

One letter and a new understanding: The Rothschild Archive and the story of the Peking Syndicate

Frank H.H. King describes the impact documents found in The Rothschild Archive will have on his research into the Peking Syndicate and the role of Angelo Luzzati¹

Contemporary commentators were virtually unanimous: behind the Peking Syndicate, founded in 1897, there was Rothschild finance. But some fifteen years ago a Rothschild archivist had been discouraging; there was nothing in the indices to suggest contact with the Syndicate. I was searching through a file of letters with little hope, when the silence of the reading room was shattered; the archivist was herself sorting a box of correspondence – and she was calling my name. In 1899 the great Chinese Viceroy, Li Hung-chang [Li Hongzhang](1822–1901), had remitted £4,203 through the Hongkong Bank; he wished his friend Lord Rothschild to purchase deferred shares in the Peking Syndicate! This in itself is important, first because it confirmed there had indeed been a Rothschild/Syndicate relationship and secondly because the archives might somewhere and in some unexpected box contain further references, however remote, to the relationship.

And then this summer a letter from Viceroy Li became available;² its contents were to prove even more significant historically. The letter seemed to require a new interpretation of the Syndicate and its intended role in pre-Boxer China. Furthermore, if one were to follow the lead, scholars might be induced to reconsider the actual roles of the Powers and of private initiatives in the so-called Battle of the Concessions which followed China's defeat in the First Sino-Japanese War.

The Peking Syndicate was an 'exploration' company, and it is worth noting that Rothschilds are known to have invested in several of this type of company.³ While each exploration company had a separate history and unique development, there was a pattern. A group of legitimate financiers, investment bankers, and/or speculators and rogues would establish a company, modestly financed but suggestively named, to search out a possible project for development, a mining, railway, or forest concession. The company's capital would be used for preliminary expenses including, in several cases, bribes or shares for co-operating officials. The role of such a company was to find a resource suitable for exploitation, obtain the concession or right to exploit, and develop the concession or hype its potential to the point that it could be sold to a newly-formed company with a greater nominal capital for public subscription and at a price which reflected market expectations as to the profitability of a speculative undertaking. The exploration company could then either be dissolved or move to another possible development, usually within the same region. A promoter of an exploration company had committed little; if he succeeded in selling a concession he would profit from a market which anticipated successful development; alternatively he could purchase founders' or deferred shares at low cost and sell at the peak of market expectations – if all went according to plan. In the case of legitimate promotion and the actual economically practical development of the concession, a founding promoter might gain a major business foothold in the region.

The Peking Syndicate was initially an exploration company, but one with a history which marked it as exceptional even in those days of gold on the Rand, diamonds in South Africa, rubies in Burma, and tin in Malaya. A lone adventurer, finding alluvial gold, might be forgiven

if he legitimately thought this was but the edge of a new Ophir and thereupon attempted in some way to duplicate the steps previously noted. Such a man was an Italian engineer, Angelo Luzzati (b.1858 in Asti), who in 1885 obtained a gold concession in Bangtaphan near Kamnoetnopakhun from the Siamese government and, finding sufficient capital unavailable in either Bangkok or Italy, sought funds on the London market, working through Jewish co-religionists, thus first coming into contact with Rothschilds. The enterprise was a failure: the alluvial gold was limited, and the expensive machinery, imported from Europe, a costly mistake. But Luzzati was a personality, ingratiating himself with business leaders in Bangkok and with investors in London, while at the same time, as an Italian patriot, receiving an audience with the Italian monarch, Umberto I, and obtaining a diplomatic mission to Siam's Rama V [King Chulalongkorn], the latter welcoming contacts with Europe's royal families and operating with the belief that this would help ensure the continued independence of his country.

For his efforts and to encourage his diplomatic role Luzzati was commissioned a *cavaliere* of the Order of Ss Maurizio e Lazzaro in 1889. Furthermore, he was now firmly established in the public press (and in history) as 'Luzzatti', thus permitting the assumption, wholly without foundation, that he was related [*nipote*] to Luigi Luzzatti, a Venetian, a noted economist, and sometime Treasury Minister.

The founding of the Peking Syndicate itself took place after Luzzatti's return to Italy. At some time in the early 1890s he became acquainted with Carlo di Rudini, son of Italy's sometime premier, Marquis Antonio di Rudini (1839–1908), and a former supernumerary member of the Italian Legation in Peking [Beijing]. Also involved was a brilliant Chinese financial expert and linguist, Ma Chien-chung [Ma Jianzhong], a leading member of Viceroy Li's staff. This unlikely triumvirate sought finance for an exploration company which would, *inter alia*, operate in China, attempting to acquire concessions and establish a note-issuing bank, a bank which would in turn finance further Syndicate projects, all reminiscent of such comprehensive schemes as those of 'Count' Eugene de Mitkiewicz in 1887 or perhaps the Reuters concession in Persia. Once again Italian capital was not sufficiently forthcoming; in consequence the promoters turned to the same British capitalists who sponsored the Siamese companies, Gold Fields and the Anglo-Italian Exploration Company; to, that is, George Cawston, Carl Meyer, and the Rothschilds. The result was the publicly traded Peking Syndicate, incorporated in 1897, as yet without a concession but with Luzzatti recompensed by an allocation of founders' or deferred shares.

Rudini had withdrawn from China, Ma continued his duties as a member of Viceroy Li's entourage, leaving Luzzatti to be appointed the company's Agent-General in China. Italian foreign policy in the East was indecisive, and the Italian *chargé d'affaires* in Peking, Marquis G. Salvago Raggi, tolerated Luzzatti as the only Italian with any apparent continuous interest in China. But he was not an admirer. He noted that Luzzatti possessed a 'heated imagination' [*fervida immaginazione*], moving from proposed project to proposed project, often without real knowledge of their prospects. When Luzzatti informed the German Minister of his interest in Shantung, for example, that gentleman, Salvago Raggi observed, raised his eyebrows and quietly suggested Shansi [Shanxi], and to this idea Luzzatti reportedly turned without delay. He had been seeking and had now found a *point d'appui*.

Indeed, although Luzzatti reportedly knew nothing of the province, Ma Chien-chung had friends and colleagues with close connections to the Shansi provincial authorities, and they, together with a eunuch in the imperial court, handled the intricate details while Luzzatti eased the way with appropriate gifts, keeping contact with both the British Minister, the Syndicate being a British incorporated company, and the Italian *chargé*, Luzzatti insisting that this was an Anglo-Italian venture in which Italians should play a significant role.

The initial negotiations of Luzzatti and Ma had been successfully undertaken, but the Chinese government dealt only through the foreign missions, and the next step had to be initi-

Li Hung Chang
(1823–1901). The
photograph is inscribed
to Lord Rothschild in
the subject's own hand.



ated by the relevant ministers. Sir Claude MacDonald, the British Minister, finding himself dealing with an Italian, sought and received assurances from London that the financing was sound; he also received Foreign Office encouragement. Both MacDonald and Salvago Raggi, aware that the Shansi concession had the support of Li Hung-chang and convinced that all Chinese interests appeared in agreement, pushed successfully for an imperial edict and the formal approval of the Tsungli Yamen, China's embryo foreign office. These obtained, MacDonald accepted the registration of the concession by the British Legation in Peking, thus apparently securing the legality of the proceedings under the Treaty System, for, as an agent of the Peking Syndicate would later comment, 'Could legalisation be more definite, more solid, or fixed by a higher mandate than this?'

The concession was vast. At a minimum the Syndicate obtained the coal and iron mining rights with a related railway concession covering an area of 21,000 square miles. Figures in the range of 900,000 million tons of coal were estimated which, when fully developed, would yield expected profits of £750,000 annually. Additionally the Syndicate obtained the petroleum rights for the entire province. And then, only a month later, the Peking Syndicate obtained a second concession, in Honan [Henan] Province, with terms similar to those of the Shansi Concession.

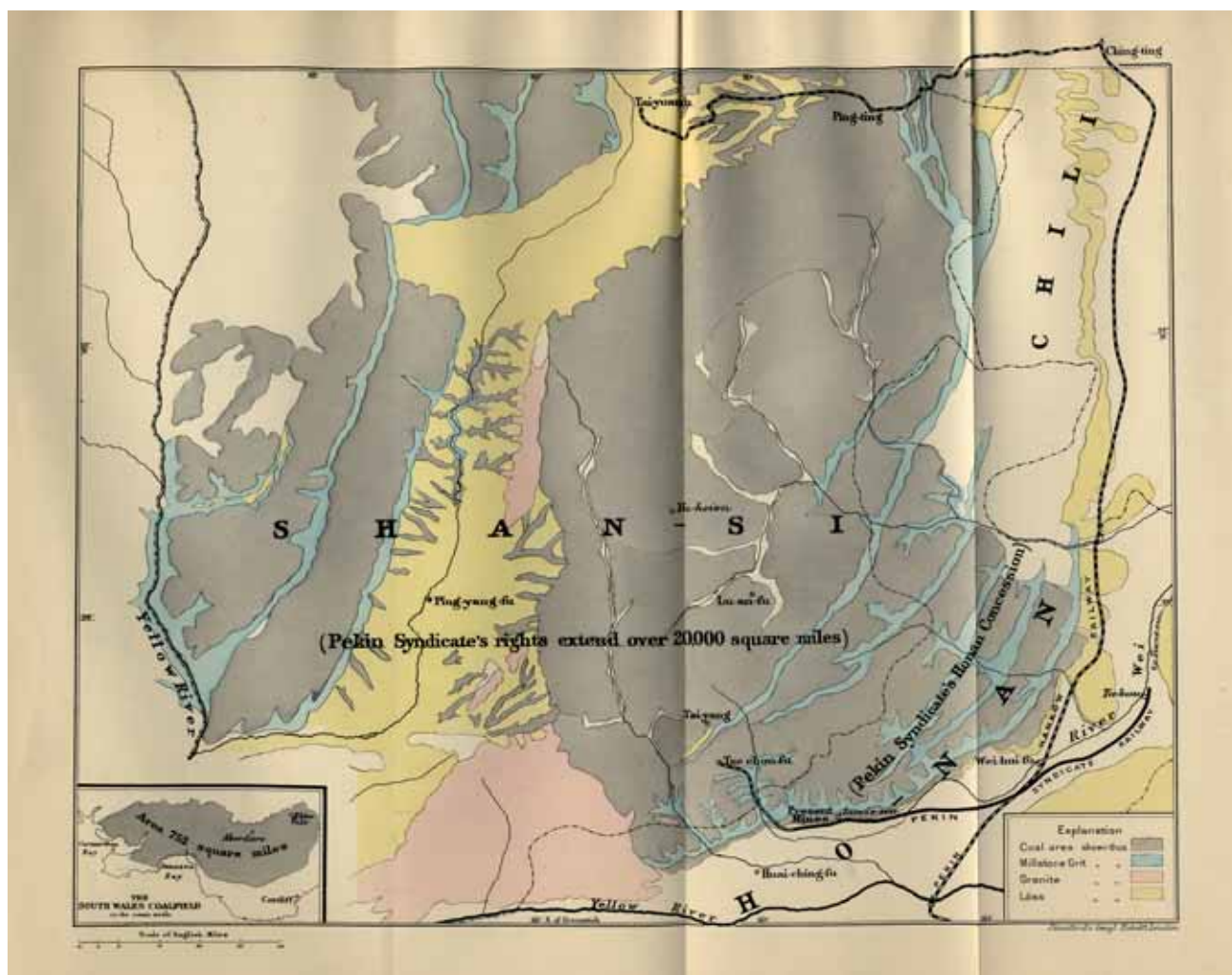
Written into the agreements and understandings were prohibitions barring alienation; the Peking Syndicate had, therefore, to transform itself into a mining and railway company, while continuing to negotiate for unrelated railway concessions as an exploration company. This increase in activity led in 1898 to the issue of £20,000 of ordinary shares at a premium of £106,000. Unable, however, to found a separate Anglo-Italian mining company, the Syndicate issued £1,200,000 specially designated 'Shansi shares' with the intent that somehow the two roles of the company, discovery and exploitation, would thereby be kept separate with over-all direction being retained by the original investors, the Rothschild interest now being confirmed by the designation of Carl Meyer⁴ as chairman. The growing threat of the Boxers minimised public subscription, and a high proportion of the new shares were taken up by the underwriters. Their subsequent sale in the new century would lead to temporary French control, the financing of the Banque Industrielle de Chine, and the rumored involvement of Rothschilds.

But that was in the future. With the signing of all relevant documents, there was celebration at the Peking Syndicate's company meeting in London; Rudini's role was graciously acknowledged but Luzzatti was welcomed home a hero. He then disappears from the record, never returning to China.

The exploitation of the concessions was delayed by the Boxer Uprising and afterwards China had changed; 'Young China' was in the ascendance; 'Rights Recovery' prevailed. The Shansi concession was retroceded, the railway was sold to the Chinese and paid for with the proceeds of a loan from the Syndicate, with one exception Honan licenses to mine were denied or delayed, joint marketing with rival Chinese mining companies enforced, with the consequence that the Peking Syndicate paid but one, half-year dividend – in 1936.

Where was Luzzatti? What, indeed, went sour, even before the Boxer Uprising of 1900? There were two entirely different concepts of the concessions and their management: the one, a more traditional European approach; the other a concept of partnership with a focus on technology transfer and progressive Chinese buy-outs. Both approaches can be read into the official documentation. The former is reflected in the company archives and Foreign Office files and is consistent with the Syndicate as a model of imperialism; the latter, as reflected in that one letter found in The Rothschild Archive, is cooperative in concept; in both, the evaluation and intended role of Angelo Luzzatti are symbolic.

Luzzatti was determined to retain a significant Italian presence in the Syndicate and a letter from London confirmed this to Salvago Raggi: shares to be reserved for Italian subscription, a minimum number of Italian employees, Italian colours in company's flag, and an Italian telegraphic address! Nevertheless, although Salvago Raggi might welcome Luzzatti as an Italian



Map of the Shansi and Honan coal fields, from *The Peking Syndicate: Showing its Present Position and Prospects* (London: Mathieson [printers], 1905).

presence, he also saw him as the quintessential Jew, flamboyant and unpredictable. Elsewhere in Peking's Legation Quarter, the British Minister noted Luzzatti's questionable activities as a company promoter and, as in Bangkok, his reputation with women – he had been detected, *while wearing the uniform of the Order of St Maurizio e Lazzaro*, attempting to kiss the Minister's English maid at a Legation garden party. In any case, MacDonald wrote critically to London – 'Mr Luzzatti, whose ways are peculiar and whose success ... is certainly not due to his discretion' – recommending that if Luzzatti were to return to Peking, he be under some form of 'proper' control.

We do not know, indeed, whether Luzzatti even wished to return to Peking. Before leaving he had been told that his promises of shares to Chinese could not stand, and that he was to recompense them. Perhaps Luzzatti interpreted this and other curtailments as an indication that his future role in China would be restricted, perhaps he took the money from his sale of deferred shares and left for other, unchronicled adventures.

For an alternative scenario, let us return to The Rothschild Archive. The available documents – with an accompanying signed photograph – prove that in 1896 Viceroy Li had met Lord Rothschild personally, that he had remitted funds for purchase of Peking Syndicate shares, and that Lord Rothschild had been keeping Li informed of the Syndicate's progress. In a key 1899 letter, Li recommended that Luzzatti be appointed the company's special representative in Peking. In this letter, undoubtedly drafted by Ma Chien-chung, Li urges that Luzzatti should not only be a member of the Board, but that he should also be free from specific duties, focused



instead on such things as the political problems, continued negotiations, and trouble-shooting in relation to national and provincial authorities. That Li considered himself in a position to make specific recommendations is indicative of what he thought was a very close relationship. The job description was appropriate to this alternate scenario since adjustments to the concession agreements were already being considered. Li's analysis of Luzzatti's qualifications for such a position was a virtual point by point rebuttal of the official criticisms of both MacDonald and Saalvago Raggi; it is as if Li (or Ma) had actually read the damning dispatches!

In rejecting Luzzatti, the Syndicate's Board of Directors implicitly rejected the broader concept of the Syndicate's role in China. The Syndicate would eventually become just another target in the battle for Rights Recovery. The Chinese government was not to be, as Li expected, a 'silent partner'. But if London lacked vision, Li in his later years lacked authority – though perhaps the question was in any case moot: Ma died in 1900, Li in 1901.

And the Italian connection was soon forgotten, all but the flag and that telegraphic address: SINDACATO.

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Pekin Syndicate Railway bridge, China, 1902.
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NOTES

- 1 This essay is the consequence of a research project administered by the Centre of Asian Studies, University of Hong Kong. Published material consulted: Frank H.H. King, 'Joint venture in China: the experience of the Peking Syndicate, 1897–1961', in *Business and Economic History* (1990) and 'Angelo Luzzatti and early mining concessions in Siam, 1885–1891', in *Proceedings of the 4th International Conference on Thai Studies* (Kunming, China, 1990), revised version in *Faculty Symposia Lecture Series, 1989–1990* (Roswell NM: [New Mexico Military Institute], 1991); John V.A. MacMurray (comp. and ed.), *Treaties and Agreements with and concerning China, 1894–1919* (New York: Oxford University Press, 1921 [2 vols]); Claudio Maria Mancini, 'Appunti per una storia delle relazioni commerciali e finanziarie tra Italia e Cina: dal 1814 al 1900 (parte terza)', in *Revista de diritto valutario e di economia internazionale* (vol. 33, no. 4, 1987) pp. 931–63; [Pekin Syndicate], *A Few Facts concerning the Peking Syndicate: Showing the Origin of the Syndicate, its Rights, Prospects, and Progress ...* (London: [Pekin Syndicate], 1904); G. Salvago Raggi, 'La Memorie di Salvago Raggi, ambasciatore Italiano in Cina', in Glauco Licata, *Notabili della terza Italia* (Rome: Cinque Lune, 1968); *Jewish Chronicle* (London).

- Archives consulted: The Rothschild Archive; official archives in Bangkok, Brussels, London, Paris, and Rome; company records in Companies House, London; HSBC Holdings plc Group Archives. The author would like to acknowledge the staff of the archives consulted; Dr David J.S. King for translations from the Italian; Richard King Inhar and Dr Pensri Duke for work in Thailand; Claudio Mancini, Dr Marco Luzzatti of Turin (cousin of Angelo), and Georgio Luzzatti of San Jose, CA (grandson of Luigi) for family histories.
- 2 RAL XI/109/134, letter from Li Hung Chang, Peking, 6 April 1899 to Nathaniel 1st Lord Rothschild. See Appendix for transcript.
 - 3 A number of share certificates of this type of company can be found in The Rothschild Archive's collection of 'worthless stock'. RAL 000/1764.
 - 4 Carl Meyer (1851–1922), knighted in 1910, was on the board of numerous companies with overseas interests, notably including the Burma Ruby Mines and De Beers. He had a long association with Rothschilds, having been for many years a 'confidential clerk' at the London bank.

APPENDIX

Peking, 6 April 1899

Dear Lord Rothschild,

I have to thank your Lordship for your letter of 20th January with its favourable view of the Peking Syndicate. Your Lordship has referred to certain terms of the concessions which should be materially altered. These matters will be arranged and all difficulties removed, for it is now admitted on all sides that this enterprise must be established on a practical working basis.

The Syndicate may count upon my support in whatever may be necessary for its success here. It is most important that the Syndicate should be represented in China by competent agents; and especially that there should be a representative for official affairs who should control all relations of the Syndicate with the Chinese Government, central, and provincial, and the native shareholders, – distinct from the technical, and commercial staff.

The Chinese Government is really a silent partner in the Syndicate by virtue of its sharing profits. The operations of the Syndicate embrace the Northern provinces of Shansi and Honan now actually in hand, with the province of Shensi probably to be added soon, – not to speak of neighbouring provinces whose markets and highways will be availed of; and it rests with the Syndicate to prove worthy of still further confidence, which will mean further expansion in China.

All this shows the necessity for intimate relations between the Chinese Government and the Syndicate for the advantage of both; and in no way can a good understanding and intelligent cooperation be better promoted than by employing a discreet tactful agent who can maintain the interests of the Syndicate on

the one hand, while preventing friction and encouraging confidence on the other.

With these important interests in proper hands everything should go smoothly; otherwise there may be a plentiful crop of troubles and no extension of field. I strongly recommend that M. le Commendatore Luzzatti be appointed a member of the Board, with special charge over all Chinese interests both public and private.

M. Luzzatti is favourably known in China; to him is due the great merit of having discovered the particular channel which led to these concessions; he opened negotiations [sic] at the right time and conducted them in the right way, until he was able to place the business complete in the hands of the British and Italian ministers for their formal verification. M. Luzzatti succeeded where most men, and certainly where all ordinary diplomacy, would have failed. No further proof of his fitness for work in China need be given, or doubtless will be required by the Syndicate.

With such merit; possessing as he does the confidence of so many Chinese officials – myself among the number, and being in favour with our Foreign Office, M. Luzzatti appears to be singularly well qualified to act as your official administrator for China. It would give me much gratification to meet and to assist him in that capacity.

I remain
My Lord,
Your sincere friend
(signed) Li Hung Chang