten & Guilleaume, Karlswerk Aktiengesellschaft in Mülheim (Rhein) and J.J. le Roy held discussions with various other cable companies about co-operation and conditions of service, and also applied to the United States' government for landing permission for their cable at Guam. In October 1903 the United States' government granted permission for a German-Dutch cable to land at Guam on condition that the company had no exclusive rights or any part in tariff agreements.[7] When the question of landing rights at Guam was under discussion the Eastern Extension tried to dissuade the United States from granting a licence by referring to the

[5] Ahvenainen, *The Question of German Information Services*, passim.

[6] Eerste Kamer der Staten-Generaal. Zitting 1901–1902. Goedkeuring van eene overeenkomst met de Duitsche Regeering betreffend het totstand brengen van kabelverbindingen. Memorie van Toelichting No. 4, and Goedkeuring.. Ontwerp van wet No. 2; *Verslag van de Handelingen der Staten-Generaal* pp. 307–309, Eerste Kamer 1st July, 1902 pp. 1593–1610, Tweede Kamer 10th June, 1902.

[7] Algemeen Rijksarchief. Legatie Noord-Amerika 188/216. Minister van Buitenlandse Zaken to Minister in Washington 15th April, 1903; Department of State (US) to J.H. van Roijen 14th October, 1903.



Map No. 7 The main Pacific Telegraph lines around 1913. The thick line is the Commercial Pacific's cable, the thin one the All British Line.

privileges which the German-Dutch company had in former Spanish colonies, but the company's protest went unheard.[8]

The German-Dutch Telegraph Co. was officially founded by an agreement between the two governments at Cologne on 19th July, 1904. The concessions earlier obtained by Felten and Guilleaume and by le Roy were transferred to the new company and, once an acceptable arrangement about traffic and tariffs had been worked out with the Eastern Extension and the Great Northern, an application was successfully made to the China Administration for permission to land the cable at Woosung.[9] The cable between Guam, Yap and Menado was laid in spring 1905 and opened to business on 27th April, and the Chinese connection between Yap and Shanghai was made ready in the autumn and opened to business on 1st October (see map p. 202). Officials of the German-Dutch Co. ran the service in Yap, Menado and Shanghai and officials of the Commercial Pacific ran it in Guam.[10]

3. The Pacific Traffic Agreements

From 1896 onwards the Eastern Extension and the Great Northern actively worked in favour of the American Pacific cable rather than pursuing a policy of opposition, despite the fact that where the Pacific cable was planned to go, in the Philippines, China and Japan, the companies had a particularly strong position based on treaty rights. The acquisition of these exclusive privileges had depended to some extent upon China's political weakness, but that also raised the question of the real value of the agreements. When the United States, Germany and the Netherlands began to seek permission to land cables in China it was soon obvious that the Chinese government was not inclined to refuse them.[1] According to the 1896 agreement and its amendment of 1899 the companies possessed exclusive landing rights in China until 1930. These rights were to have prevented the laying of new cables on the coast of China, but when other powers planned to lay their own cables on the Chinese coast this raised the question as to whether the powers in question did not possess treaty rights which would override any grant of exclusive rights.[2] Perhaps more important in the present connection than the changing political situation in China was the situation in the Philippines and Micronesia, where the United States and Germany respectively each had a say in the organisation of the telegraph and had begun to exercise their rights.

In the circumstances the Eastern Extension and the Great Northern decided that their best policy was to cut their losses; that it was wiser to try to work the new companies and perhaps turn the situation to their own

[8] Kunert p. 328.
[9] Cable and Wireless. Pacific Agreements 6th April, 1905.
[10] Thurn pp. 104–111, 162–163; Kunert p. 318.

[1] G.P.O. E7078/1905 File V Eastern Extension to Foreign Office 1st April, 1905.
[2] *New York Tribune* 19th February, 1902.

advantage than to compete against them and suffer defeat. It was clear that China would yield to the new pressures since she could hardly have offered much resistance to the great powers, and in the other areas involved the new political situation played against the two companies.

The companies' first move was to try to get authority over the American Pacific cable. This they achieved, and although American capital was also involved, the Eastern Extension and the Great Northern could regard the Commercial Pacific as their own ploy.

So long as there was the possibility that the American Pacific cable might somehow remain beyond the control of the old companies the Great Northern and the Eastern Extension had cause for concern about the German-Dutch schemes. As an extension of an entirely independent American cable the German-Dutch connection might well have signalled the appearance of an entirely new competitor in the Far East service. But once the German and Dutch interests were committed to the Pacific cable by the establishment of their own connecting cables, the Eastern Extension and the Great Northern had all the more reason for being in control of the Pacific cable.

In 1898 the Eastern Extension had obtained a concession from the Spanish government which granted exclusive rights to operate in its Pacific possessions for thirty years. The very next year the value of the concession came into doubt when Germany bought the Marian Islands, the Carolines and the Palau islands from Spain. Even while the negotiations were going on the Eastern Extension asked the Foreign Office to support its claim for a satisfactory assurance from the Spanish government that the rights of the company would be respected.[3] The Foreign Office gave instructions along these lines to its minister, H. D. Wolff, but no progress was made in Madrid save that the members of the Spanish government said the question should be referred to Berlin.[4] In June 1899 the Eastern Extension proposed to General Podbrelski, Director of the German Post Office, that recognition should be given to the company's position in the islands which had been transferred to Germany. At the same time the company went back to the Foreign Office, asking this time for support in Berlin. T. H. Sanderson, an Assistant Under Secretary, outlined the Foreign Office position, suggesting that the question could be regarded as a consequence of war but not as a question of fundamental law which would have established a precedent. The Foreign Office issued cautious instructions to the British chargé d'affaires, Viscount Gough, telling him simply to ascertain how far he could support the interests of the company.[5] Gough and subsequently Minister Lascelles discussed the question in Berlin with a government representative, von Richthofen, who told them that the company would receive a reply in due course. One reason for the delay was that a similar situation had arisen

[3] F.O. 64/1614 Eastern Extension to Foreign Office 5th June, 1899.

[4] Same collection. Wolff to Foreign Office 10th June, 1899, Foreign Office to Wolff 11th June, 1899, Wolff to Foreign Office 12th June, 1899, Eastern Extension to Foreign Office 12th June, 1899.

[5] Same collection. Eastern Extension to Foreign Office 12th June, 1899, Eastern Extension to Podbrelski 7th June, 1899, Foreign Office to Gough 12th June, 1899.

involving the United States, and as long as it was uncertain how the telegraph question would be settled in the Philippines the German government had no reason to hurry on a decision.

The Eastern Extension received no reply from Germany. When the Dutch Chambers approved the German-Dutch cable scheme at the beginning of June 1902 and the agreement with Germany openly violated the Eastern Extension's contractual position in the former Spanish islands the company once again turned officially to the German and Dutch governments for an explanation. The Foreign Office was also once more asked for help. The Dutch government advised the company that the question had nothing to do with them since it concerned areas which were now German. In Berlin the company received a modicum of diplomatic support from the British chargé d'affaires after the Foreign Office applied pressure to support the company's application.[6] The *Auswärtiges Amt* replied officially to the company on 29th July, 1902 to the effect that the Carolines, the Marians and the Palau islands were under the full sovereignty of Germany and that there was no means by which the Eastern Extension could prevent a German cable being landed on the islands. The only question which perhaps remained was whether the British company was entitled to compensation because its agreement had been invalidated, and if so whether the responsibility lay with the Spanish or the German government.[7] The Eastern Extension formally satisfied itself with this and refrained from pursuing the political side of the question. It also began to emerge that the company might perhaps find the answer in negotiations which were started with other companies interested in the Pacific service.

In September 1902 Felten & Guilleaume opened negotiations with the Commercial Pacific, the Eastern Companies and the Great Northern about the organisation of the German-Dutch service. By this time it was already known that the Commercial Pacific had authority to install the Pacific cable. The negotiations, held in various European capitals, were difficult and repeatedly broke off in deadlock to resume again mainly at the instigation of German and Dutch officials. After John W. Mackay, president of the Commercial Pacific, died in 1902 the negotiations were chaired by John Pender (Jr.) which stressed the Eastern Extension's strong position. Felten & Guilleaume were in a weak position at the negotiating table since the only weapon that Emil Guilleaume could use was the threat that if they could not reach agreement the German company would gradually set about extending its cable network and would aim to open its own lines between East Asia and Europe. The Dutch government was behind the solution sought by the Eastern Extension, which involved establishing a cable between Java and the Cocos (Keeling) Islands.[8]

The most important thing for the German and Dutch negotiators was to establish a tariff structure whereby telegrams between Europe and the Far

[6] F.O. 64/1614 Eastern Extension to Foreign Office 26th June, 1902, Foreign Office to charge d'affaires in Berlin 9th July, 1902.

[7] Same collection. Lascelles to Foreign Office 6th August, 1902; Kunert pp. 322–323.

[8] Cable and Wireless. Board 8th October, 1902, and henceforth negotiating situation considered in practically every Board meeting.

East would cost the same regardless of whether they were carried via North America or via India. This demand stemmed from the desire to avoid using the British or Russian lines should they wish. Since their interests were at stake the Eastern Extension and the Great Northern opposed the idea, and the Commercial Pacific opposed the German-Dutch objectives not simply as a reflection of who it was that owned the company but also because the United States' government was demanding an American cable as far as China. The German Guam-Shanghai line in particular would have been a serious competitor with the longer and slower Manilla-Shanghai route. One other bone of contention during the negotiations apart from the tariff question was the demand made by the Commercial Pacific that some of the grant put forward by the German and Dutch governments should be put into a common fund for all carriers.[9]

As in the case of other crucial telegraph questions in the Far East the solution to the German-Dutch problem was a joint organization which regulated the basic conduct of business and determined tariffs. The agreements setting up the organization were mostly signed on 26th June, 1904. The Eastern Extension, the Eastern Telegraph Co., the Eastern and South African Telegraph Co., the Great Northern, the Commercial Pacific, the German-Dutch Co., the Indo-European Telegraph Co., the China Administration and the Russian Administration were all parties to the agreements. Altogether seventeen agreements, memoranda and letters were signed on this one day.[10] Some of the agreements were top secret. The Pacific joint purse agreement between the Eastern Extension and the Commercial Pacific also contained some unpublished type-written articles, and an indication of the secrecy which surrounded them is given by the fact that the Postmaster-General in London got hold of them only by insisting that he would do nothing further for the companies unless he was given all the relevant documents.[11] It is easy to see why the Commercial Pacific Co. was so unwilling to expose its agreements in the clear light of day. When the company was given a work permit it was on condition that the permit-holder would not make precisely the kind of agreement which was now in question, and this breach of the terms of the permit, had it been broadcast, would have caused the Commercial Pacific serious difficulties in the United States.

The agreements concerned with the general organisation of traffic dealt first of all with landing permits. The Commercial Pacific and the German-Dutch Co. each made an agreement with the China Administration about bringing their cables to Shanghai. The Commercial Pacific was to lay a cable from Manilla to Woosung and the German-Dutch Co. one from Yap to Woosung. Both companies were to build a land line from Woosung to Shanghai and make it over at a nominal price to the China Administration, retaining administrative control over their lines. In addition the Commercial Pacific and the German-Dutch Co. both made agreements with the Eastern Extension and the Great Northern in which the European companies gave

[9] Above-mentioned Board meetings. Also Kunert pp. 324–326.

[10] Cable and Wireless. Board 13th July, 1904. The agreements mentioned together with commentaries are in the Pacific Agreements collection.

[11] G.P.O. E7078/1905 File IX contains agreement.

the new entrepreneurs the right to use the privileges they held in China.

As far as the distribution of traffic was concerned it was laid down which area or route belonged to which operators. These regulations extended over a far broader area than just the Far East, since in practice the companies made agreements dividing up business throughout the world, and the Commercial Cable Co. also joined in the agreements relating to the Atlantic service. Thus for example the Great Northern and the Commercial Cable Co. agreed that they would hand over to each other in London at least half of their unrouted traffic originating in North America and the West Indies and destined for Denmark, Norway, Sweden, Finland and Russia, and vice versa. As for the Far East the previous agreements between the Great Northern and the Eastern Extension for dividing traffic remained in force. Business between Europe and Japan thus continued to travel via Siberia and formed part of the Great Northern's sphere of operations, while the Russian Administration was guaranteed a certain amount of business.

The organization's tariff policy was also aimed at channelling business along the desired routes. A common tariff table was in force for traffic between China, Japan, Korea, Hong Kong, Macau and the Philippines at one end, and Europe and America at the other, and the income from the various routes was to be divided between the carriers according to very detailed agreements. The tariff, for example, between Europe and China (in addition to any possible local European tariffs) was always Frs. 5.50 regardless of whether the telegram went via Siberia or India, but the operators' shares were worked out differently, as the following tables show:[12]

Via India		Via Siberia (Vladivostok or Kiachta)	
The European administrations	0.10	The European administrations	
Eastern, Eastern & African	2.16	Russian Administration	1.43
Indo-European	0.31	China Administration	1.12
Gulf Department	0.19	Great Northern	2.95
Indian Department	0.35		
Eastern Extension	1.27		
China Administration	1.12		
Frs.	5.50	Frs.	5.50

The tariff for traffic between Europe and Japan on the northern route was Frs. 6.05 per word, divided as follows according to the different routes:

	Via Vladivostok	Via Kiachta
Russian Administration	1.43	1.43
China Administration	–	1.50
Great Northern	4.07	2.57
Japanese Government Lines	0.55	0.55
Frs.	6.05	6.05

[12] Tariff tables in G.P.O. E7078/1905 File VIII.

If a subscriber asked for a telegram to Japan to be routed via India the tariff per word was higher, Frs. 7.05.

The tariff between North America and China via the Pacific cable was Frs. 6.10, distributed as follows:

	Via Hawaii
China Administration	1.12
Eastern Extension	0.57
Great Northern	0.57
Commercial Pacific	2.84
Special Wire Outpayment	0.40
American Lines	0.60
	Frs. 6.10

The tariff between America and Japan was Frs. 7.65 per word divided as follows:

	Via Shanghai–Hawaii
Japan Administration	0.55
Great Northern	1.00
Eastern Extension	1.57
Commercial Pacific	3.53
Special Wire Outpayment	0.40
American Lines	0.60
	Frs. 7.65

This tariff was in operation before the opening of the Japan – Peel – Guam cable and explained why the Great Northern and the Eastern Extension were included, since the Japanese traffic between Nagasaki and Manilla went along the companies' lines.

If so-called abnormal routes were used the tariffs were higher than if the most direct route was used. Thus the tariff from China to Europe via America (or v.v.) was Frs. 1.90 higher than the tariff via India or Russia (Frs. 5.50 – Frs. 7.40). Likewise the tariff from China via Europe to the eastern coast of America was Frs. 2.15 per word higher than via the direct Commercial Pacific cable. These tariff clauses meant simply that the Great Northern and the Eastern Extension continued to carry traffic between Europe and the Far East, while the Commercial Pacific handled traffic between Asia and America. Colonies in Australasia did derive a certain amount of benefit from the arrangements since they now had a direct and cheaper service to the United States.

What then of the German-Dutch Co.? Its activities had been aimed, especially from the German side, at establishing a politically independent cable service and the target at which the operation was aimed was Britain's cable empire. However, they were still left dependent upon the cables of another great power: if they wanted to avoid British lines they could continue as before to send their telegrams via the Great Northern, but they were then dependent upon Russian lines. The other possibility was to send telegrams across two oceans and the American continent, but this way the tariff was

higher and although government messages carried at half price might use this route it was unlikely that an individual would want to do so. The result of the negotiations proved a disappointment especially to Dutch merchants, in whose eyes the new line lost its value. As far as the revenue of the German-Dutch Co. was concerned it was also significant that if for example German telegrams from Kiaochow were sent via Shanghai and the northern route, the German-Dutch Co. made nothing from them except a small station fee since the German Kiaochow line belonged to the German government, not the company. If it was particularly desired to send traffic via the company's line the telegrams had to be routed from Shanghai via Yap to Java (Batavia), and thence via British cables to Europe.

The tariff for a telegram sent from Europe to the Dutch East Indies by the southern route was Frs. 5 per word, and it was the same if a telegram was sent either from the Netherlands or from Germany via the Great Northern and the Siberian route, although the proportion received by the carriers was different, as the following table shows:[13]

	Via India	Via Vladivostok-Yap	Via Kiachta-Yap
Europe	0.10	0.20	0.20
Russian Administration	–	1.43	1.43
Eastern & Eastern & South African	2.16	–	–
Indo-European	0.31	–	–
Gulf Company	0.19	–	–
Indian Administration	0.35	–	–
China Administration	–	–	1.50
Commercial Pacific	–	1.43	1.43
Eastern Extension	1.59	–	–
Great Northern	–	1.50	–
German-Dutch	–	0.14	0.14
Dutch Indies Administration	0.30	0.30	0.30
	5.00	5.00	5.00

The tariff between Europe and the East Indies was the same by the northern route as by the southern but only in the case of the Netherlands or Germany. A corresponding concession was that traffic from the Netherlands and Germany to the East Indies via North America cost Frs. 5 + Frs. 1.90 = Frs. 6.90 per word. Thus an additional charge between Europe and California was added to the common tariff via India or Siberia. A higher tariff was agreed upon for traffic to other European countries via the northern route (Europe–Hong Kong Frs. 5.50 and Hong Kong–Java Frs. 3.40), with a view to getting business from these countries handled by their respective national cable companies. In practice this was not very significant since other countries rarely had cause to send telegrams via the northern route. As a matter of principle, however, this arrangement was in flagrant violation of the St Petersburg international telegraph convention, whose tenth article stated

[13] G.P.O. 7078/1905 File VIII for tariff tables; Kunert p. 325.

that there should be no favoured nations in the telegraph service.[14]

As far as China was concerned the agreement meant very little difference from the previous situation. While the China Administration's share in telegraph revenue was reduced per telegram the expected growth in business would compensate for the loss.

The agreement also contained clauses concerning competition and new cables. As regards the latter it was agreed that any party could lay new cables or build new lines but these would not affect the financial arrangements current under the agreement. No party to the agreement could reduce their rates or make agreements with competing lines. This last condition smacked very much of restrictive practices, especially since the China Administration which regulated all China's internal lines was party to it.

The Eastern Extension and the Great Northern met with success in their policy of cutting their losses. They had apparently lost the American business to a third company, but since that company was predominantly owned and controlled by the two European companies, the appearance was deceptive.

The biggest share of the tariffs for business between Europe and eastern Asia fell to the Eastern Extension and the Great Northern, and the tariff system meant too that most traffic used their lines. In the British Eastern group it was an internal matter how the returns from business between Europe and the Far East were divided, but this group undisputedly took the largest share since it was the carrier over the longest portion of the journey. On the other hand it was not clear why the Great Northern's share should have exceeded that of the Russian Administration: the Russian line from the Baltic to Vladivostok covered nearly 11,000 Kms. while from Vladivostok to Shanghai via Nagasaki the cable was about 2,000 Kms in length. It had to be borne in mind, however, that sea cables were more expensive than overland lines both to lay and to run. The Russian government was satisfied with this division of the tariffs since it accepted the principle on which the revenue from through traffic on the Siberian line was divided, and the same system was the basis of the new tariff arrangements. But doubtless the Russians' acquiescence in the share they were allotted was a cause for quiet gratitude in Copenhagen.

The established situation in the east, the volume of traffic and the balance of proprietorship, not to mention certain political considerations, meant that telegraph companies in France, the Netherlands and Germany did not stand to gain by voicing far-reaching demands. Their negotiating power amounted, as it were, to a tenth of a franc's worth. The China Administration was in a weak position due to reorganization in connection with the Pacific Agreements and her hands were tied by her agreement with the two European companies. As for the two companies, while they found themselves after 1904 having to discuss business with more interested parties than before, the poor negotiating position of the others round the table did not amount to a very considerable challenge.

[14] Martens, *Recueil des traités et conventions conclus par la Russie* IV; 2 p. 1050 ff; also Agreement in Vienna 1868, ibid p. 883.

4. Japan's cable policy

The telegraph commenced operation in Japan with the opening of the Tokyo-Yokohama Line in 1869, but progress was slow until 1877 when the Satsuma Rebellion brought home to the Japanese government the importance of rapid means of communication as an instrument of government and lines were extended to important places in the empire. Within about ten years there were approximately 220 telegraph offices in Japan and in 1879 she became a member of the international telegraph convention.[1]

Japan was linked to the mainland of Asia in 1871 when the cable between Vladivostok and Shanghai came into use. As a result of an agreement between the Great Northern and the Japanese government in 1882, the company duplicated its Japanese cables and in addition laid a cable from Nagasaki to Fusan in Korea, giving Japan her third link with the mainland. Fusan provided the basis for the construction of the Korean telegraph network: in 1889 Seoul was connected to Fusan and the Korean lines began to push towards the Manchurian border.[2]

Japan's interest in the Korean telegraph derived largely from economic considerations but it reflected too a sense of unease that was felt towards this neighbour. It was feared that Korea, an old-fashioned and weak state, could become subject to a power hostile towards Japan and thus create difficulties for her. The cables were seen as a way of binding the country to Japan, but the Japanese aimed as well at modernizing Korea so that she could stand on her own feet. When things did not develop as the Japanese had hoped, but Chinese as well as Japanese influence grew, the Japanese tried to settle the matter by force of arms.[3]

When the Sino-Japanese war broke out in summer 1894 the Japanese wanted to buy the Great Northern's Fusan cable, but the company refused to sell it,[4] understandably enough, since if the cable had been taken over by the Japanese this would have made it possible to connect with Russian lines via the Korean land lines thus endangering the Great Northern's monopoly over Japanese service.

As a result of the Sino-Japanese war Formosa was handed over to Japan and Japan immediately began to try to establish a direct cable link between the mother country and her new possession. Japan's first cable ship was ordered from a Glasgow ship-yard which completed the order so quickly that the ship was in the east by 1896.[5] A cable was then laid between Kiushu, Liuchu and Formosa which was connected both to Japan's internal lines and to the former Chinese cable from Foochow via Formosa which had now been

[1] *Résumé historique télégraphic de Japon.* pp. 1–7. In 1899 the Japanese Postal Department and the Japanese Telegraphic Administration, which had been separate units up to this date, were amalgameted and made part of the Ministry of Communications, which thereby became officially in charge of telegraph matters; *Notification* No. 490 (1er Février, 1899).

[2] *The Electrician* 23rd February, 1884 p. 327, 10th May, 1884 p. 623. 6th May, 1887 p. 573, 3rd May, 1889 p. 752.

[3] Vinacke, *A History of the Far East in Modern Times* pp. 129–140.

[4] F.O. 262/739 Stone to Henningsen 22nd February, 1896.

[5] Cable and Wireless. Board 29th April, 1896.

transferred with Formosa to the Japanese in accordance with the peace treaty. At this point the Great Northern raised the question of the use to which the cable would be put and the company and the Japanese government agreed that in accordance with the 1882 agreement the line would not be used for business between Japan and the mainland.[6] Japan had once more been taught a lesson in the difficulties brought about by monopolistic agreements.

Around 1900 Japan's telegraph relations with the world outside were dominated by the monopolistic concession granted to the Great Northern in 1882. The concession was due to expire in 1902, but it contained a clause whereby if China and Russia should extend their concessions to the Great Northern then Japan would do likewise, in which case there would be a 10-year extension.

At the end of the 1890's the Japanese government tried to find out what Russia intended as regards the possible renewal of the agreements. They received no clear-cut answer, however, until the beginning of 1900 when the Japanese government was informed that the Russian government had renewed the Great Northern's exclusive rights to operate between the coast of Asia and Japan.[7] Since the 1899 agreement between the China Administration and the Great Northern was also exclusive the Japanese government had no alternative but to grant the extension of the concession for ten years. The extension was signed on 29th March, 1900 and it meant that the Great Northern would continue to enjoy exclusive rights in traffic between Japan and the Asian mainland until the end of 1912.[8] In discussing the matter with the British minister in Tokyo, Ernst Satow, the Japanese Foreign Minister Viscount Aoki let it be understood that Japan had been obliged to act as she had done, although it had been contrary to her wishes.[9]

The dominance of the Great Northern caused the Japanese to display increasing interest in the United States' Pacific cable, although the political and commercial importance of this cable to Japan would in any case have ensured her interest. In 1900 the Japanese government revealed their approval of Scrymser's enterprise[10] and after the President of the United States had granted the Commercial Pacific permission to lay the cable the Japanese government announced its hope that the company would also lay a cable between Japan and Guam[11] (autumn, 1902). Once the cable was completed as far as the Philippines and with the start of the Russo-Japanese war in February 1904 the Japanese government considered this connection even more urgent than before and thought it dangerous that the country should have only a single set of cables to the Asian mainland – that to Shanghai, since the Vladivostok cable was broken.[12] Discussions between the

[6] Cable and Wireless. Board 1st May, 1895, 26th October, 1898, 5th January, 1899, 12th April, 1899; Chinese Agreements No. 30 (Agreement 8th July, 1899).

[7] G.P.O. E9792/1901 File LXXXI Satow to Foreign Office 4th April, 1900.

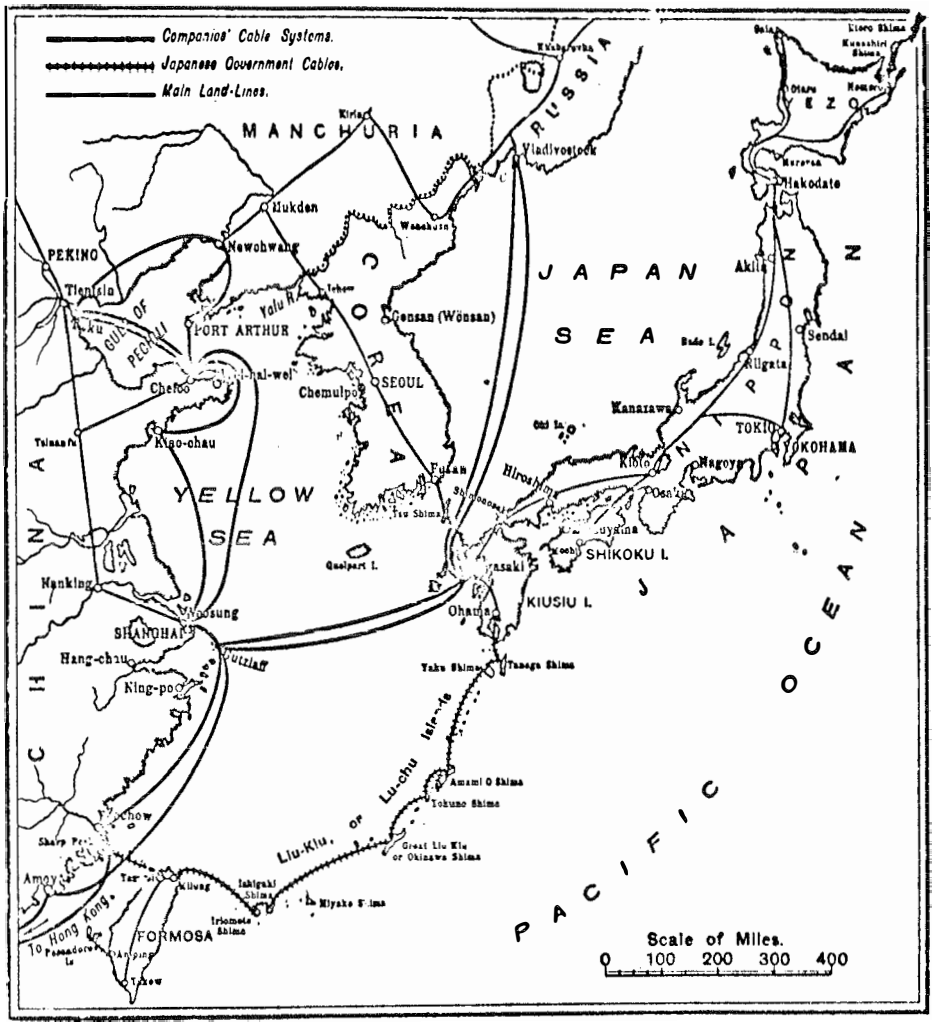
[8] G.P.O. E9792/1901 File LXXXII contains agreement.

[9] G.P.O. E9792/1901 File LXXXI Satow to Foreign Office 4th April, 1900.

[10] N.A. 133/73 Buck to the Secretary of State 20th February, 1900; F.O. 46/549 Satow to Foreign Office 4th April, 1900.

[11] N.A. 133/77 Buck to the Secretary of State 6th November, 1902.

[12] N.A. 133/78 Minister Lloyd C. Griscom to Secretary of State 25th February, 1904 and 14th March, 1904.



Map No. 8 The telegraph connections between China, Japan, Korea and Russia in 1903.

Japanese government and the Commercial Pacific, which had previously obtained the consent of the Great Northern, were concluded in January 1905, when it was agreed to connect a government line with the company's lines on Peel Island, which was Japanese territory. This arrangement meant that the Japanese did not need to obtain a landing permit from the United States and the agreement could be made without U. S. interference. The agreement was to be in force for 30 years, during which time the Japanese government was not to allow any other company to lay a cable between Japan and the United States. The company was to carry Japanese government telegrams at half price and the Japanese telegraph was to pass on to the Commercial Pacific all telegrams bound for the United States. There

were also various tariff clauses included in the agreement.[13] The Peel-Guam cable was opened in August 1906.[14]

The Russo-Japanese war to some extent hastened Japan's association with the Pacific cable and in addition to this it caused changes in the service between Japan and the mainland. One relatively short cable became a serious and complicated point of contention.

During the war Japan needed to get a quick, secret communications link to Manchuria since her former connections were either broken or censored. An army cable was therefore laid between Nagasaki (Sasebon) and Port Arthur (Dalnyn). After the war the cable was not closed down but remained in operation, the Japanese justifying their position on the grounds that the Liao Tung peninsular was now leased to them. The Japanese thus acquired a line of their own to the mainland of Asia, which gave rise to some difference of opinion between the Great Northern and the Japanese government. As early as March 1906 there were discussions between the two about the Manchurian cable, but the question was then deferred to a later date. Nevertheless, without any further contact with other cable enterprises the Japanese Ministry of Communications opened the Manchurian cable to public traffic in September 1906, using Japan's own terminal tariffs, and they informed Berne that they had done so. An announcement was made to the Great Northern and to the China Administration.[15]

The new Japanese cable gave the European companies and the China Administration much food for thought. The Great Northern saw it as a violation of the 1882 agreement and the 1900 amendment. Both the companies and the Administration believed that it was also an infringement of the monopoly granted by the Chinese government in 1899 since although it was leased out this part of Manchuria remained within the Chinese Empire. The situation was also complicated by the fact that during the Boxer Rebellion a line had been laid from Port Arthur to Chefoo at the expense of the Russian government, with connections to the whole of China. At the end of 1906 the line was in fact broken, but the Manchurian end of the line was under Japanese control and it was known that the Japanese were also trying to persuade the Chinese to open the Chefoo end. If they succeeded it would mean traffic between Japan and China outside the control of the Great Northern. Port Arthur was also an important station since there was a telegraph connection from there along the lines of the Manchurian railway to the Russian network. Even before the Peace of Portsmouth there had been an agreement between China and Russia to connect the Manchurian and Russian railways and the railway telegraphs, but the use of the telegraph was also covered by a restrictive agreement which permitted only local traffic. If in the changed political circumstances Japan had refused to accept the

[13] Cable and Wireless. Board 3rd December, 1902 and 21st September, 1904; Pacific Agreements. Agreement 12th September, 1905.

[14] G.P.O. E7078/1905 File XIII.

[15] Rigsarkivet. St. Nord. Telegraf 238 Journalnr. B8652 Great Northern to Udenrigsministeriet 8th September, 1906. Apparent too in objections mentioned later.

restrictions and negotiated a new agreement with Russia, direct through traffic between Japan and Europe could have been established via Manchuria. Clearly China would hardly have been able to avoid using this route especially if the Chinese and Japanese cables were linked up. The tariff between London and Vladivostok was Frs. 1.30 per word and this same tariff would have applied as well to Manchuria. From there it was only a short distance to Japan and local Japanese tariffs were cheap, so that the tariff by this route would have been drastically different from the cable companies' tariff of Frs. 6.05 from London to Japan via Vladivostok or Hong Kong. This would have suited the chambers of commerce very well though it would have been disastrous for the companies themselves. The relative capital and running costs of aerial cables were very much less than for sea cables, so the companies in the east and especially the British companies would have encountered formidable difficulties in coping with the competition, and their operations would have required support from public funds. The Postmaster-General regarded the British cables, whose maintenance had hitherto been adequately covered by the income from normal business, as an essential part of Britain's strategic interests.[16]

From the companies' point of view the situation was made more difficult by the fact that after the Peace of Portsmouth the agreements which had been made before the war were now of rather uncertain value. Especially where China was concerned, as we have noted, there had been so many violations of the 1899 concession that its continuing validity was open to question. This attitude was held in particular by Dresing, the foreign adviser in the China Administration, who noted that the Great Northern itself had been the first to diminish the force of the agreement when it permitted the French to run a telegraph station in its offices in Amoy during the Boxer Rebellion.[17] Since China had already been obliged to yield so much and could manage no more than a formal protest, she could hardly do much to resist Japan's demands. The situation became still more confused at the beginning of 1907 since it was not known how Russia would react towards possible Japanese attempts to open up through traffic. Russia's minister in Peking, Pokotiloff, told minister Jordan in March 1907 that the interests of Russia and the Great Northern did not coincide on this issue, and that he was in a difficult position having to work as both Russian and Danish minister.[18] Later on, however, Pokotiloff made it clear that he wished to work with the British minister in defending the interests of the Great Northern.[19]

After the Manchurian cable was opened discussions were held in two quarters. In the first place the Japanese government discussed with the Chinese government the question of opening the Chefoo station to business. The Japanese also demanded that they should be allowed to appoint their own Japanese staff to the station so that it should be operated jointly.[20] The

[16] G.P.O. E27844/1908 File I Postmaster-General to Foreign Office 11th April, 1907.
[17] G.P.O. E27844/1908 File I Jordan to Foreign Office 4th March, 1907.
[18] G.P.O. E27844/1908 File II Jordan to Foreign Office 4th March, 1907.
[19] G.P.O. E27844/1908 File VIII Jordan to Foreign Office 8th November, 1907; F.O. 262/991 MacDonald to Foreign Office 8th January, 1908.
[20] G.P.O. E27844/1908 File VI Eastern Extension to Foreign Office 25th October, 1907. Repeated references to negotiations in diplomatic correspondence, e.g. F.O. 228/1677 11th April, 1908.

Japanese had a good precedent for this in that the Chinese had earlier allowed foreign officials to work on the line between Taku and Peking. In their discussions with the Chinese the Japanese also disclosed their desire for a direct Japanese connection between Japan (Nagasaki) and Peking.

The other discussions referred to took place in Tokyo on 18th September, 1906 at the request of the Great Northern and the Danish Foreign Minister. The Dutch Minister in Tokyo, J. Loudon, in his capacity as Acting Minister for Denmark left a note at the Japanese Foreign Ministry protesting against the opening of the cable. A protest was also lodged by the Russian Minister in Peking working on behalf of the Great Northern.[21]

The Japanese Foreign Ministry replied to Loudon's note on 24th November. The reply, signed by the Foreign Minister, Hayashi, drew attention to the changed political situation in the East and continued that as a consequence of the new state of affairs the Japanese domestic telegraph system had been extended not only to Korea and the leased territory of Kwangtung but also to southern Manchuria, in connection with the railway network owned and operated after the war by Japan. Hayashi emphasized that what was now in question was in effect an internal Japanese line and that Japan was entitled to connect the two cables without consulting any other party.[22]

Loudon's comment on this reply to Copenhagen was that while it was a question of conquest there were numerous precedents and established international legal practice bound a conqueror to recognise the validity of bona fide agreements previously concluded by or on behalf of the sovereign of the conquered territory with a third party.

By the end of the year the Great Northern could see no alternative but to ask Loudon to attempt once again to come to terms over the issue. At the end of January 1907 Loudon left a second note with the Japanese Foreign Ministry and at the same time Russia's minister in Peking tried to influence the course of events, this time through the Chinese government.[23] In May Hayashi replied again, in effect simply re-iterating what he had already said, but stressing as well that it was impossible to accept the view that the exclusive rights of the Great Northern extended to a part of the Japanese Empire. Hayashi did say, however, that the Japanese government might discuss the matter, although it was said very grudgingly.[24]

This was all the Copenhagen directors had been aiming at at this stage. The Great Northern was ready to make concessions in view of Japan's political position, and the company had also to bear in mind that its privileges would expire in 1912 and a flexible attitude would be appropriate if they wanted them extended.

Negotiations got going in the autumn of 1907 when Michelson, Chief of

[21] Rigsarkivet. St. Nord. Telegraf 238 Journalnr. B8652 Udenrigsministeriet to ministers at Tokyo and Peking 8th September, 1906, Pokotiloff to Udenrigsministeriet 24th September, 1906, Loudon to Udenrigsministeriet 28th November, 1906.

[22] Copy of reply included in Loudon's despatch.

[23] Rigsarkivet. St. Nord. Telegraf 238 Journalnr. B8652 Great Northern to Udenrigsministeriet 14th January and 14th March, 1907.

[24] Rigsarkivet. St. Nord. Telegraf 238 Journalnr. B8652 Hayashi's reply to Loudon 13th May, 1907.

the Company's secretariat, arrived from Copenhagen. The company's principal agent in the East, Bahnson, also took part in the discussions. At the other side of the table sat representatives of the Japanese Ministry of Communications. The negotiations were very slow to get under way since the Japanese made it clear at the start that they only wanted to discuss the purchase of the cable between Japan and Korea. As a result of Loudon's efforts the Japanese were gradually persuaded to discuss the whole question, but only after expressing a great many objections.[25]

The Great Northern offered to sell the line between Japan and Korea and to allow terminal traffic on the Manchurian cable and traffic between Japan and China (via Port Arthur), on condition that a pool should be established for this traffic and the income be divided on the basis of 5/13 to Japan and 8/13 to the company. China could join the pool if she wished, which would alter the relative shares in the income, but the company was still to have the largest share.[26]

They were already approaching agreement along these lines when Japan suddenly produced a demand that she should be allowed to lay her own cables between 'Old Japan', Russia and China and transmit all traffic on this route, including through traffic, e.g. from the United States to Russia via Japan. The Japanese government demanded as well a free hand to make agreements with the Chinese and Russian governments to land cables. The Great Northern was absolutely against these proposals and made much of the idea that when the great powers gave a company belonging to a small country such broad rights as the Great Northern had got there had to be a very good reason for it, and the company could not one-sidedly abandon the concession without first discussing the question with the other party.[27] The Japanese observed that they simply desired that the company should give, as far as it was concerned, its consent.[28] The negotiations ran aground at this point, at the end of October 1907, and despite Loudon's attempts to mediate they were broken off without any results at the end of January 1908 with the idea that the question should be discussed again at the Lisbon Telegraph Congress later in the year.[29]

The Eastern Extension was so disconcerted by the failure of the negotiations between the Great Northern and the Japanese Ministry of Communications that at the end of October 1907 they asked the Foreign Office to intervene in Tokyo.[30] The issue was familiar enough to both the Foreign Office and the Post Office, since they had been following what was going on throughout the year. The Post Office took the view that it could not

[25] This is mentioned in various statements by Suenson, e.g. in connection with the closing of accounts in 1907. *The Electrician* 1st May, 1908 p. 113.

[26] G.P.O. E27844/1908 Memorandum on discussions, dated 5th – 8th November, 1907.

[27] Rigsarkivet. St. Nord. Telegraf 238 Journalnr. B8652. Memorandum concerning negotiations drawn up by Komatsu, director of Japanese telegraph administration, 21st January, 1908. Loudon's note to Hayashi 4th February, 1908; Report of statements made at Great Northern's annual meeting *The Electrician* Ist May, 1908 p. 113.

[28] Komatsu's memorandum mentioned above.

[29] Rigsarkivet. St. Nord. Telegraf 238 Journalnr. B8652 Great Northern to Udenrigsministeriet 30th January, 1908.

[30] Cable and Wireless. Board 30th October, 1907.

interfere in terminal traffic between Japan and the mainland, but that it would certainly oppose possible Japanese schemes to organise through traffic along Russia's lines. The Foreign Office approved of this course and minister MacDonald was instructed to inform the Japanese government that British companies and Great Britain's strategic interests would be seriously damaged if Japan organised direct traffic via Russia's lines.[31] There was no mention of support for the Great Northern, which was a reflection of the fact that British interests were not affected by terminal traffic. At the beginning of January 1908 MacDonald was further instructed to inform the government that it was contrary to Great Britain's interests to organise through traffic (e.g. to India) via China, and to say that the British government had just asked the companies for a reduction in tariffs to the Far East.[32] In February the Foreign Minister, Edward Grey, referred to the telegraph question while discussing questions of mutual interest to Britain and Japan with the Japanese minister in London, Count Komura, who was about to return home. He said that Great Britain's interests were solely concerned with trade and that the country did not want to find itself one day competing with the lower tariffs of land cables. Grey also urged that according to the terms of the Alliance it was essential to pursue a policy of co-operation over the telegraph just as much as in other matters.[33] The British government learned the Japanese government's attitude to the question in January 1908 when Count Hayashi assured MacDonald that Japan had no intention of opening a direct route to Europe. He also drew attention to the Great Northern's high dividends and enormous reserves, pointing out that they could well afford to offer the public lower rates without detriment to their shareholders.[34]

Another difficult problem for Japanese policy was raised in autumn 1907 when the British Post Office proposed that the Foochow cable between Formosa and Japan, intended for terminal traffic, should be opened to through traffic, thus making it possible to avoid the Danish lines between Shanghai and Nagasaki for traffic between Great Britain and Japan.[35] The plan needed the Great Northern's consent before it could be realised, since the company held exclusive rights over traffic between Japan and the mainland and the arrangements would, moreover, have been contrary to the terms of the 1899 agreement concerning Formosan business. The Great Northern was prepared somewhat reluctantly to accept the plan and announced that its consent had been given since it had always wanted to prove its willingness to meet the wishes of the British government as regards their cables in the East. At the same time the company hoped the British

[31] G.P.O. E27844 File VI Postmaster-General to Foreign Office 30th October, 1907, Foreign Office to MacDonald 31st October, 1907.

[32] F.O. 262/987 Foreign Office to MacDonald 3rd January, 1908.

[33] F.O. 262/987 Foreign Office to MacDonald 3rd February, 1908.

[34] F.O. 262/991 MacDonald to Foreign Office 9th and 22nd January, 1908.

[35] G.P.O. E27844/1908 File III Memorandum of interview with Sir Francis Cambel and representatives of Eastern Extension 14th August, 1907; F.O. 262/965 Postmaster-General to Foreign Office 10th August, 1907.

government would support them in their negotiations in Japan and dropped some hints about the renewal of some of its concessions in Europe.[36]

In October 1907 MacDonald delivered a note to the Japanese government proposing that the Formosan cable should be opened to international business. The Japanese government, however, considered the cable from Japan to Formosa to be already so loaded that it would be difficult to take on any new business. It therefore suggested that an entirely new cable should be laid between Japan, southern Formosa and Hong Kong, and that the new cable should belong jointly to the two governments.[37] The Japanese proposal added a further twist to the complications of the affair, since it involved setting up an individual cable outside the companies' control, which in reality was the intention of the Japanese government. Although the Foreign Office in London came to no immediate decision, the Japanese proposal did ensure that Britain would no longer be prepared to support any monopolistic scheme which might prevent the construction of a cable between British territory and Japan,[38] and this in turn meant that the Great Northern got no support from the Foreign Office when it attempted to secure a monopoly of traffic between Japan and the mainland of Asia.

5. Negotiations over the Pacific service, 1908–1913. The agreements of 1913

In December 1907 negotiations between Japan, the China Administration and the Great Northern were still unfinished and at least in London there was a genuine fear that the very basis of operations in the east might be undermined. This was connected with the possibility that Japan would seek to organise her own through traffic to Europe via Russia.

The Postmaster-General attempted to overcome this threat by asking the companies for new tariff reductions in the eastern service which would cover in addition the service between the United States and the Far East. In the Postmaster-General's view Japan had two principal aims: to get government cables into service for terminal traffic between the main island and the mainland, for political reasons, and to get as favourable tariffs as possible for through traffic to the rest of the world. If she were made no concessions in this last respect, Japan might attempt after 1912 to arrange with Russia to introduce a low rate to Europe using Russia's land lines and operating independently of the companies. It was true that the companies had agreements with Russia, but the Postmaster-General did not consider that they had any real value. Apart from Japan, there were two other elements in the situation: the interests of the company had also to be consulted – which

[36] Cable and Wireless. Board 18th September, 1907 and after that at various Board meetings. G.P.O. E27844/1908 File V contains correspondence between Foreign Office, Eastern Extension and Postmaster-General, September – October 1907.

[37] G.P.O. E27844/1908 File IX MacDonald to Foreign Office 26th November and 23rd December, 1907, File XII Foreign Office to Postmaster-General 29th January, 1908.

[38] G.P.O. E27844/1908 File XXIII memorandum on Nielsen's and Mackay's discussion, 7th August, 1908.

Finnish National Museum

A young telegraphist in the uniform of the Great Northern at Uusikaupunki station. The picture is from 1912.

meant principally the profitability of the service – and it was necessary besides to consider British commercial and strategic interests.[1]

The model for the tariff reductions was taken from the system set up by the Eastern companies for South Africa, India and Australia. The idea was that tariffs would be reduced in proportion to the growth of business. On European business, for instance, the tariff would immediately drop to Frs. 5 and then slide in relation to the growth of business to around Frs. 3.10. The question of possible subsequent changes was to be discussed separately, since the growth of business would require the duplication of cables which meant higher fixed costs and precluded straightforward reductions across the board.[2]

The Postmaster-General presented his scheme first of all to the three companies, the Eastern Extension, the Great Northern and the Commercial Pacific. The first two accepted the plan in principle, but the Commercial

[1] G.P.O. E27844/1908 File XXII statement by Mackay, representative of Post Office, 30th June, 1908, at meeting of Committee on landing right submarine cable.

[2] Cable and Wireless. Board 11th December, 1907; G.P.O. E27844/1908 File X Memorandum of interviews with representatives of Eastern Telegraph Companies, December, 1907.

Pacific was reluctant to do so. It was also known that the German-Dutch Co. was in favour of reductions, which would immediately benefit the two countries concerned.[3] After securing this much support for his proposal the Postmaster-General suggested to Berne in January 1908 that a reduction of tariffs in the Far Eastern service should be discussed at the Lisbon Conference.[4] Throughout the early spring of 1908 the telegraph companies held meetings to discuss the proposals that they knew would come up in Lisbon.[5]

In May negotiations opened in Lisbon on the organisation of services in the Pacific area with a view to agreeing terms which could subsequently be submitted for governmental approval, since the questions facing the conference were so far-reaching that the powers of the negotiators were insufficient to make the final agreements. For the first time in her history China was represented at an international telegraph congress, and her presence now made it more likely that the present problem could be resolved. In particular there was always the possibility of an agreement between Japan and China.

A document entitled 'Suggested Heads of Agreement between Japan and the Administrations interested in the Telegraphic Traffic in the North Pacific' was the outcome of the prolonged negotiations in Lisbon. The 'Heads of Agreement' included the proposal aimed at reducing tariffs and a declaration by the Japanese government which meant in practice that the Japanese government would not enter into effective competition by means of government cables and, while reserving the right of the government to give concessions to new companies, laid it down that they should not assist any such company beyond what was required by the International Telegraph Convention, i.e. should not subsidise them or hand over to them any 'unordered' traffic. A monopoly for the old companies in relation to Japan was not at issue, but the clause did tend in the direction of monopoly.[6] The outcome of the negotiations was such that Japan would in addition have become a party to the Pacific Agreements, as hitherto she had not been.

The 'Heads of Agreement' gained general acceptance among the negotiators in Lisbon with the exception of the Commercial Pacific, which rejected the plans to reduce tariffs. The explanation lay in the fact that, unlike the European companies, the company had been in operation for only a short time, and it had neither distributed significant dividends nor established any reserves. So far, too, it had no experience of the costs of running and maintaining the Pacific cable which, because of the volcanic nature of the sea bed, threatened to be higher than had previously been supposed. Reducing the tariffs would probably lead to such a growth in business that a new cable would be needed, and this would mean that capital costs would in turn rise and they would get no financial return from the operation.[7] Despite the Commercial Pacific's negative attitude

[3] G.P.O. E27844/1908 File X Memorandum of interviews with representatives of companies, December, 1907.
[4] Cable and Wireless. Board 22nd January, 1908.
[5] Cable and Wireless. Board 22nd January, 1908 and thereafter.
[6] G.P.O. E27844/1908 File XVII. Memorandum relating to negotiations in Lisbon, 1908.
[7] G.P.O. E27844 File XVI. Report of discussions 24th April, 1908.

discussions were nevertheless continued to the assumption that there would be tariff reductions.

Considering who actually owned the Commercial Pacific it is tempting to think that its attitude was a show, or even more probably that the Eastern Extension and the Great Northern used it for their own purposes to attack the reductions. The question is not, however, certain. There was other capital tied up in the Commercial Pacific and its directors were obliged to look after the company's financial interests without being dictated to by particular partners. The opposition of the Commercial Pacific was at any rate taken at face value, which was a further indication of the fact that the ownership of the company was not yet known, even within the British Post Office.

The Japanese negotiators were satisfied with the outcome of the Lisbon conference, although they insisted that the proposed tariff reductions were the minimum acceptable.[8] In London the Postmaster-General first reviewed the results of the Lisbon negotiations at a meeting of the Committee on Landing Rights for Submarine Cables, attended by several ministers.[9] Criticism was mostly directed at the exclusive nature of the agreement and came principally from the representative of the Board of Trade, although its view was very much shared by the Colonial Office. The Colonial Office too would have liked to see continuing tariff reductions, which, as Mackay observed, the Japanese would also have willingly agreed to, but one had to consider the profitability of the companies and the need to try to keep the Commercial Pacific involved. As far as the Commercial Pacific's recalcitrant stance was concerned, the committee recommended employing sanctions, which Mackay contemplated taking the form of a suspension of the company's work permits in the United Kingdom.

Despite its criticisms the committee nonetheless approved the Lisbon agreements from the point of view of Britain's commercial and strategic interests and suggested the government's proposing to Japan that she too should follow the policy outlined there. The British government based its policy on the recommendations of the committee.[10]. The Postmaster-General announced to the delegation from the Japanese telegraph authority then in London that the British government recommended the kind of agreement indicated by the tenor of the Lisbon negotiations. He also let it be known that the British government was still very interested in establishing a direct telegraph link between Japan and Hong Kong.[11]

The Postmaster-General informed the Eastern Extension and the Great Northern of the government's position. Nielsen, representing the Great Northern, gave Mackay to understand that his company was not in the least happy with the direction things were taking, for it was perfectly clear that the Great Northern would be obliged to give up its monopoly in Japan for the sake of this commonly-agreed policy. However, the company had no alternative but to accept, especially since the British government had linked

[8] G.P.O. E27844 File XXII. Postmaster-General to various Ministers 13th July, 1908.

[9] General Post Office, Board of Trade, Colonial Office, War Office, Admiralty, India Office and Treasury had representatives on committee.

[10] G.P.O. E27844/1908 File XXIV: Ministers' replies.

[11] G.P.O. E27844/1908 File XXIII Postmaster-General to Foreign Office 30th July, 1908.

the question of the Japan–Hong Kong cable to this policy.[12]

After the Lisbon meeting a definite decision was fairly quickly reached about Manchurian border traffic between Japan and China and about the use of the Port Arthur (Dalnyn) – Chefoo cable. These lines were opened to terminal traffic only, but from the Japanese point of view it was an important achievement to have got their own station in Chefoo, since now Japan like other great powers had a telegraph station of her own on Chinese soil.[13]

There had been a plan to bring up the question of a new agreement between the Great Northern and the Japanese government at the Lisbon meeting, but since the Japanese were rather cool about the idea the opportunity was allowed to pass.[14] Further negotiations between the Great Northern and the Japanese Ministry of Communications did not commence until 1st February, 1910, in Tokyo. On this occasion the company asked for the support of J. H. van Royen, the Dutch minister in Tokyo.[15] As soon as the discussions began it became clear that although a sliding scale for tariffs had been agreed upon in Lisbon and although Japan had agreed in advance to give up its competition with the companies for through traffic, there were still many difficulties. To begin with, the companies, including the Eastern Extension, tried to sort things out without the support of their governments, but after the negotiations had dragged on for more than two years without result and the Great Northern's concession was about to expire, the companies decided that it would be better to ask for diplomatic support. At this juncture the Danish government appointed for the first time a Minister Resident for Eastern Asia, nominating Preben Ahlefeldt-Laurvig to the post.[16] Announcing the appointment to the Foreign Office in London the Danish Foreign Ministry said that the most important Danish interests in the Far East at that moment were those connected with the telegraphic business of the Great Northern.[17]

Gradually more faces appeared round the negotiating table than just the representatives of the two parties involved, and discussions about the organisation of the Japanese service were also held in European capitals, although Tokyo remained the principal location.

The negotiations centred round the demands put forward by Japan, principally 1) that a sliding scale for reducing tariffs should be introduced for through traffic to Europe and that for European traffic via Guam (Japan–Guam–Hong Kong) the tariff should be the same as for traffic via Shanghai and Vladivostok. The idea of this was to facilitate the use of Danish cables without extra cost and was related to the political agreement

[12] G.P.O. E27844/1908 File XXIII: memorandum relating to discussion 7th August, 1908.

[13] F.O. 371/619 Jordan to Foreign Office 16th December, 1908 and 12th January, 1909; Cable and Wireless. Board 25th November, 1908 and 9th November, 1908.

[14] Statement at Great Northern's annual meeting. *The Electrician* 24th April, 1909.

[15] Rigsarkivet. St. Nord. Telegraf 238 Journalnr. B8653 Great Northern to Udenrigsministeriet 29th January, 1910.

[16] Marquard p. 470.

[17] F.O. 262/1101 Danish Embassy in London to Foreign Office 3rd June, 1912.

between Japan and Great Britain. 2) that Japan should be allowed to lay cables between the Japanese islands on the one side and China and Russia on the other; in particular the Japanese wanted their own cables between Japan and Shanghai and, in continuation of the Formosa cable, between Sharp Peak and Foochow. 3) that in any instance affecting telegraph communication between China and Japan, China should not grant any party special privileges without first consulting the Japanese government.[18]

In its first two demands the aims of the Japanese government were self-explanatory. The third point meant that the Chinese government should not grant any new work permits in addition to the privileges and concessions already in force without first consulting the Japanese government, and after 1930, when the concession granted to the Great Northern in 1899/1900 expired, China should not renew the agreement without prior discussions with Japan. On the surface the Japanese demand concerned China, but it was also directed at the two companies, who sought political support in order to resist the proposal as strongly as possible. Political support was in fact essential since they had no formal claim to participate in negotiations between the Chinese and the Japanese governments. In this third demand the Japanese government left itself room for manoeuvre, which it had not done in the first two.

When the Eastern Extension raised the question with the Foreign Office in London, the Foreign Office passed the matter on to the Postmaster-General. He did not commit himself as regards the companies' rights, but stated generally that it would be very much contrary to the interests of the international telegraph for Japanese consent to be made a prerequisite for the grant of any new telegraph concessions in China.[19] In Peking the Danish minister advised the Chinese government not to accept this demand and after the Postmaster-General had expressed his views the Foreign Office instructed Jordan in Peking to give the same kind of advice, although at the same time Whitehall also consulted the Japanese as to what their position really was.[20]

In the face of such strong opposition the Japanese government abandoned the third point for the time being, but this was not a real solution to the question. Nobody seriously opposed the Japanese demand for the right to lay their own cable to Shanghai and to join the Formosa line from Sharp Peak to Foochow, but the question then arose as to whose approval would be needed for the cables. There was no doubt that the approval of the Chinese government was needed and that of the Great Northern, in accordance with the rights granted the company in 1899/1900. Dispute arose over the position regarding the Eastern Extension, since the agreement signed on 6th March, 1899 did not include the name of the British company. It was true that there was a clause in the agreements between the two companies that the rights obtained from the Chinese government would be shared, and when the British government laid its Wei-hai-wei cable in 1901 it had invoked the concession given by China as a security. However, the Eastern Extension's

[18] Cable and Wireless. Board 26th July, 24th September and 29th October, 1912; F.O. 371/1666 Eastern Extension to Foreign Office 18th March, 1913.

[19] F.O. 371/1666 Postmaster-General to Foreign Office 19th April, 1913.

[20] *ibid.* Foreign Office to Jordan 18th March, 1913.

name was not added to the agreement itself and the Chinese government was not told of the British government's guarantee. Since the original agreement mentioned the name of the Great Northern only, the Japanese and Chinese governments both ignored the Eastern Extension's part in the agreement over the new Shanghai line.[21]

The question was, however, one of prime importance to the Eastern Extension, since the exclusion of its name would have been a threat to the company's position in China. The Foreign Office, when asked for support, was willing to back the company to the extent that it should get a proper foothold in the agreement, although the Assistant Under Secretary in the Foreign Office handling the question, Walter Langley, particularly noted in a memo that it was not clear how far the privileged position of the companies was injurious to the public interest and how far the Foreign Office was entitled to try to prevent Japanese competition. It was at any rate unnecessary in 1913 to anticipate what might happen in 1931.[22] For the present the Foreign Office supported the Eastern Extension in getting its name in the agreement and in the summer of 1913 the Japanese government gave its approval to this, while inserting a clause that the said reference should in no way prejudice the rights and interests of China.[23] The reservation was due to the fact that the Chinese government continued in its refusal to accept the Eastern Extension's part in the agreement.

Once the Japanese had accepted this arrangement agreement was reached on all sides, with the exception of China. China wanted greater benefits under the joint purse agreement than the other participants were willing to accept, and she clearly hoped that by prolonging the negotiations she might get what she wanted. In June 1913 the Chinese were told that if they could not come to an agreement then the others would go ahead and sign without them, leaving China with the right to join later.[24]

The negotiations resulted in the signing, which took place on 23rd August, 1913, of various letters, declarations and new landing agreements, as well as three basic agreements as follows: a Concession to the Great Northern from Japan, a Sliding Scale and Standard Revenue Agreement with Japan and the Japan–China Joint Purse Agreement between the Great Northern and the Japanese Government.[25]

The new agreement between the Japanese government and the Great Northern was very modest in comparison with earlier agreements. The Danish company was permitted to continue its work and to strengthen certain established lines, but there was no longer any mention of any exclusive privileges. As regards Japanese government cables between Japan and the mainland of Asia it was laconically stated that should the Japanese government decide to build them the Great Northern would be given

[21] *ibid.* Minister Conyngham Greene from Tokyo to Foreign Office 15th February, 1913.
[22] F.O. 371/1666 Walter's memorandum, 22nd July, 1913.
[23] *ibid.* Great Britain's Minister in Japan, Conyngham Greene, to Foreign Office 4th July, 1903.
[24] *ibid.* Eastern Extension to Foreign Office 10th June, 1913; Great Britain's chargé d'affaires in Peking, Alston, to Foreign Office 23rd June, 1913.
[25] Cable and Wireless. Board 30th September, 1913; Japan and China Nos. 1, 2, 4. See also following note.

preference in carrying out the work if the company could match other offers.

The second agreement was central to the whole business in question and concerned both tariffs for Japan and the Far East and a new distribution of revenues. The agreement was signed by the Japanese government, the Great Northern and the Eastern Extension, and first and foremost it opened the Formosa – Sharp Peak line to all traffic. From the beginning of September 1913 tariffs between Japan, China, Hong Kong and the Philippines and, at the other end, Europe would be reduced and linked to a sliding scale, whose timing would depend on the volume of traffic. Certain tariffs for traffic within the Far East were also reduced, but the entire American service was unaffected by the agreement. After the first reduction the tariff between Japan and Europe would fall from Frs. 6.05 to Frs. 4.88 and thereafter in two stages such that by the second half of the decade it would be Frs. 3.47.

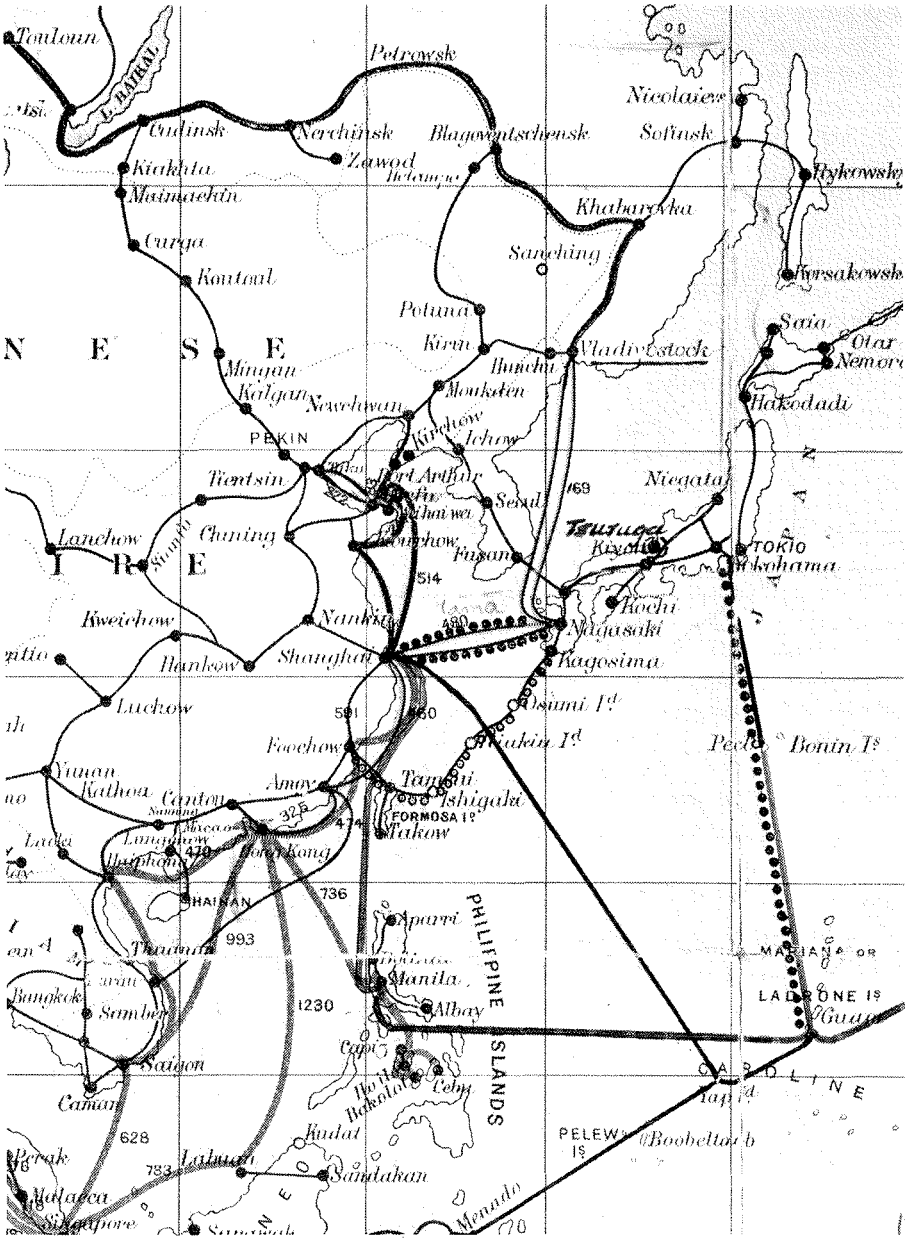
EUROPE – JAPAN

	via Kiachta			via Vladivostok			via Singapore		
				Frs.					
	1.	2.	3.	1.	2.	3.	1.	2.	3.
Japan Administration	0.48	0.42	0.35	0.48	0.42	0.35	0.48	0.42	0.35
China Administration	1.20	1.02	0.85	–	–	–	–	–	–
Russian Administration	1.40	1.19	0.99	1.40	1.19	0.99	–	–	–
Great Northern	1.80	1.54	1.28	3.00	2.56	2.13	–	–	–
Eastern Extension & Ass.	–	–	–	–	–	–	4.40	3.75	3.12
	4.88	4.17	3.47	4.88	4.17	3.47	4.88	4.17	3.47

The income from Japanese traffic would from now on be distributed in such a way that the Japanese Post and Telegraph Administration also received a share. The Japanese government agreed not to compete with the companies and they for their part accepted the Japanese proposal to land a Japanese cable at Shanghai and to establish a land line between Sharp Peak and Foochow, although the line was to be used for terminal traffic only. Similarly Japan was entitled, as far as the companies were concerned, to lay direct cables between Japan and Russia.

The third agreement meant the realisation of the Great Northern's original proposal for a joint purse for services between China and Japan. The Japanese Post and Telegraph Administration and the Great Northern established a joint purse for terminal traffic on the basis that the company should take 65 % and Japan 35 % of the combined revenues. If China joined the agreement the income would be redistributed, although the company was assured of retaining at least 50 %

In addition to this the agreements were tied up with international concessions for new cables which ensured that the telegraph network in the East continued to grow. In the first half of 1914 the Japanese and Russian governments signed a series of agreements for connecting the two countries's



Map No. 9 The telegraph network in the Far East before World War I.

lines in Sakhalin and Korea, exclusively for traffic between Japan and Russia.[26] In October 1913 again the Japanese and Chinese governments agreed that the Japanese Shanghai cable should be laid in the first half of the following year.[27]

After the Tokyo agreements the organisation of China's telegraph remained unsettled as long as the Peking government refused to accept that the Eastern Extension's name should be mentioned. The Chinese persisted in this attitude and, moreover, drew up a list of the ways in which they considered that the Danish company had violated the 1899/1900 concession. The Chinese objections were mostly directed towards a question of form, the manner in which a permit could be granted to a new entrepreneur. There were no regulations about this and the Chinese government considered it a violation of their sovereignty that on various occasions the company had hastened to give its approval without first consulting the China Administration. It was claimed that in 1912 the Great Northern had simply made a secret agreement with Japan.[28] The Great Northern vehemently rejected these claims and found it perfectly easy to say that there was nothing written down about how concessions were to be handled.[29] When, however, it became clear that China would enter negotiations taking the line that the 1899/1900 concession was entirely null and void, a lot of time proved necessary for the negotiations, in which the governments of Great Britain, Russia and Denmark supported the companies.

The result was defeat for the Chinese government in so far as in the end it came to recognize the Eastern Extension and the Great Northern as parties to the agreement. At the end of December 1913 the Chinese government renewed the 1899/1900 concession in the names of both companies, up to the end of 1930: 'no other party will be allowed without the consent of both parties to land telegraph cables on the coast of China . . . . or to work such cables in connection with Chinese lines.'

The agreement was confirmed by the governments of Great Britain, Denmark and Russia.[30] In practice the agreement meant that the companies continued to have a monopoly in bringing cables to the coast of China and that they could ward off new entrepreneurs. As a matter of fact the situation at that time made it unlikely that anybody else would appear on the Chinese coast, but such a right might prove useful in the future.

Negotiations for a sliding scale for Chinese traffic and for the division of the revenue took even longer and did not finish until the end of February

[26] Cable and Wireless. Japan and China No. 28 and 29. According to the concession granted by the Russian government to the Great Northern in 1906 the company alone had the right to terminate its submarine cables on the Pacific coast. In agreement No. 3 the Great Northern of its own accord granted Japan exemption from this clause, in accordance with the Lisbon resolution.

[27] Cable and Wireless. Japan and China No. 25.

[28] F.O. 371/1666 Eastern Extension to Foreign Office 23rd August, 1913.

[29] F.O. 371/1666 Eastern Extension to Foreign Office 29th October, 1913.

[30] Cable and Wireless. Board 6th January, 1914; Chinese Agreements No. 60; MacMurray, *Treaties* I p. 67.

1914.[31] The tariffs for traffic between China and Europe were to be reduced in three stages as traffic grew, as shown by the following table:

EUROPE – CHINA

	via Kiachta			via Vladivostok			via Singapore		
	Frs.								
	1.	2.	3.	1.	2.	3.	1.	2.	3.
China Administration	3.00	2.56	2.13	–	–	–	–	–	–
Russian Administration	1.40	1.19	0.99	1.40	1.19	0.99	–	–	–
Great Northern	–	–	–	3.00*	2.56*	2.13*	–	–	–
Eastern Extension & Ass.	–	–	–	–	–	–	4.40*	3.75*	3.12*
	4.40	3.75	3.12	4.40	3.75	3.12	4.40	3.75	3.12

* including China's terminal rate.

The first point on the sliding scale for traffic between Europe and the Far East came into force on 1st September, 1913. Then, as the tables show, the tariff between Europe and Japan was reduced to Frs. 4.88 and for Chinese traffic to Frs. 4.40. The change only affected traffic via India and Siberia. The shares received by each party involved remained the same in proportion as in the 1904 table, ensuring that the shares taken by the Eastern Extension and the Great Northern were the largest. There were changes in the arrangements for traffic between the Dutch Indies and Europe: until then telegrams had cost the same whether they travelled via India or Siberia (Frs. 5) but according to the new tariff those via India cost Frs. 4.10 and via Siberia-Yap Frs. 4.50, and the special arrangements which had earlier affected only Germany and the Netherlands were now extended to cover the whole of Europe.[32] When telegrams were sent to Indonesia via India the German-Dutch Co. had no part in their transmission and therefore received none of the income from this. Indonesian traffic had again fallen into the hands of the Eastern group.

The tariffs for Pacific business between the United States and Asia were not reduced and remained as they had been fixed in 1904. The tariff between Europe and China via the United States was Frs. 7.40 and between Europe and the Dutch East Indies Frs. 6.90. It thus became less economical than before to send telegrams from Europe to the Far East via the Commercial Pacific.[33] As mentioned above, the Commercial Pacific had claimed during the tariff negotiations that it could not afford to reduce its rates, but in point of fact this was a clear and systematic indication of how the balance of ownership in the Commercial Pacific enabled the Eastern Extension and the Great Northern to steer traffic.

[31] Cable and Wireless. Board 28th October, 1913 and 21st July, 1914.
[32] *Notification* No. 697.
[33] *Notification* No. 693, 700.

Finally, a general picture of the development of the tariff between Europe and China and Europe and Japan from 1870 to 1913, via the shortest route, is presented in the following table:

Year	Europe China	Europe Japan
	Frs.	
	Per 20 words	
1870	100	100
1873	150	150
	Per word	
1875	10	11
1886	8.50	9.35
1897	7.00	7.70
1905	5.50	6.05
1913	4.40	4.88

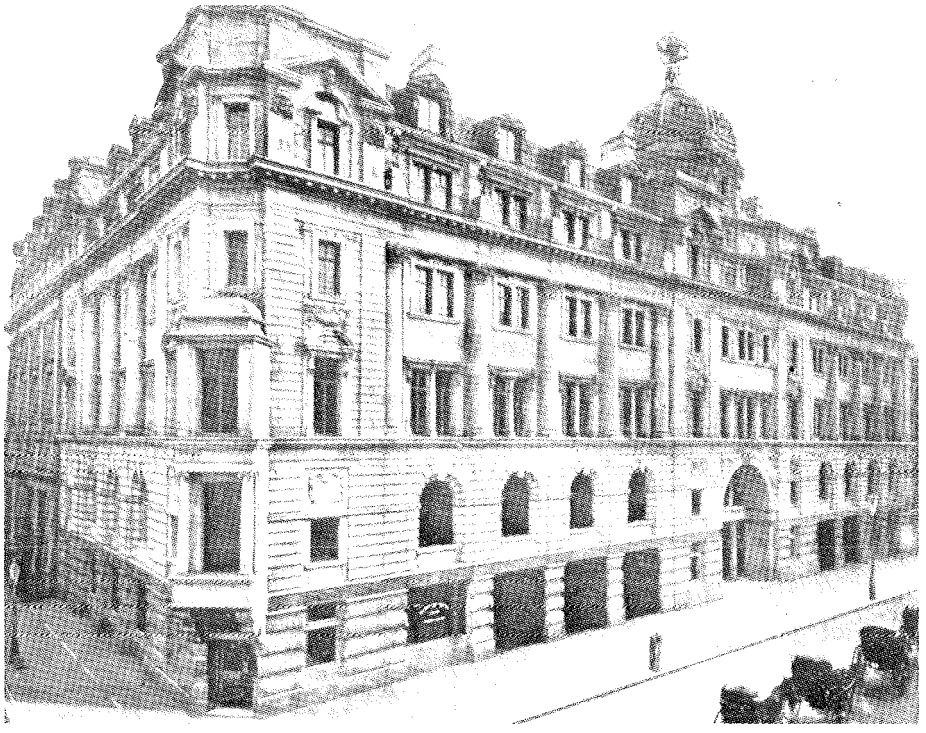
Between 1875 and 1913 tariffs between Europe and the Far East fell by about 60 %. Between 1875 and 1897 tariffs were reduced only twice, but after the turn of the century reviews were held more frequently when it was decided to relate the volume of traffic to a sliding scale. The long period before the end of the century when tariffs were stable enabled the companies and the Administrations to consolidate their financial position in the Eastern business and to accumulate reserves. The pressure on the tariffs for the Eastern service at the turn of the century was due partly to these very facts since much comment was directed at the profits, dividends and reserves of the two European companies.[34]

Although the financial returns of the Eastern Extension and the Great Northern derived from other traffic than just the Chinese and Japanese, it is worth adding a few words explaining the financial position of the companies.

Between 1875 and 1895 the Great Northern distributed a dividend of 6–10 % and at the same time developed its reserve funds from Dkr. 1 million to Dkr. 18 million. The boom in world trade in the second half of the 90's and political events in the Far East increased business and augmented the company's income so much that at the turn of the century dividends of 13–15 % were paid, and dividends continued at this or even higher levels until the First World War.[35] On the stock exchanges in Copenhagen and London the company's shares remained around par value until the beginning of the 1880's, but then rose until at the beginning of the 1890's they stood at 200 % and around 1900 at 350 % in relation to par. After that the rate fell, but throughout the first twenty years of the century they remained at around 300 %.

[34] The following information about financial matters is mainly based on statements published in the newspapers as far as the Great Northern is concerned. The annual reports and balance sheets of the Eastern Extension are available from the archive of Cable and Wireless.

[35] Quotations of shares according to *The Electrician*.



Cable and Wireless

This building was not decorated with a globe for nothing since it was the centre of the world's telegraph traffic before World War I. Electra House, Moorgate, was the headquarters and office of the British telegraph companies from 1902–1913.

The Eastern Extension did not achieve such good returns as the Great Northern. Its annual dividends rose to 7 % at the beginning of the 1880's and remained at that level virtually unchanged until the First World War. Reserves in 1900 were four times the capital stock. The issue prices of the British company's shares, and also their nominal value, rose more slowly at the beginning of the 1880's than the value of the Great Northern's shares. At the end of the century the quotation on the Stock Exchange was about 180 % in relation to par but it then fell to around 120–140 % in the following two decades.

There were many reasons for the difference between the financial returns of the Great Northern and the Eastern Extension, but one particular reason is worth mentioning. In its services outside China and Japan the Eastern Extension had always to remember the fact that it was British and had to operate lines where the tariff structure did not yield large profits. The Great Northern on the other hand was not obliged to operate unprofitable lines and had no moral obligation whatsoever to involve itself in any activities which did not offer a sufficiently good return from a commercial point of view.

Conclusion

At the end of the 1860's two serious entrepreneurs appeared in the telegraph business between Europe and the Far East: the Great Northern and the Eastern Extension. The activities of the latter were based on British territories in Asia, on the British communities in the East and, in financial terms, on a large amount of British capital. The activities of the other company, the Great Northern, between Europe and the Far East were based on Russia's Siberian line and in its connections with the East the company was dependent for a large part of the route on the Russian Administration. At the beginning of the 1870's there were simply these two companies and no one else on the scene aiming at the Far Eastern international service. The need for a lot of capital and the fact that exclusive rights had been granted when the lines were originally built made it impossible for many entrepreneurs to enter the field. Since there were only two European companies involved it was both sensible and practicable for them to get together to discuss common questions.

In their moves towards the East both companies had political support. The British government supported the Eastern Extension in its application for landing rights in China and the Great Northern was well served by the Russian government, for whom co-operation with the Great Northern was most advantageous. Russia was a Great Power in the Far East, but her strength there was diminished by the fact that communications were poor. A telegraph from St Petersburg to the Pacific coast was essential, but expensive both to build and to maintain, and the receipt of international traffic on the line was therefore very welcome to the Russian government from a financial point of view. The Great Northern's technical know-how was also very important to Russia, and the fact that in international telegraph questions the Great Northern's activities enabled the Russian government to stay in the background.

In the Far East Japan established the telegraph for her own internal traffic before the Europeans arrived. The Great Northern's representatives had no difficulty getting landing permission from the Japanese Empire especially since they were not looking for exclusive rights. On the other hand the Chinese government opposed the idea of the foreign telegraph coming onto Chinese soil, but in fact lost their point right at the very beginning because of the Danes' unscrupulousness. Besides, in resisting the telegraph the Chinese government acted in a way that would later on produce conflict between the foreign companies and the government. Chinese and Japanese attitudes to the telegraph in the 1870's correspond well to one's general picture of the two nations – Japan modernized, but China conservative and still not prepared to accept an instrument like the telegraph which could increase the

power of the state. The activity Japan displayed in creating her own telegraph system kept foreign entrepreneurs out of the country's internal telegraph business, which therefore never gave rise to the sort of conflicts which occurred in China.

Chinese passivity or downright hostility to the telegraph lasted for nearly a decade and gave the companies the opportunity to develop various forms of co-operation and to start using a joint purse for business to the rest of the world. So long as the entire Chinese telegraph system consisted of a line from Shanghai via Amoy to Hong Kong it was easy to share out the traffic, while according to the 1870 agreement Japan belonged to the Great Northern's sphere of interest.

The situation changed at the beginning of the 1880's when Li Hung-chang began to develop China's own telegraph, partly for military reasons and partly with an eye to modernising economic and commercial life. The Chinese themselves did not possess the technical skill necessary for the task and they were obliged to rely upon foreign help. At this point, despite the means by which it had originally come onto Chinese soil the Great Northern made itself a favourite at Li's court and won the job of building the line between Shanghai and Tientsin. At the same time the Great Northern gained a position of authority, since the concession granted by Li in 1881 meant that the company obtained exclusive rights in China and in the following year it was granted as well an exclusive position in the service between Japan and the mainland of Asia. Both concessions meant that neither Japan nor China planned to build lines to other countries, and both were content for some one else to take care of their international traffic. The Great Northern was achieving a position of remarkable standing which brought the company a decisive share in the organisation and control of the Far Eastern traffic.

The Eastern Extension did not approve of this and saw China slipping from her grasp. Invoking the 1870 agreement the company began to demand a share for itself in the Great Northern's cake. In the Far East and indeed elsewhere the Great Northern was a source of irritation to the Eastern Extension, whose world-wide position was being disturbed by the Danes more than anyone else. The Foreign Office supported the British Company, and the other Great Powers with the exception of Russia opposed the ratification of the 1881 concession. The United States acted with an eye to the future and their own cable plans in mind, while others were trying to avoid rigid tariffs, for in the eighties people were tending to be very sensitive about monopolies.

In the absence of sufficient political support and with China herself starting to go back on the concession the Great Northern was forced quite soon to give up. The Eastern Extension, stronger both financially and politically, had its way and in 1883 an agreement between the companies restored peace. Thereafter the Great Northern received political support from London, which was only fair since the Danes' difficulties stemmed from the new cables built by the Eastern Extension.

The expansion of China's own telegraph and the manifold opportunities for involvement in internal business in the mid-1880's caused tension between the companies which found its outlet in the attempt to get the

Chinese government to ratify the 1881 concession. This time the unsettled questions were resolved quite quickly, but in connection with this settlement the last surviving advantage which the Great Northern had over the Eastern Extension – the building of lines in the Far East – was shared equally between the companies. After the 1886 agreement no significant differences arose between the two companies before the First World War; rather they worked smoothly together and were referred to as the amalgamated companies.

After 1886 the companies' aim was to persuade the Chinese government to ratify the 1881 concession. The question was closely linked to the Kiachta line, whose completion would have led to competition with the telegraphs of China and Russia and would have been financially diasastrous for the companies' eastern business. In negotiations about the Russian and Chinese telegraph the companies' policy came to be the establishment of a uniform tariff for all routes between Europe and the Far East. This policy seemed to be working when the Russian government agreed to support the Great Northern's position and the Eastern Extension got Foreign Office support.

Just when things were working out in a satisfactory way between the companies and the Administrations with an agreement for the organisation of through traffic, the situation was complicated once more by the intervention of telegraph users protesting at what they called its monopolistic organisation. The India Office, the foreign commercial community in China and various ministers of foreign powers became involved in the question. Consultations in the Foreign Office in London led to Britain's cable policy in the Far East being handed over to the Postmaster-General, even where the cables were owned by private British companies. The British officials had to try to reconcile the conflicting interests of the cable companies and telegraph users. Henceforth the foreign commercial community aligned itself with the China Administration rather than the European companies, regarding the latter as hawks preventing the introduction of cheap tariffs.

In the second half of the 1890's the companies gradually strengthened their position in China despite the opposition of the merchant community. In 1896 after a long struggle the Chinese signed a joint purse agreement for international traffic with the two companies and at the same time the Amoy and Foochow services were secured. In 1899, after 15 years of trying, the companies obtained an exclusive concession covering China's foreign traffic. The Great Northern was allowed to operate its own line between Kiachta and Peking and as a result of the Boxer Rebellion both companies began to operate between the coast and Peking, which meant that the Great Northern's activities extended across the whole of northern China. The companies had in fact achieved all their commercial aims in China, and in addition to this their success was completed by the considerable growth in Eastern traffic which resulted from the various wars and crises between 1894 and 1901, and by a system for handling economic returns which was better than anything previously achieved in the companies' operations in the Far East.

The Great Northern and the Eastern Extension were at the peak of their position in the Far East from 1895 to 1900. From then onwards various

factors began to cause concern. Many nations aspired to having cables of their own in China and Japan and China's political abasement left the Peking government little chance of resistance. The chief threat was the American Pacific cable and, still worse, the possibility of other new competitors connecting their coastal cables to it. It would have brought serious competition and loss of business to the European companies.

Delays in building the American Pacific cable enabled the European companies themselves to lead Pacific cable policy in the mid-1890's. After innumerable attempts the cable was completed in 1903 under proprietorship and control so little American that it made it ironic to talk about the United States' cable. The truth of the matter was a well-kept secret and the world saw in the American Pacific a non-British company. To the Eastern group and the Great Northern the placing of the Pacific cable was a question of politics rather than economic cogency.

While the policy of the companies was to keep business in their own hands they increasingly came up against other problems. Governments and public opinion in the East harassed the companies demanding tariff cuts. After 1890 the Eastern Extension received a certain amount of political support for its Far Eastern activities from the British government, but only at the price of concessions which affected the company's economy. Although it was conceded in London that private companies had made valuable services to the Empire, at the turn of the century the companies' operations were no longer considered sufficient or acceptable, and the Imperial administrations started to plan and lay their own cables such as the line between Hong Kong and Japan which was intended to be outside the authority of the Eastern Extension, and above all the All British Line. This last line did not in the end touch China or Japan but the Eastern Extension found itself losing Australasian traffic to a rival line owned by its own government. The All British Line also signalled the appearance of the government in the international telegraph service. The policy of the Postmaster-General and the British government to protect the interests of the trading community led to a situation in conflict with liberal economic theories, whereby the government was becoming involved in the affairs of one particular line of business. As far as the British government was concerned its decision was a compromise: the British cables in China were an essential component of British aspirations in eastern Asia and the company was needed in the building of cables, but at the same time the interests of the British merchants had to be considered.

For more than 20 years Japan proved an undemanding client for the Great Northern, but this changed when she rose to become the leading political force in the East. For political and military reasons she began to lay cables between the Japanese islands, her outlying territories and the surrounding areas. This in itself was sufficient to unbalance the old status quo, but in addition once the war with Russia was over Japan managed one way or another to organise through traffic to Europe via Russia, which meant that the tariffs for Far Eastern traffic had to be reduced once again. Japan's demands for lower tariffs were supported by the foreign merchants in the East and accepted in London by the Postmaster-General and the Foreign Office. The Postmaster-General was interested in the advancement of British

trade with the Far East and for the Foreign Office the telegraph was one aspect of the complex problem of the Anglo-Japanese alliance. Comparing Japan and China with each other it was typical that China never managed to influence through traffic tariffs: rather that the European companies even organised internal tariffs within the Chinese Empire.

Considering the Far Eastern service as a whole one finds that the countries interested can be divided into two groups: those for whom traffic in or with the East was a matter of serious commitment, such as Japan, Russia, Great Britain and the United States, and those which became involved for reasons of colonial policy, such as Germany and France. The most obvious distinction between the two was that the second group were obliged to connect their cables to cables running through foreign countries and belonging to nationals of other countries in order to establish a link with the mother country. For them it was impossible to devise a cable policy in their own interests. The Netherlands also belong nominally to this group, but because their colonies were so large, scattered and long-established cables were to them an obvious requirement and the German-Dutch Co. needed no explanation as far as the Dutch were concerned. The cables of France and Germany on the other hand formed part of their countries' colonial policy in the East and were for both countries an economic mistake.

The Danish Great Northern was in a class of its own and belonged to neither of the two groups. The company had no political interests to defend on behalf of its country and the Danes could with good reason speak of themselves as politically disinterested. The Danes' activity in the Far East was straight business. One factor which affected the Great Northern was that it could count on the political support of its own government only to a limited extent since Denmark still did not have its own representation in the East. The company therefore had to follow the intentions of the Great Powers and look for their good offices. Its position as a company from a small country was, however, of great advantage to the Great Northern, for it obtained concessions just because of this very position. It did not need to consider anything but its own financial interests and was free from all kinds of moralistic national obligations: it could afford to leave arguing with the merchants in the East to the Eastern Extension.

China too must be excluded from the two groups suggested above. The China Administration concentrated exclusively on building and maintaining China's own telegraph apart from one or two connections across her land frontiers. The China Administration had its hands full with the telegraph system within the Empire, especially in view of the financial resources and technical expertise available. The work of Li and Sheng in developing their country's telegraph deserves acknowledgement: their task was not easy considering that they were up against a conservative, technologically backward society on the one hand, and on the other hand the foreign companies which had a foothold even in the country's internal service. In the 1880's the China Administration built trunk lines across the country at a considerable rate and by the end of the century nearly the whole of China was covered by the telegraph. In time the Chinese displayed remarkable stamina in competing with the foreign companies: from the 1880's onwards

the Chinese stand against the European companies was not due at any time to antipathy towards foreigners but to an attempt for business reasons to keep the market in their own hands.

The history of the Far Eastern telegraph from the 1890's onwards shows politics playing an important part in the expansion of the telegraph. The rise of Japan, the partitions of China and generally the growth of the political and economic interests of the Great Powers in the Far East meant that the telegraph was absorbed into the service of these interests. At that stage the telegraph was no longer a matter of commercial economics: it had become an instrument of world politics, and cost-effectiveness was no longer the first question. For all this change the pioneers of the Far Eastern Telegraph Service, the Eastern Extension and the Great Northern, maintained their position and on the eve of the First World War remained paramount in the sphere of telegraphic communications between the Far East and the rest of the world.

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