

Transplanting the Corporate Idea into Imperial China

YUAN SHIKAI, HIS INCORPORATED CEMENT WORKS AND OTHER INCORPORATED COMPANIES, 1890–1912

This part shows that the enterprises founded during the Self-Strengthening Movement in the late nineteenth century may resemble companies at first glance—they issued stocks, for example—but they lacked the legally recognised independent status of a modern corporation with legal personality. As a result, they were subject to political machinations and had no defensive shelter. The Company Law of 1904 changed the situation entirely. Owing to the fact that it was incorporated, the Qixin company controlled by Yuan Shikai was the first major state industry that became independent, and the Qing court lost complete control over an imperial monopoly. This only eroded the imperial government's economic power mildly, but significantly enhanced Yuan's personal financial power. Gaining control of Qixin Cement sustained his influence while out of office and finally enabled him to regain control of the military during the revolution of 1911. Yuan was finally able to press for the child Emperor Puyi's 1912 abdication in Beijing. He took over from the Provisional President Sun Yat-sen and became the first President of the newly established Republic of China.

Chapter 3 opens in 1904, with the arrival of the new imperial Company Law. This allowed Western-type incorporated companies to be formed under China's own laws for the first time in its long history. It then sketches the country's demand for cement, as well as military strongman Yuan Shikai's attempts to find a stable income source to fund his activities and political struggles against his sworn rival Sheng Xuanhuai. Sheng, like

him, was a protégé of Viceroy Li Hongzhang, but was for a long time merely managing the imperial monopolies for Li and had no military links. After the death of Li in 1901, however, Sheng Xuanhai gained control of all the big imperial monopolies and consolidated his economic power. Yuan Shikai, however, is shown here to be frantically fighting for a share of the imperial monopolies with only limited success.

This chapter documents the crude beginnings of Chinese cement manufacturing and the uneven path of its initial development. Even though the initiative was state-directed by the empire, early attempts to produce cement were a failure. The difficulty owes much to the lack of understanding of the technology and the product itself (mildly corrosive, bulky, perishable, anhydrous and existing as a hard-to-handle formless powder). The narrative addresses these issues in the 1890s and explains the characteristics of the modern cement industry, and the intricacies of its manufacturing and supply. Furthermore, by telling the story of the fight between Yuan Shikai and Sheng Xuanhai over the imperial monopolies (railways, telegraphy and merchant shipping) after 1911, this chapter further explains the subtle differences between controlling a big business via an incorporated company and via a company that is not, in particular when the businesses in question were big imperial monopolies.

This chapter also casts light on the many political problems with the imperial monopolies. Many problems of China's early industrialisation before 1904 can be traced back to the absence of incorporation possibilities. This also caused the most important coal industry in Kaiping, in the northern city of Tangshan, to be seized by the British during the Boxer Uprising. This was then incorporated and listed on the London Stock Exchange under English law by the onsite drainage engineer Herbert Hoover. He made a big fortune out of this and became the President of the USA. Finally, this chapter concludes and argues that the problem for China before 1904 was the lack of a Chinese company law that could enable the state to confer legal personality on its own big companies by way of incorporation. Without this, it was impossible to offer Chinese legal protection in the jurisdictional as well as proprietary interests of their businesses.

Chapter 4 opens with a historical observation: Even though Yuan Shikai was ousted from political power in 1909 after the death of Empress Dowager Cixi in 1908, he returned to dismantle the Qing Empire in 1911. How did he sustain his political influence during banishment? This chapter answers the above question by providing a very detailed account

of the recovery by Yuan Shikai of the old unincorporated Tangshan Cement Works from the British. This was achieved with the assistance of his right-hand man Zhou Xuexi. This imperial monopoly was taken over by the British during the Boxer Uprising. After repossession of the cement works, they speedily incorporated it to become a Chinese corporation under the Chinese Company Law of 1904. They also renamed it as the Qixin Cement Company Limited. The company was an “immediate success” and made huge profits in a very short time. Significantly, Yuan Shikai finally acquired a privately incorporated monopoly. With this, he found the protected economic engine that would help propel him past all his political opponents. From this time onwards, the cement industry would develop into a major industry in China and play a crucial part in the national modernisation of the new Republic.

In the past, Yuan Shikai was portrayed by historians to have had almighty military power. Many simply believed that he had unconditional and unwavering loyalty of his army subordinates. More elaborate scholarly discussions on the economics of acquisition and maintenance of this power are very rare. No doubt Yuan’s military influence is an important explanation, but it was also the economic power created by private corporations that made him powerful. To Yuan Shikai, the Chinese cement industry was an easy takeover target in the early twentieth century. Firstly, it was unincorporated, and hence legally unprotected and could be easily acquired. Secondly, the business was relatively simple and focused: this was a single-product manufacturer. Thirdly, by 1905 he had consolidated his control of the railways, which were crucial for transportation in a bulk industry. Finally, it was an imperial monopoly with only one cement plant in the country and it was inside the province of Zhili that he governed. After 1906, the success of the cement company spurred on the establishment of other large incorporated businesses.

By the time Yuan Shikai was removed from power after the death of Empress Dowager Cixi, Yuan and Zhou Xuexi had already turned the success of the Qixin cement plant into an economic refuge. This refuge was for Yuan’s supporters, while Yuan continued to expand into other industries and businesses. The reason why Yuan Shikai was able to make a remarkable comeback was this: by the eve of the 1911 “revolution”, he not only possessed an independent, large, incorporated, expanded and very profitable cement company, he also had a whole string of both incorporated and unincorporated private businesses, owned and managed by and in the name of his protégé Zhou Xuexi.