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Sino-American airmail carrying contract, 1929-1930*

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I. Introduction

The outbreak of the Industrial Revolution in the 18th century marked the beginning of a new era in which scientific technology had a significant impact on modern nation-states' competitiveness.¹ The British hegemony in the 19th century is mainly attributed to the empire's advanced production technologies, which no other nations could match. In fact, technology became a great tool for the expansion of modern western powers. The connection between building canals, ships and railways and the development of imperialism in the 19th century has already been proven by many studies.² After the American Civil War and the Crimean War in the 19th century, the influence of scientific technology on military activities became more obvious. Governments began to pay much more attention to scientific developments.³

The airplane was one of the most important inventions in the history of communication of the 20th century, not only enabling human beings to shorten transportation time more than any other means but also extending human activities from two-dimensional space to three-dimensional space. This invention not only broadened the vision of human beings, but also introduced a revolutionary influence on warfare.⁴ Mastery of the air, the significance of which was proven in the World

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**This article follows the translation of key terms concerning the postal service by *the Dictionary of Postal Terms*. (Taipei: Ministry of Transportations, 1968).

¹ Peter Mathias, *The First Industrial Nation* (London: Methuen, 1969).

² Daniel R. Headrick, *The Tools of Empire* (New York: Oxford University Press, 1981).

³ Espen Moe, *Governance, Growth and Global Leadership* (Aldershot: Ashgate, 2005).

⁴ Roger E. Bilstein, *The American Aerospace Industry* (New York: Twayne, 1996), pp.2-20.

War I, turned out to be an important policy among the Western powers. Meanwhile, the competition of international aviation also intensified conflicts of interest among the Western powers. For example, the USA competed with other Western powers such as the British Empire and the German Reich for control of Latin American countries in the 19th century. The hegemony of US airlines in the air above the land of Latin American after World War I no doubt led to the supremacy of the USA in this area.⁵ In fact, aviation was the first high-tech industry in which the USA could compete with the European powers, and it enhanced the ambition of the USA to expand abroad.

Due to its significance to national defence, aviation became the focus of governments and private investors. Interest groups claimed that a nation-state should protect and subsidise the aviation industry, which primarily involved its armaments.⁶ Selling and maintaining relevant products yielded enormous profits; however, such trading involved much transferring of high-tech skills, which was not regarded as merely business actions and could avoid strong interventions from political sectors. The rapid progress of aviation brought immediate changes to human life as well as challenges to the existing international norms.

Undergoing the bondage of unequal treaties, China could not help her mass market from being a desired target for Western powers. With China's vast territory, aviation within China was both practical and promising. Just like other countries being invaded economically by Western powers, China suffered from a weak government and limited capital; therefore, her aviation market interested the Western powers.⁷ In its infancy, China's aviation industry was not owned by Chinese nationals, but heavily reliant on foreign capital. Consequently, China's aviation policies were not in the hands of the government, but were highly influenced by the

⁵ Wesley Phillips Newton, "The Role of the Army Air Arm in Latin America, 1922-1931" in *Air University Review* (September- October, 1967); Wesley Phillips Newton, "International Aviation Rivalry in Latin America, 1919-1927" in *Journal of Interamerican Studies and World Affairs* 14:3 (August, 1972), pp.345-356; Wesley Phillips Newton, "The Role of Aviation in Mexican-United States Relations, 1912-1929" in Eugene R. Huck & Edward H. Moseley (eds.), *Militarists, Merchants and Missionaries* (Tuscaloosa: University of Alabama Press, 1970), pp.107-130; Stephen James Randall, "Colombia, the United States, and Interamerican Aviation Rivalry, 1927-1940", in *Journal of Interamerican Studies and World Affairs* 14:3 (August, 1972), pp.297-324; Wesley Phillips Newton, *The Perilous Sky* (Coral Gables: University of Miami Press, 1978).

⁶ The appeal of the American interest groups can be found in: Charles L. Lawrence, *Our National Aviation Program* (New York: Aeronautical Chamber of Commerce, 1932), Studies on the British aviation industry and the State can be found in: David Edgerton, *England and the Aeroplane* (London: Macmillan, 1991).

⁷徐雪寒,〈列強在華的航空爭霸戰〉,中國經濟情報社編《中國經濟論文集》第二集(上海:生活書店,1935),頁261-275。 , pp.261-275。

interests of foreign businessmen. Even worse, they were often manipulated by foreign governments.

This article takes the Sino-American Airmail Carrying Contract signed in 1929 as an example to illustrate how interest entanglement and foreign policies influenced the development of the postal service in China. Relevant studies in Chinese could be found in literature on modern Chinese transportation history or post service history. There was no significant difference between any of the books on this topic. The writers mainly followed the same precedent studies, such as Ging Dezhong, *History of Chinese Airmail Post Service* (Nanjing: Modern Post Service Monthly, 1948), Wang Kaigie, *A Brief History of the Private Aviation in China* (Taipei: the Chinese Association of Transportation Facilities, 1955), *Notes on the Two Airlines* (Taipei: Ministry of Transportation, 1964), and *The Reminiscences of Mr. Liu Ch'eng-han* (Taipei, Sinica Academia, 1997). Citing references mainly from the documents of the Ministry of Transportation or the Post Office, these mentioned literatures, though trustworthy, lack insight from foreign documents and literature and ignore the development of international aviation in early 20th century. The perspectives were also limited at the time of writing. The best foreign study currently available is William M. Leary Jr., *The Dragon's Wings* (Athens: the University of Georgia Press, 1976), which used many first-hand documents found in the USA. However, the main focus of Leary's book is on the US role in the development of aviation in China. Not much attention was paid to the Sino-American Airmail Carrying Contract. Besides, Leary did not use any Chinese documents, therefore his analysis was biased.

On the other hand, the outcome of studies on US commercial activities in China is much more promising. Wu Ling-juin, *Mobil Oil Corporations in China* (Taipei: Daochiang Press, 2001) offers a good literature review. Just like Prof. Wu argues in her conclusion, the American scholars' dichotomy of American business activities between the attraction of China's market and the encouragement of the US Government is improper. Hence, it is necessary to conduct more case studies and more comprehensive documentary surveys in this field.

Firstly, this article illustrates the development of the world aviation industry and airmail service, as well as the speciality of China's aviation market due to the complicated political situation in the early decades of the ROC.. Then the impact of the concept of mastery of the air on China's foreign affairs will be discussed. After reviewing the change of China's aviation market after Chiang Kai-shek conquered the warlords in the 1920s, this article is going to illustrate the connection between foreign

capital and the development of China's aviation industry. Finally, this article is going to use the Sino-American Airmail Carrying Contract signed in 1929 as an example to illustrate the impact of the power struggle within the KMT (the Koumintang, also known as the Nationalist party) regime and the disputation of economic policies on public policies, as well as the problems introduced by transplanting foreign policies to China.

II. Development of aviation and mastery of the air before 1928

In 1903, the Wright brothers created a new era for transportation by inventing the airplane. Compared to cars and ships, the space within the early airplanes was much smaller. When it was used for commercial purposes, the airplanes had to carry high-priced goods to raise the profits. Just like the regular shipping industry in the previous century, the aviation industry in the early 20th century had fixed costs. Mail delivery then turned out to be the strategy for this new transportation industry.⁸ Since the aviation industry need huge capital investment, subsidies from postal services were the most important income for the aviation industry.⁹

For China, the emergence of the airplane implied not only progression for transportation, but also the further strengthening of Western technological domination over China.¹⁰ Kouzminski, a Russian aviator, flew above Beijing in 1909. Louis Vallon, a French aviator, lost his life in an accident when he performed at an air show in Shanghai in 1911. The significance of these events was not simply that they were the first flights over China, but also that the extension of Western powers' extraterritorial rights came into the territorial airspace over China.¹¹ Any attempt by

⁸ Examples of the cargo shipping in the 19th century can be found in Freda Harcourt, "British oceanic mail contracts in the age of steam, 1838-1914", in *Journal of Transport History* 9:1(1988), pp.1-18.

⁹ George Radnoti, *Profit Strategies for Air Transportation* (New York: McGraw-Hill, 2002), p.157.

¹⁰ For the early development of the aviation industry in China, this article follows the example of the following literature, namely: 王開節,《我國民用航空事業發展簡史》; 陳存恭,《中國航空的發軔》,《中研院近史所集刊》7(1978),頁371-420; 俞國興,《中國民航90年》(臺北:樺客,2003); 姚峻,《中國航空史》(鄭州:大象出版社,1998); 姜長英,《中國航空史》(西安:西北工業大學出版社,1987); 張心澂; 謝曉鐘,《中國郵電航空史》(上海:中華書局,1928); Lawrence M. Chen, "Aviation in China" *Information Bulletin* (Council of International Affairs, Nanking)III:12 (May, 1937), pp.255-273.

¹¹ Many studies pointed out that Fang Long's flight in 1909 was the first flight in China. However, Malcolm Rosholt brought his evidence from a report taken from the South China Morning Post and argued that Fang's flight had taken place in 1911, and that Fang was not the first aviator flying in China. See: Malcolm Rosholt, *Flight in the China Air Space*. 戈叔亞譯,《飛翔在中國上空》(瀋陽:遼寧教育出版社,2005), p. 11。

Western powers to extend the extraterritorial rights into the airspace above their concession, or even to the airspace above all of China, would have resulted in a legal battle.

Being convinced of the idea that scientific technologies might give nations added strength, some overseas Chinese returned to China with their aviation skills. Feng Ju, who successfully flew an airplane in Oakland, USA in 1909, founded the Guangdong Machine Manufacture Corporations in the same year. Later, his company was renamed Guangdong Air Vehicle Corporations. Feng returned to Guangdong in February 1911 and was trusted with the task of organising an airplane team by the Guangdong authority after the revolution. Yet the plan to develop the aviation industry was frustrated when Feng was killed in a flying accident in the next year. In 1913, the General Staff set up the Nanyuan Aviation School in Beijing, but failed to recruit enough aviators as faculty members, since most of them had returned to their home countries to fight in World War I.

In consideration of commerce or terrain exploration, China should have developed the aviation industry. However, civil war in the early years of the ROC brought the military need into focus. Almost every powerful warlord owned some aircrafts. The Ministry of the “Beiyang Government” (the government controlling Beijing and the major parts of China from 1912 to 1928) got the permission of the President to set up the Preparatory Office of Aviation Affairs in March 1919. The first head of office was Ding Siyuan, an active politician belonging to the Anfu faction who had served as the Chief of the Beijing-Hankou Rail. From then on, the managing staff of the railways took care of aviation. The Preparatory Office of Aviation Affairs purchased aircrafts from Handley Page, a British company supported by the British air force, and planned 5 routes, namely the Jingao line connecting Beijing and Guangdong, the Jinghu line connecting Beijing to Shanghai, the Jingsu line connecting Beijing and Sichuan, the Jingha line connecting Beijing and Harbin, and the Jingku line connecting Beijing and Kuriyen. Yet, due to separatism by the warlords and financial difficulty, none of these five lines succeeded.

Airplane manufacturing grew rapidly during World War I. Cutting production after the war had a negative impact on the aviation industry. The British Ministry of Foreign Affairs, involved in the sale of battle aircrafts, persuaded the Beiyang Government to purchase 150 airplanes from Vickers, a British company, by promising the Beiyang Government a loan of £ 1,803,200. By doing so, the British

could sell their extra planes, and endeavour to dominate the aviation industry in China.¹² To strive to use the loan, the Army Ministry oversaw the establishment of the Office of Aviation Affairs directly under control of the cabinet. Jing Yunpong, Minister of Army and the Acting Premier, served as the Office Head and took over the aviation education and administration from the General Staff. After that, the aviation authority in the Beiyang Government split into two departments, namely the Ministry of Transportation and the Office of Aviation Affairs, and conflicts between these two departments were serious.¹³ The Office of Aviation Affairs made five lines for future development, namely the Jinghu line connecting Beijing and Shanghai, the Jinghan line connecting Beijing and Hankou, the Jingha line connecting Beijing and Harbin, the Jingku line connecting Beijing and Kuryien, and the Xoba.¹⁴ The US merchants withdrew their plan to sell airplanes to China because of the poor financial condition in China. In July 1922, the British Empire recalled its aviation advisors in Beijing, and abandoned the original plan because China delayed payment of the interest on the loan and because some airplanes had been hijacked. The British Empire and the USA both claimed to forbid the selling of battle aircrafts to China.¹⁵ The British Empire turned its attentions to Japan, and regarded Japan as the new market to sell battle aircrafts. This strategy helped the development of the aviation industry in Japan.¹⁶

The regular flights between London and Paris in 1919 marked the beginning of regular commercial flight operations. Subsidy on airmail became the focus of interest groups and governments. The Post Office of the Republic of China drafted an airmail contract on April 27th 1920, the use of special stamps was required for airmail and the allocation of the postal income: 80% for the subsidy to the aviation

¹² 〈費克斯公司飛機借款〉，《中國外債彙編》（上海：中國銀行總管理處經濟研究室，1935），Pp. 25-6；Stephen J. Valone, “A Policy Calculated to Benefit China” (New York: Greenwood Press, 1991), pp.61-2.

¹³ See 〈陸軍總長靳雲鵬擬設立空軍密呈(1919年9月9日)〉，《民國外債檔案史料》第七卷(北京：檔案出版社，1989-1992)，Pp. 176-8。

¹⁴ 馬學強，〈空中交通與長江沿岸城市的聯繫〉，張仲禮等編，《中國近代城市發展與社會經濟》（上海：上海社會科學出版社，1999），p. 88.

¹⁵ Noel H. Pugach, “Anglo-American Aircraft Competition and the China Arms Embargo, 1919-1921” in *Diplomatic History* 2 (1978), pp.351-371；William M. Leary, Jr., *The Dragon's Wings* (Athens: the University of Georgia Press, 1976), pp.4-5；陳存恭，〈列強對中國的軍火禁運〉（臺北：中央研究院近史所，1983），p. 169

¹⁶ John Ferris, “A British ‘Unofficial’ Aviation Mission and Japanese Naval Developments, 1919-1929”, in *Journal of Strategic Studies* 5:3 (September, 1982), pp.416-439.

industry and 20% for postal expenses.¹⁷ The Post Office begun to carry passengers and airmails between Beijing and Tianjin, but this line was not stable, and was cancelled within one year. Nonetheless, the condition of the airmail payment was kept until 1931. In the summer of 1920, the Anfu faction lost power when the alliance of warlords in Hopei and Manchuria defeated Duan Qirui, the warlord controlling the Beiyang Government. After the war, the Office of Aviation Affairs took control of the aviation administration in August 1920 and was promoted as the Aviation Administration under the Ministry of War in February 1921. The flights between Beijing-Tianjin-Jinan-Nanking-Shanghai were started in July 1921. However, the airmail could only reach Jinan, and since the airports were not well facilitated, the post needed to be carried on by trains for the rest of the trip. Those flights did not last long.¹⁸ Henceforth, the Aviation Agency only operated irregular flights between Beijing and Tianjin, such as temporary flights in summer and some air shows. The aviation school was stopped in 1924 because of the war between warlords in Hopei and Manchuria.

Beside the Beiyang Government, political forces and warlords elsewhere in China were also very active in developing their own aviation industry. KMT's government in Guangdong established departments to take care of aviation affairs and purchased airplanes from the with the help of Tom Gunn, a Chinese American, during World War I.¹⁹ The Guangdong Aviation School, which was established after the World War I, was also very important for training staff. The Nationalist Government enlarged the Ministry of Transportation and established the Department of Aviation and Navigation under it. The 4th Section of the new department was in charge of aviation.²⁰ Warlords in Manchuria and Yunnan also had their own aviation corps. Chang Tso-lin, for example, had the trial airmail runs between Fongtian and Niozhuan in 1924.²¹ Since the commercial airplanes could easily be changed for military use, Western powers' embargoing weapons to China from May 1919 affected the development of the Chinese aviation industry. In addition, because of the poor infrastructure due to the civil wars, the airplanes did not function well. There was no suitable place for the airplanes to be stored and maintained. Selling airplanes to

¹⁷幼儒，〈中國創設正式航空郵運之史實〉，《近代郵刊》4:2 (1949)，p. 714。

¹⁸陸游，〈關於 1921 年北京-濟南間航郵的新發現及對其研究的補充〉，《中華郵聯會刊》第五期 (2000)，Pp. 188-197；‘US Legation in Beijing to State Department on August 4, 1921’，*Records of the Department of State Relating to Internal Affairs of China* (Reel no.211).

¹⁹ ‘US consulate in Guangdong to the State Department on September 19, 1917’ *Records of the Department of State Relating to Internal Affairs of China* (Reel no.211).

²⁰蕭立坤，〈航空運輸郵件第一〉，《交通月刊》1:4 (1947 年 10 月)，p.16。

²¹ Allen D. Kerr, “The 1924 Mukden – Newchwang Experimental Flight”, *The China Clipper* 40:5 (July, 1976), pp.157-9.

China turned out to be dumping them. China did not have a system in place to train its own staff and to maintain the planes. However, foreign investors did not really manage to dominate the aviation market in China either.

The early development of the aviation industry in every country was closely related to governmental assistance. Herbert Hoover helped the development of the private aviation industry when he served as the Minister of Commerce in 1922.²² The US Congress passed the Kelly Act in 1925 to turn the airmail business from a federal operation into contractual actions between the US federal government and private aviation companies. The Kelley Act lowered the airmail fee in order to encourage people to send their post via airmail, and allowed the aviation companies to gain 80% of the airmail income as their rewards. They also subsidised the aviation companies \$2 per mile. The Air Commerce Act passed in 1926 also granted subsidy for the development of private aviations. In order to deal with the depression and to rationalise the private aviation industries, the US congress enacted the McNary-Watres Act in April 1930 to replace the Kelly Act. According to the new act, the airmail fee was to be counted by the “Space-Mile”, and the Chief Officer of the Post Office was authorised to extend the postal contracts and to plan the routes for mailing. The “Space-Mile” regulated in the new act meant “the minimum space for maintaining an aviation company from bankruptcy” instead of real space in delivering airmails.²³ Up until 1934, the McNary-Watres Act increased the net revenue of the private aviation companies with the contracts, but also made the US post go into a deficit.²⁴ The British Empire, following her principle for helping the navigation industry in the 19th century, planned the budgets every year so that the Post Office would pay huge subsidies to a particular aviation company. Affected by the rationalisation movement in various industries, the British parliament asked for the merging of the aviation companies, which lead to the birth of the Imperial Airways in 1923. From its establishment to 1929, the Imperial Airways gained £137,000 every

²² David D. Lee, “Herbert Hoover and the Development of Commercial Aviation, 1921-1926” in *Business History Review* 58:1 (Spring, 1984), pp.78-102; “Herbert Hoover and the Golden Age of Aviation” in William M. Leary (ed.), *Aviation's Golden Age* (Iowa City: University of Iowa Press, 1989).

²³ For more information on the airmail policies of the US Federal Government in this period. See “Intercontinent Aviation, Inc. to Mr. Wu Chaosu, the Minister of ROC in the USA on February 24th 1930”, Nationalist Government Archives in the Academia Historica, No. 63-107 ; Paul T. David, *The Economics of Air Mail Transportation* (Washington, DC: The Brookings Institution, 1934); F. A. Spencer, *Air Mail Payment and the Government* (Washington, DC: The Brookings Institution, 1941), pp.29-56; Nick A. Komons, *Bonfires to Beacons* (Washington, DC: Smithsonian Institution Press, 1989), pp.192-3; Clyde Kelly, *United States Postal Policy* (New York: D. Appleton-Century Company, 1935), pp.136-7 ; 沈尚德 , 〈航空郵務〉 , 《交通建設》 7:3(1958年3月) , p.31 ; 塩見英治 , 《米国航空政策の研究》 (東京 : 文真堂 , 2006) Pp. 39-56。

²⁴ Paul T. David, *The Economics of Air Mail Transportation*, p.vii.

year as subsidies.²⁵

New disputations following the development of the aviation industry forced the international society to think about some standards for regulations. The French delegate together with the German delegate had a fierce argument against the British delegate in the Madrid Conference of 1913. While the French and German delegates called for the principle of air freedom, the British delegate claimed that a nation-state should enjoy sovereignty over her territorial airspace.²⁶ The concept of territorial airspace was taken into account after World War I. The Convention for the Regulation of Aerial Navigation was held in September 1919. The Ministry of Foreign Affairs and the Office of Aviation Affairs of the Beiyang Government gave the Chinese delegation instructions not to allow the Western powers to claim extraterritoriality over the contract-breaking behaviour of their aircrafts in China, and to stop Western powers from delivering airmail in China.²⁷ The principle of sovereignty in the territorial air space was confirmed in the Convention on International Aviation passed in the Paris Peace Conference in October 1919. Besides the regulations about the rights and obligations of air companies, the qualifications of pilots, and the nationality of aircrafts, nations signing the conventions recognized that every country had sovereignty over the airspace above its territory and territorial waters. None of the nations signing the convention were to operate domestic flights within the territory of other nations. While civil aircrafts could claim innocent passage to fly on the planned international routes through the territorial airspace of other nations, no military aircrafts were allowed to enter other nations' territorial space.²⁸ The Conventions on International Aviation, though signed by Vi Kyuin Wellington Koo, China's delegate in the Paris Peace Conference on October 13th 29, was not approved by the Beiyang Government, therefore China was not a contracting party.³⁰ In other words, aircrafts belonging to any other

²⁵ Howard Robinson, *Carrying British Mails Overseas* (London: George Allen & Unwin, 1964), pp.282-3.

²⁶ Camille Allaz, translated by John Skilbeck, *The History of Air Cargo and Airmail* (London: Christopher Foyle, 2004), p.54.

²⁷ 〈航空事務處關於召開研討國際航空條約會議致外交部雷炳焜函〉，中國第二歷史檔案館編，*《中華民國史檔案資料匯編》*第三輯(江蘇：江蘇古籍出版社，1991)，Pp. 437-441；For studies about passengers and airmail, see 彭瀛添，*《列強侵華郵權史》*(臺北：華岡，1979)

²⁸ Oliver James Lissitzyn, *International Air Transport and National Policy* (New York: Council on Foreign Relations, 1942), pp.365-370; Christer Jönsson, *International Aviation and the Politics of Regime Change* (London: Pinter, 1987), pp.27-9 & 83-7.

²⁹ 廖敏淑，〈巴黎和會與中國外交〉(國立中興大學歷史學研究所碩士論文，1998)，Pp.138-139。

³⁰ "Airmail delivery case: Ministry of Transportations to Ministry of Foreign Affairs, September 28th 1920", Archive No. 03-02-085-03 of the Ministry of Foreign Affairs files kept in the Modern History Institute of Sinica Academia. "British Legation in Beijing to the Ministry of Foreign Affairs on

countries could not enter the territorial airspace of China without negotiating or signing a treaty with China in advance.³¹ Such reservation left China with space to negotiate with the Western powers, so that the Western powers could not easily dominate China from above; this was a diplomatic achievement for China.³² Moreover, the Convention did not clarify the rights of Western powers in the airspace over their concessions. Therefore, the Nationalist Government protested to the British Empire in April 1927 over British battle aircrafts flying in Jiangsu, arguing that China never signed any treaty to lease her territorial airspace to other countries.³³

Meanwhile, the international society adopted more regulations on the fare of international airmail. The Dispositions sur La Poste Aérien passed in the First International Airmail Conference in 1927, was affirmed by the members meeting of the Universal Postal Union in London in 1929, and was known as the Convention of the Unification of Certain Rules relating to International Carriage by Air.³⁴ Article 3 of the convention stated that international mail less than 20 grams would cost 25 gold centimes per 1,000 miles.³⁵

III. Economic development and aviation

The 1922 Pacific Conference made a resolution to cancel mailing services in China. Yet the Western powers still kept their Post Offices in the concessions, and the foreign staff's positions at the Chinese Post Office were even more secure.³⁶ As a

March 21 1930" British Royal Postal Service Archive. POST33/2782B File VII ; 日本防衛省防衛研究所所藏海軍省公文備考,〈日支航空條約締結に関する件(1)〉(航空 2 卷 58);張心澂,《中國現代交通史》(臺北:學生書局,1976),頁 340-1。

³¹ 樋口秀実,《日本海軍から見た日中關係史研究》(東京:芙蓉書房,2002),頁 124-5。

³² 唐啟華,〈五四運動與 1919 年中國外交之重估〉,呂芳上、張哲郎主編,《五四運動八十週年學術研討會論文集》(臺北:國立政治大學文學院,1999),頁 63-92。

³³ 張其昀,〈中國之領空〉,《申報月刊》1:1(1932),頁 26-27。

³⁴ At the 1924 members meeting of the Universal Post Union in Stockholm, Sweden's proposal to include airmail service under the regulations of the Universal Post Union was made into a protocol. Due to the rapid development of aviation, the Universal Post Union started to deal with the international airmail service in 1927 after a move by the USSR without waiting for the next annual meeting. Camille Allaz, translated by John Skilbeck, *The History of Air Cargo and Airmail* (London: Christopher Foyle, 2004), pp.55-57. For the full text of the convention, see *Documents du Congrès Postal de Londres, 1929*. Tome II, pp.773-780.

³⁵ 100 Gold centimes are equal to one Gold Franc which is equal to 0.05895g pure gold. Members of the Universal Post Union adopted the Gold Centime as their common currency unit after 1920.

³⁶ 林泉,〈太平洋會議與各國在華客郵之撤銷〉,中華文化復興運動推行委員會編,《中國近代現代史論集》第二十三編(下)(臺北:臺灣商務印書館,1986),Pp.641-678。

result, the Post Office turned out to be a hotbed of nationalism. The dictatorship of H. Picard Destelan, a Frenchman who served as the Head of the Post Office, led to the establishment of the Shanghai Postmen Union, a movement followed by postmen in many cities. The postmen called for reclaiming the postal service, refraining from recruiting foreign staff, and eliminating the discrimination between Chinese and foreign staff.³⁷ As the result of a deal with Chiang Kai-shek, the Qing Gang they fought to remove the communists from the labour movement in April 1927. Lu Jingsheng, a KMT member with the Qing Gang background, gained control of the Shanghai Postmen Union. From then on, the KMT enjoyed an even bigger influence over the labour movement of the postmen.³⁸ The Nationalist Government (the KMT regime) established the Postal Administration of the ROC in November 1927. After taking control of Beijing in June 1928, the Nationalist Government announced that the head of the Postal Administration in Nanking had been entitled as the secretary, and the coordinator of the postal service in Beijing as the undersecretary. The latter was a subordinate of the former. After that, the task leader of the Post Office was no longer a position for a foreigner.³⁹ The nationalist movement of the postmen was winding down. Yet the Postmen Union became an organised labour group.

In order to carry through the goal of national control over China's main industries, the Nationalist Government established the Council for Development in February 1928. However, the delegation of duty was greatly disputed between this council and other ministries, especially the Ministry of Transportation.⁴⁰ The Nationalist Government was reorganised in October 1928. Chiang Kai-shek was elected as the chairman. Su Ke, son of Sun Yat-sen, who participated in drafting the Organic Law of the Nationalist Government as well as the Organic Law of the Five

³⁷ 徐雪霞，〈近代中國的郵政(1896-1928)〉(國立師範大學歷史學研究所碩士論文，1985)，Pp. 231-3。

³⁸ 朱學範，〈我的工運生涯〉(福州：福建人民出版社，1991)，頁 32-35；《上海工運志》(上海：上海社科院，1997)，Pp. 251-2；陳志昌，〈蔣中正四次下野前後之財務運作〉(東海大學歷史研究所碩士論文，2000 年)，Pp. 31. For further information on KMT's influence on the labour movement in Shanghai in this period, see: Alain Roux, *Grèves et politiques à Shanghai* (Paris: Editions de l'Ecole des hautes études en sciences sociales, 1995), pp.170-189。

³⁹ 〈交通部郵政總局為南京與北京兩郵政總局共同管理郵政事務致各區郵務長通令〉(1928 年 4 月 20 日)、〈交通部關於整理郵政經過情形與國民政府往來呈批〉(1928 年 4 月)、〈王伯群為辦理統一郵政擬定章程並請簡派郵政總辦等致國民政府呈〉(1928 年 8 月 15 日)，中國第二歷史檔案館編，〈中華民國史檔案資料匯編〉第五輯第一編，頁 485-503；幼愚，〈中華郵政史〉，《郵政研究季刊》第 52 號(1994 年 9 月)，頁 103-4。The Nationalist Government formally took back the postal rights after signing a new treaty with France in 1946.

⁴⁰ 沈雲龍訪問，林泉記錄，〈于潤生先生訪問記錄〉(臺北：中研院近史所，1986)，頁 42-49。

Yuans, was appointed as the first Minister of the newly established Ministry of Railways. Sun took railway management related courses when he studied in the USA and once served as Minister of Transportation.⁴¹ However, the authority taking care of railway building faced the same problem as other industries: the domestic capital was insufficient.⁴² Weak repayment ability, political instability, and the turmoil of war led to the bad credit of the Chinese Government in foreign capital markets.⁴³ Consequently, Sun Ke embezzled the Boxer Indemnity and the surplus of customs duties to build the Longhai Railway connecting Jiangsu and Gansu, as well as the Yuehan Railway connecting Guangdong and Hankou. Sun's conduct courted tremendous disputes controversy.⁴⁴ For economic development, it was inevitable that capital would have to be obtained from some other sources. Sun Ke's strategy to attract foreign capital to invest in the nationalised business did not have much support among the political leaders in the Nationalist Government⁴⁵. Zhang Jengie, Chair Commissioner of the newly established Council for Development, claimed to be able to mobilise domestic capital and to use Chinese private business as the main force for development.⁴⁶ There was a great deal of conflict between the Council for Development and the Ministry of Railways.⁴⁷

Foreigners from the West enjoyed an advantage in lawsuits, because the "Regulation on Companies" did not cover foreign companies, and the Western powers had extraterritorial privileges and rights. Among the Western powers, the USA, which had closer relations with the Nationalist Government, tried to expand its share in the Chinese market. The US Federal Government, following the Hong Kong's British Government's example in the previous century, passed the China Trade Act in 1922, according to which US citizens could register their companies in the USA and entrust

⁴¹ Jeh-Hang, Lai(賴澤涵), "A Study of a Faltering Democrat: the Life of Sun Fo, 1891-1949" (Unpublished Ph.D. thesis, University of Illinois, Urbana-Champaign, 1976), pp.91-97.

⁴² 陳進金,《地方實力派與中原大戰》(臺北:國史館,2002),頁278-312;Jeh-Hang, Lai, "A Study of a Faltering Democrat: the Life of Sun Fo, 1891-1949", pp.91-97.

⁴³ 凌鴻勳,《中國鐵路志》(臺北:世界書局,1963),頁13;Frederick V. Field, *American Participation in the China Consortiums* (Chicago: University of Chicago Press, 1931), pp.197-8.

⁴⁴ Jeh-Hang, Lai, "A Study of a Faltering Democrat: the Life of Sun Fo, 1891-1949", pp.91-7.

⁴⁵ 孫科,〈三民主義的經濟建設(民國18年)〉,秦孝儀編著,《孫哲生先生文集》第一冊(臺北:國民黨黨史會,1990),頁194-204;1929年12月5日孫科辭中國航空理事長呈,國民政府檔案67-1409(典藏號001032173003)。

⁴⁶ 王樹槐,〈張人傑與淮南煤礦〉,《中央研究院近代史研究所集刊》第17期下冊(1988年12月),頁216-7。

⁴⁷ 張人傑,〈請維持中央政治會議議決關於庚款借用辦法原案建議案(民國18年6月)〉,《張靜江先生文集》(臺北:國民黨黨史會,1982),頁54-5。

their business in China to their branches, whose profits and income were not subject to US taxation.⁴⁸ Even though US business activities in China did enjoy a significant growth in the 1920s, its growth in basic transportation, such as the shipping industry, was limited. In 1929, the US capital investors owned 4.3% of the shipping industry in China, less than the 37.45% owned by the British capital investors, the 27.38% owned by the Japanese capital investors, and even less than the 19.32% owned by the Chinese capital investors.⁴⁹ The US capital investors also did not enjoy supremacy in the international competition for the control over Chinese railways.⁵⁰ However, the USA did have a fighting chance in aviation, since the British Empire could not connect the flight between Basra and India due to her bad relations with Iran, and Japan could not compete with Western powers due to her relatively poor technology in aircraft manufacturing.⁵¹ Foreign airlines could not easily enter the territorial airspace of China due to the sovereignty of the Nationalist Government. Because of the future uncertainty and the poor infrastructure in China, foreign companies focused on selling aircrafts. The US aviation industry expanded its business in China rapidly after the US Government approved the sale of commercial aircrafts to China in June 1928.⁵² Beside the Nationalist Government, the quasi-independent Chen Jigang regime in Guangdong also purchased aircrafts from the US businessmen.⁵³ Lots of small aviation companies were formed in many Chinese cities, especially in Southern China. However, these companies had

⁴⁸ C. R. Remer, *Foreign Investments in China* (New York: Macmillan, 1933), pp.316-328; 馬寅初,〈新《公司法》和官僚資本〉,《馬寅初選集》(天津:天津人民出版社,1988);張忠民,〈近代中國的“公司法”與公司制度〉,《上海社會科學院學術季刊》1997年第4期,頁160;H. L. Lutz, "The Treatment of Dividends in Income Taxation" in *Journal of Political Economy* 33:2 (April, 1925), p.131.

⁴⁹ C. R. Remer, *Foreign Investments in China*, pp.282-284; 羅志平,《清末民初美國在華的企業投資(一八一八-一九三七)》(臺北:國史館,1996),頁168。

⁵⁰ Edward Henry Zabriskie, *American-Russian Rivalry in the Far East* (Philadelphia, University of Pennsylvania Press, 1946), pp.161-91; 井上勇一,《東アジア鉄道國際關係史》(東京:慶応通信,1989);Clarence B. Davis, "Railway Imperialism in China, 1895-1939" in Clarence B. Davis, Ronald E. Robinson, Kenneth E. Wilburn Jr. (Eds.), *Railway Imperialism* (New York: Greenwood Press, 1991), pp.155-174.

⁵¹ 英國國家檔案 FO671/498; In 1932, the British Empire was forced to make a detour along the Persian Gulf in order to complete their aviation line in the Far East. Concerning the British aviation line issues, see: Frederic Williamson, *The Air Mail Service* (London: GPO, 1934), p.5.

⁵² The Department of State, the United States, *Foreign Relations of the United States, 1928, II* (Washington, DC: Government Printing Office), p.303; 1929年3月16日美國國務院致駐北京公使函, Records of the Department of State Relating to Internal Affairs of China (Reel no.211).

⁵³ Guangqiu Xu, "American-British Aircraft Competition in South China, 1926-1936", in *Modern Asian Studies* 35:1 (2001), pp.164-166; 陳哲宇,〈「廣東問題」與抗戰前中德關係之研究(1929-1936)〉(國立中興大學歷史學研究所碩士論文,2008年),頁65。

difficulty surviving because of the high fixed costs.⁵⁴ Foreign investors evaluated the aviation market in China with a more positive perspective after the Nationalist Government removed warlords and unified China.⁵⁵ From 1925 to 1934, China bought 15.7% of the aircrafts exported from the USA and turned out to be the biggest export market for the US aviation industry.⁵⁶

In 1920, Clement M. Keys, a financial journalist who later became a banker, took over the Curtiss Aeroplane and Motor Company manufacturing, aircrafts in the bad times after World War I. Admiring E. H. Harriman, King of the US railways, Keys wished to follow Harriman's achievement in railways management and built his own kingdom in the air. First, Keys cooperated with the car industries in manufacturing the aircrafts and developed a mass production system. Then he established the Curtiss Aeroplane Export Company to take care of exportation. In 1925, he established the National Air Transport, and earned a contract for airmail between New York and Chicago. Charles Lindbergh's flight over the Atlantic Ocean in 1927 made aviation industry a popular target for investment.⁵⁷ In 1928, Keys cooperated with Lindbergh to establish Transcontinental Air Transport, working with the Pennsylvania Railroad to deliver passengers from the east coast to the west coast of the USA within 48 hours by taking flights during the day time and taking trains in the night time. Such a service was unprecedented.⁵⁸ Cooperating with the Wright Aeronautical Corporation at that time, the Curtiss Aeroplane and Motor Company competed with United Aircraft as the top two airlines in the USA. As the price of aviation-related stock continued to increase, Keys worked with Clarence Dillon, a Wall Street banker, to establish the Intercontinent Aviation, Inc., expanding his kingdom into the skies of Latin America and Turkey.⁵⁹ At his most successful, Keys turned his attention to China.

IV. Sino-American Airmail Carrying Contract, 1929

⁵⁴ 1929年4月15日美國駐廣州副領事報告”The development of commercial aviation in South China”, Records of the Department of State Relating to Internal Affairs of China (Reel no.211).

⁵⁵ “Big Market, Big Chance, Big Profit”, *The Times* (London) (3 March 1930), p.13.

⁵⁶ Elsbeth E. Freudenthal, *The Aviation Business* (New York: The Vanguard Press, 1940), pp.136-7.

⁵⁷ Edward Pearson Warner, *The Early History of Air Transportation* (Northfield: Norwich University, 1937), pp.53-62.

⁵⁸ A biography of Keys can be found in Edward M. Young, “Clement M. Keys (1876-1952)” in William M. Leary (ed.), *Encyclopedia of American Business History and Biography: the airline industry* (New York: Facts On File, 1992), pp.258-265; Lawrence A. Rand, “The McNary-Watres Air Mail Act of 1930” (Unpublished Ph.D. thesis, New York University, 1998), pp.163-4; George E. Hopkins, “Transcontinental Air Transport” in *American Heritage*, 27(December, 1975), pp.22-28.

⁵⁹ 1930年2月24日洲際航空致伍朝樞公使函, 國史館檔案63-107; Robert Daley, *An American Saga* (New York: Random House, 1980), p.118; William M. Leary, Jr., *The Dragon's Wings*, p. 8.

The Keys group established the Aviation Exploration Incorporation in 1928 as their branch in China. In December 1928, R.O. Hayward represented the Intercontinent Aviation, Inc. to deal with Sun Ke about the sale of airplanes, and found an opportunity to participate more actively in the aviation market of China.⁶⁰ Both parties agreed to let the Ministry of Railways tend the American airmail delivery planes and pay the bills with the surplus of posts. The Keys group asked for support from the US government, pointing out that the German aviation industry was extending their influence in China. Although the US President approved,⁶¹ some people in the State Department doubted whether or not China had enough airmail to pay the bills. Both parties finally agreed that the Ministry of Railways should also contribute according to the miles of mail delivery until the income generated by the post was more than the miles of delivery payment.⁶²

After the 179th meeting of the Central Political Council in March 1929 approved the use of foreign capital and join capital,⁶³ Sun Ke went beyond his authority in the Ministry of Railways and began his aviation business. The Nationalist Government enacted the Regulation on China Airways on April 15th 1929, announcing that the company's capital of 10 million yuan was to be paid by the national treasury.⁶⁴ Sun Ke served as the director-general, and the 7 directors were appointed from the Nationalist Government, Ministry of War, Ministry of Finance, Ministry of Transportation, Ministry of Railways, Ministry of Commerce and Industry, and the

⁶⁰ 1929年2月14日上海總領事致北京公使函, Records of the Department of State Relating to Internal Affairs of China (Reel no.211); 1929年12月5日孫科辭中國航空理事長呈, 國民政府檔案 67-1409(典藏號 001032173003)。

⁶¹ 1929年1月7日國務院備忘錄, Records of the Department of State Relating to Internal Affairs of China (Reel no.211); 當時德國航空在華活動見 Bodo Wiethoff, *Luftverkehr in China, 1928-1949*(Wiesbaden: O. Harrassowitz, 1975); The Ministry of Transportations and Lufthansa co-operated to establish the Euroasia Aviation Corporation in February 1931. The German party paid the capital for the Nationalist Government in advance and agreed to allow the National Government to pay it back later. See:《民國外債檔案史料》第十卷(北京: 檔案出版社, 1989-1992), 頁 70-110。。

⁶² William M. Leary, Jr., *The Dragon's Wings*, pp.12-13.

⁶³ 〈行政院為利用外資案致工商部部長訓令〉(1929年3月26日); 中國第二歷史檔案館編,《中華民國史檔案資料匯編》第五輯第一編, 頁 122-3。

⁶⁴ Sun Ke's Ministry of Railways never mentioned the aviation industry. See: 〈鐵道部鐵道事業之設施與計劃(民國 18 年 11 月)〉,《孫哲生先生文集》第四冊(臺北: 國民黨黨史會, 1990), 頁 373-385。 For information about the establishment of the China Airways, see: 國史館外交部檔案 172-1/1881 〈中航與美航訂立航空郵務合同事〉; For more about the interpretation of treaties and contracts, see: Yeh Chieh-ching's "the Establishment of the China Airways" read at the First Symposium on Special Topics in the History of the ROC in 1992 and Liu Wei-Kai's comments.

General Staff.⁶⁵

Sun Ke and the Aviation Exploration Incorporation signed the Airmail Carrying Contract, which was valid for ten years, on April 17th 1929.⁶⁶ According to the contract, the China Airways would use facilities and staff provided by the American party. The company's assets were duty-free. The company were to operate three new lines within six months, namely the Shanghai-Nanking-Hankou line, the Nanking-Hsuehou-Jinan-Beijing line, and the Hankou-Changsha-Guangzhou line. The Chinese party were to build ground facilities for American planes and staff within six months. Should ground facilities not be ready after six) months, the Chinese party had to pay the American party \$ 2,500 per day. Although the US Federal Government paid much attention to the establishment of the China Airways, the Curtiss Aeroplane and Motor Company had also given the State Department notice;⁶⁷ US diplomats doubted the source of income of this new company.⁶⁸ Sun Ke also asked the Curtiss Aeroplane and Motor Company to give the China Airways financial support.⁶⁹

According to the Airmail Carrying Contract, the American airplanes had to fly at least 3,000 miles a day, conducting mail, cargo, and passenger delivery services. Besides paying the American party \$ 1.5 per mile, all income from the airmail belonged to the American party. Such an arrangement was a great disadvantage for the China Airways. The American party enjoyed a bigger influence in recruiting staff, and had airmail privilege. People were even more concerned about the threat against national security caused by the fact that foreign pilots were flying foreign airplanes. Such concern led to a protest from the Chinese Aviation Association, which constituted of Chinese air force pilots led by Chang Jinyu, then Director of the Aviation Administration.⁷⁰ The Shanghai Postmen Union, led by the KMT members,

⁶⁵ 中央黨部國民經濟計劃委員會編，《十年來之中國經濟》(南京：扶輪日報社，1937)，頁 35。

⁶⁶ “Airmail Contract between the China National Aviation Corporation and Aviation Exploration, Inc.”, 國史館檔案 63-107；美方機密情報指出宋子文曾試圖阻止孫科簽約未果，1929 年 6 月 15 日駐漢口總領事致國務卿函，Records of the Department of State Relating to Internal Affairs of China (Reel no.211).

⁶⁷ 1929 年 5 月 3 日柯蒂斯公司致國務院函，Records of the Department of State Relating to Internal Affairs of China (Reel no.211).

⁶⁸ 1929 年 4 月 17 日上海領事致北京公使函，Records of the Department of State Relating to Internal Affairs of China (Reel no.211).

⁶⁹ 1929 年 5 月 8 日孫科訪談備忘錄，Records of the Department of State Relating to Internal Affairs of China (Reel no.211).

⁷⁰ 〈中華航空協進會對於中國航空公司與美商簽訂合同之意見〉，國史館藏國民政府檔案 275-0345 (典藏號 001120022005)；張其昀，〈中國之領空〉，《申報月刊》1:1 (1932)，頁 28。The

also expressed their opposition.⁷¹ To deal with the State Department's concern about the situation, Keys promised to eliminate the dissatisfaction by recruiting more Chinese pilots.⁷²

The China Airways and the Aviation Exploration Incorporation signed the Flying School, Factory and Aerial Transportation Contract in June 1929. Up until July 1929, the Nationalist Government had never allotted funds to China Airways. Sun Ke signed the Airport Gold Loan Agreement with the Aviation Exploration Incorporation on July 16th 1929 and gained a \$1,000,000 loan to purchase airplanes and facilities.⁷³ The Curtiss Aeroplane and Motor Company merged with the Wright Aeronautical Corporation and established the Curtiss-Wright Corporation in August 1929.⁷⁴ Assets of the Aviation Exploration Incorporation were shifted to the China Airways Federal Inc., USA, which was registered under the Commercial Law of the ROC. Ernest B. Price, Sun Ke's old friend, served as the director general.⁷⁵

The China Airways was not part of the original aviation administration system of the Nationalist Government, but was a new project approved by Chiang Kai-shek.⁷⁶ The bureaucracy of the Nationalist Government did have their own plans for aviation development. The Aviation Administration was reallocated under the Ministry of War in June 1927. The central political council of the KMT party decided to establish an aviation company in October 1927.⁷⁷ After the KMT's army seized Beijing in June 1928, Wang Po-chun, the then Minister of Transportation, began to plan for the development of the aviation industry.⁷⁸ The Ministry of Transportation established the Aviation Commission in January 1929. After purchasing some

representatives of some pro-KMT aviation organisations located in Nanking, Guangdong, and Honan met in Nanking and founded the Chinese Aviation Association in 1928. See 'Nanking Consular to State Department, May 9th 1929', Records of the Department of State Relating to Internal Affairs of China (Reel no.211).

⁷¹ 沈雲龍訪問，林泉記錄，《劉承漢先生訪問記錄》，頁 57-65；Edward Roy Hammond III, "Organized Labor in Shanghai, 1927-1937" (Unpublished PhD thesis, University of California, Berkeley, 1978), pp.158-162.

⁷² 1929 年 5 月 10 日凱斯致國務院函，Records of the Department of State Relating to Internal Affairs of China (Reel no.211).

⁷³ 國史館所藏國民政府檔案 275-0590 (典藏號 001120022006) & "Airport Six Per Cent. Gold Loan Agreement", 國史館檔案 63-107。

⁷⁴ Jacob A. Vander Meulen, *The Politics of Aircraft* (University of Kansas, 1991), pp.94-5.

⁷⁵ William M. Leary, Jr., *The Dragon's Wings*, p.19.

⁷⁶ 1929 年 5 月蔣中正致孫科電報，蔣中正總統文物(典藏號 002080200398165)。

⁷⁷ 孫科，〈八十述略〉，《孫哲生先生文集》第一冊(臺北：國民黨黨史會，1990)，頁 22-3。

⁷⁸ 鄭會欣，〈簡論三、四十年代中國民航事業的合資經營〉，《中國文化研究所學報》新第 10 期(總第 41 期)(2001)，頁 172。

airplanes in February, the Ministry of Transportation handed in the Project for Aviation Development to the Executive Yuan in May, and established the Management Executive for the Hujon Aviation Line in May 1929.⁷⁹ On May 22nd, Nie Kaiyi, the Head of the Management Executive, handed in the draft for the Temporary Constitutions of the Management Executive for the Hujon Aviation Line (17 articles) to the Minister of Transportation. The Minister approved 16 articles of the Temporary Constitutions on May 24th. The difference between the draft and the Temporary Constitutions was that the Temporary Constitutions cancelled the original article 9 regulating the source of expenses for the Management Executive.⁸⁰ Since there was no source for funds in the ministry, \$ 520,000 was borrowed from the Post Office.⁸¹ According to the Article 11 of the Temporary Constitutions, the main purpose of the flights should be airmail. Besides this, each flight had to reserve 200 kg for the postal service.⁸² Such arrangements conflicted with the plans of the Ministry of Railways. Initially, Chiang Kai-shek considered rearranging the aviation units, but the Ministry of War disagreed with the “Regulation to Distinguish the Obligations and Rights between Military and Civil Aviations” drafted by the Ministry of Transportation.⁸³ Even though the 3rd Central Executive Committee of KMT in 1929 and the 3rd conference of the central committee in 1930 both made a resolution to allocate the aviation industry to the Ministry of War and the airmail to the Ministry of Transportation,⁸⁴ the Ministry of Transportation established its own Office of Airmail⁸⁵; nevertheless, there was still overlapping in the administration of the aviation affairs. Neither the Aviation Administration nor the Ministry of Transportation had the sole right to rule over China Airways. The Hujon Aviation Line started to operate in July 1929, working independently without interacting with

⁷⁹ 國史館所藏國民政府檔案 276-1813(典藏號 001123010001)〈航空行政職權劃分〉; Records of the Department of State Relating to Internal Affairs of China (Reel no.211).

⁸⁰ 草案原件收錄於交通部所藏郵政檔案卷〈滬蓉航空線管理處暫行各種章程〉。

⁸¹ 劉承漢,〈我國航空郵運之創設及中美合同風波〉,《郵政資料月刊》第12期(1967),頁2。

⁸² 薛聘文,〈早期國內航空郵務〉,《菲華郵刊》24(1976),頁14-15;劉承漢,〈我國航空郵運之創設及中美合同風波〉,頁2。

⁸³ 1929年6月20日蔣中正致宋子文電報,國史館所藏蔣中正總統文物,蔣中正籌筆(北伐時期)冊號6目次號45(分類號2210.2序列號4450.1);金家鳳,《中國交通之發展及其趨向》(南京:正中書局,1937),頁225-6。

⁸⁴ 蕭立坤,〈航空運輸郵件第一〉,頁16。

⁸⁵ 1929年初通聯記錄,Records of the Department of State Relating to Internal Affairs of China (Reel no.211); Constitutions of the Office of Airmail was enacted in August 1929. See: 國民政府訓令第772號(民國18年8月26日)。The Constitution was passed in December 1929. See:〈郵運航空處章程及組織條例〉,國史館國民政府檔案 145-1557(典藏號 001012071016)。

the Ministry of Railways. Nominally, the Hujon Aviation Line were to provide a connection between Shanghai and Chengdu, but it actually provided flights between Shanghai and Nanking. In order to expand its source for goods, the Management Executive decided to add an extra flight at 7:00 am from Monday to Saturday to deliver newspapers published in Shanghai on July 16th 1929.⁸⁶

The Post Office reevaluated the airmail fare standards, and began to use the “zone system” in June 1929, which was established in the USA before 1925. According to “the zone system”, every 1,500 km belonged to one zone. Airmail within a zone should be charged for by the same price. Post Offices charged airmail fare according to the zone and the weight of an item of mail. The Management Executive carried airmail for the Post Office with the price of 3.75 yuan per kilogram.⁸⁷ On July 16th, it was regulated that the fare of printed materials should be 60% that of normal mail.⁸⁸ Using the “zone system”, Post Offices needed to count the distance between the senders and the receivers in order to make sure of the fare. This system was workable when there was only a handful of aviation lines, but was no longer feasible when the aviation lines increased significantly. Hence, the US federal post enacted the Kelly Act in 1925 and adopted the single airmail fare.⁸⁹

Even though the infrastructure was not yet finished, on October 21st, the China Airways was bound by contract to start daily round trips and Monday through Saturday flights between Shanghai and Hankou. The plane could carry six passengers or mail of up to 800 pounds on each flight. China Airways carried both passengers and mail. Each flight carried mail up to 480 pounds, six yuan per pound, and four passengers, each of whom paid 200 yuan. The maximum income per day for the China Airways was 7,360 yuan. There were 26 working days per month. Hence the maximum of income per month was 191,360 yuan. In fact, if China Airways carried only airmail and each flight was fully loaded, it could earn 9,600 yuan per day.⁹⁰

⁸⁶ 薛聘文、王士英主編，《中國郵資考》（臺北：郵政總局，1956），頁 186。

⁸⁷ 薛聘文、王士英主編，《中國郵資考》，頁 205。

⁸⁸ 薛聘文、王士英主編，《中國郵資考》，頁 186。

⁸⁹ F. Robert van der Linden, *Airlines & Air Mail* (Lexington: University of Kentucky, 2002), pp.25-6; 〈郵政總局呈擬仿照美國現行通例改定航空郵資〉，國史館國民政府檔案 278-1556(入館登錄號 00100007013A)；廣東省集郵協會編著，《中國早期航空郵政》(1920-1941)，(北京：人民郵電出版社，1993)，頁 43。

⁹⁰ 國史館檔案 63-107。

Shortly after the start of China Airways, the New York stock market collapsed on October 29th, which short-circuited the US funding. Meanwhile, Wang Po-chun chose not to cooperate with Sun Ke: the postal department refused to let China Airways ship airmail, thus there was no income from the postal services. On October 16th, to put pressure on the government, the Postmen Union organised a Shanghai Post Service protest against the China-US Aviation Cooperation Committee.⁹¹ Ernest B. Price negotiated with Sun Ke for a solution, yet the State Council did not support Sun.⁹² Sun was forced to resign from the post of Director General on December 5th 1929 and handed the position to Wang.⁹³ The Ministry of Transportation urged the cancellation of the contract for the following four reasons : 1) Unreasonably high payment to pilots; 2) risks of national security; 3) the US had an unfair advantage over the air routes in China; 4) the US equipment was exempt from tax.⁹⁴ The international treaty used grams as its measuring unit, yet it was the US system of ounces to weigh domestic and international airmail mentioned in the contract by Sun, which caused further opposition from the Ministry of Transportation.⁹⁵

At the end of December 1929, the initial 70 days of business by China Airways could be seen in Table One. It was far below expectations in both passenger and airmail services. It needed to pay the US compensation in addition to the average expenditures when the passenger and airmail volume was low, thereby causing tremendous losses, as shown in Table Two.

Table One : The Income of China Airways during October to December 1929

(Unit: Yuan)

Income		Passenger	Airmail	Extra Luggage	New spaper ship	Total Income

⁹¹ 朱邦興，《上海產業與上海職工》（臺北：文海出版社，2001），頁 444-5；《五十年來中華民國郵工運動》（臺北：中華民國郵務工會全國聯合會，1980），頁 22。

⁹² William M. Leary, Jr., *The Dragon's Wings*, pp.24-5.

⁹³ 1929 年 12 月 5 日孫科辭中國航空理事長呈，國民政府檔案 67-1409(典藏號 001032173003)。

⁹⁴ 〈聶開一關於取消中美航空郵遞合同以挽空權而維郵務呈〉（1929 年 12 月 13 日），中國第二歷史檔案館編，《中華民國史檔案資料匯編》第五輯第一編，頁 460-3。

⁹⁵ 國民政府檔案 275-0345(典藏號 001120022005)。

					ping	
	Oct	2,890	1,666.09	0	0	4,556.09
	Nov	9,458	17,524.23	95	15.2 9	27,092.5 2
	12月	9,490	27,819.50	129.88	50.0 3	37,489.4 1
Expen diture		Corporati on costs	Compensa tion to US	Total Expenditure		
	Oct	12,000	38,700	50,700		
	Nov	12,000	98,685	110,685		
	Dec	12,000	80,087.5	92,087.5		

Source : Nationalistic Government File 63-107, Academia Historica

Table Two : Balance of China Airways during October to December 1929

(Unit : Yuan)

	Oct	Nov	Dec
Net Balance	-46,143.91	-83592.48	-54598.09

Source : Nationalistic Government File 63-107, Academia Historica

In the 61st State Council meeting in January 1930, the Ministry of Transportation opposed the contract and Wang Po-chun refused to meet Ernest B. Price.⁹⁶ On January 24th, Price issued a warning of violation of contract and appealed to Western public opinion.⁹⁷ In February 1930, the US Secretary of State put pressure on Wu Chaosu, Minister Plenipotentiary of the ROC to the USA, yet the Nationalist Government distrusted the arrangement by Price, and thus chose to negotiate with the headquarters of InterContinental Airlines in New York.⁹⁸ Keys was highly impatient about the dilemma. After the criticism of Price by the vice-director general of the airline services Minard Hamilton, Max A. Pollin was sent for negotiation.⁹⁹ The

⁹⁶ "Reports China Ends Airline Contract", *New York Times* 5 February 1930, p.6.

⁹⁷ For the full text, see "國民政府檔案 275-0590" collected by the Academia Historica. (No. 001120022006). For Price's protest letter, see: "The Air Mail Problem in China", *The Far Eastern Review* (February, 1930), pp.59-62.

⁹⁸ 1930年2月1日、11日伍朝樞公使致北京外交部電報，國史館外交部檔案 172-1/1881〈中航與美航訂立航空郵務合同事〉。

⁹⁹ 中航王伯群理事長公函，國史館藏國民政府檔案 275-0778(典藏號 001120022007) ; William M.

Nationalistic Government was concerned that the violation may damage the reputation of the country, so they withdrew from the cancellation of the contract. The 62nd State Council meeting resolved to revise the contract with the following amendments: local Chinese would be hired by the Chinese-US cooperated airlines, which would abide by the Chinese laws; and the passenger and cargo income of the initial Shanghai-Wuhan Airline Route would belong to the Ministry of Transportation; who would be entitled to manage the equipment provided by the US and purchase them if necessary.¹⁰⁰

After the Ministry of Transportation took over China Airways, an international airmail fare was adopted for the domestic airmail service: every thousand kilometres was one flying unit; this was done to increase income.¹⁰¹ In July 1930, the Ministry of Transportation signed up to an agreement with the China Airways Federal Inc., USA, and merged the Management Executive of the Hujon Aviation Line and the China Airways as the China National Aviation Corporation, C.N.A.C.¹⁰² It is evident that the newly revised China-US contract referred back to the newly signed Sino-Germany aviation contract.¹⁰³ The total capital of C.N.A.C. was US \$330 million, of which the Ministry of Transportation shared 55%, prepaid by the Post Office and the remaining 45% was shared by US counterpart US counterparts. Of the seven directors, four of them were appointed by the Chinese side, headed up by the Minister of Transportation Wang Po-chun. After the establishment of the company, the US provided airplanes and other equipment; thus, in reality, the US invested more than half of the total shares.¹⁰⁴ The air service fee for C.N.A.C. was initially paid by exclusive airmail postage, yet the total airmail income could not cover the expenditure.¹⁰⁵ Hence, the ministry commanded the Post Office to ‘subsidise’ 0.5 million annually to cover the

Leary, Jr., *The Dragon's Wings*, pp.26-7.

¹⁰⁰ File of Ministry of Foreign Affairs 172-1, National Historical Museum /1881 〈Contract of Aviation Postal Service by Chinese and US Airlines〉; William M. Leary, Jr., *The Dragon's Wings*, p.28.

¹⁰¹ 〈郵政總局呈擬仿照美國現行通例改定航空郵資〉，國史館國民政府檔案 278-1556(入館登錄號 00100007013A)；沈雲龍訪問，林泉記錄，《劉承漢先生訪問記錄》，頁 72-3；1936 年 3 月廢區域制，薛聘文，《中國郵資》(臺北：郵政總局，1981)，頁 32；《申報》，1930 年 2 月 12 日。

¹⁰² “Contract between Ministry of Communications, National Government, Republic of China, and China Airways Federal Inc. USA”, National Historical Museum 63-107, reprints in Yeh Chien Chin’s 《Historical Record of Aviation》(Taipei: National Historical Museum, 1991), p.205-221.

¹⁰³ 宋子良 to Ministry of Foreign Affairs, March 20th, 1930, National Historical Museum 172-1/1881 〈Contract of Aviation Postal Service by Chinese and US Airlines〉。

¹⁰⁴ The US investors contributed more than 60% of the total investment in 1945. 王開節，《我國民用航空事業發展簡史》，頁 20-21。

¹⁰⁵ 薛聘文、王士英主編，《中國郵資考》，頁 187。

cost of C.N.A.C.¹⁰⁶ In April 1931, the Post Office agreed that C.N.A.C. would ship international airmail to increase its income and change the maximum airfares through the Universal Postal Union by weighing the airmail. After that, the regular postage was raised in 1932 to help cover the cost.¹⁰⁷ The Post Office raised the aviation postage in February 1933.¹⁰⁸ As shown in Table Three, the airmail volume did not decrease, but increased before 1934. Postal subsidies for the airmail expenditure became independent from the postal savings service in March 1930, thus turning the Post Office from positive equity to negative that year. This decision is what triggered the postal union strike in 1932.¹⁰⁹ The C.N.A.C. suffered losses every year until 1934.¹¹⁰ The Post Office on the other hand experienced long-term losses.¹¹¹

Table Three Volume and Weight of Post Airmail during 1931-1935

	Letters/Post cards	Newspapers	Miscellaneous
1931.7- 1932.6	3717600 pieces 45147100 kg	12500 1069700	10400 575700
1932.7- 1933.6	3576300 43821800	8400 594500	8800 489500
1933.7- 1934.6	3454700 41585000	16400 1083000	7800 566700
1934.7- 1935.6	4170700 49032900	55300 3009900	17000 909500

Source: According to the compilation of annual postal affairs chronicle from 《General Guideline of Chinese Postal Service》 (Beijing: Yanshan Publisher, 1995)

V. Conclusion

¹⁰⁶ 1932年5月8日上海郵務工職兩會呈交通部文「鞏固郵基方案」，重印於薛聘文編著《郵政儲金創業史料》(臺北：郵政總局，1976)。

¹⁰⁷ Command No. 1609 by Ministry of Transportation on April 6th, 1931; Command No. 1927 on May 30th, 1931 in Postal Service Archive 463/39(General 393); 薛聘文、王士英主編，《中國郵資考》，頁22-25、187。

¹⁰⁸ 王開節，《我國民用航空事業發展簡史》，頁32-3；薛聘文、王士英主編，《中國郵資考》，頁205。

¹⁰⁹ 何建祥，《郵政運輸》(臺北：中國交通建設學會，1954)，頁36。

¹¹⁰ Dai Enki(戴恩基), "The First Five Years of Commercial Aviation Activity in China", *The China Weekly Review* (22 December 1934), p.138.

¹¹¹ 王開節，《我國民用航空事業發展簡史》，頁31。

The use of foreign capital by developing countries for their domestic economy has been an issue of interest.¹¹² For instance, after the Sino-Japan War, Chang Chih-tung and Cheng Kuanying proposed to circulate foreign investment in China. The 1904 “Corporations Law” aimed to help the national corporations attract foreign investment without losing their independence. However, foreign capital investors appeared to be gradually dominating.¹¹³ The “business cooperation between Chinese and foreign investors” led by the Beiyang Government did not help the situation.¹¹⁴ Foreign investors lacked confidence in the Chinese Government due to the chaotic social situation. Therefore, they merely invested directly in natural resources as in other under-developed countries. Their investment in public infrastructure focused solely on the industries of resources and transportation.¹¹⁵ US investment in China remained this way until 1930 because according to C. R. Remer: the US owned 78.8% of direct investment in China.¹¹⁶ The 1929 Chinese Airways, a 100% state-owned corporation rented airplanes possessed by foreign investors. In 1930, the Chinese Airways was a company co-operated by Chinese and foreign investors under the Ministry of Transportation, which allowed the initial foreign investment. Meanwhile, the “Corporations Law” announced by the Nationalist Government in December, 1929 had not yet publicly limited foreign business investment.¹¹⁷ The Nationalist Government only gave the Ministry of Industries and Commerce a secret order about the ‘Method of Utilising Foreign Investment’, which regulated that state-owned shares should be no less than 51% and half of the board members should have Chinese nationality.¹¹⁸

The initial investment was the major problem in developing the airmail service. Sun Ke’s method of collecting investment could be regarded as emulating his father, Sun

¹¹² A classic text for this issue is Ragnar Nurkes, *Problems of Capital Formation in Underdeveloped Countries*(1953).

¹¹³ 李玉，〈晚清官方對洋股的認識與利用〉，《學術月刊》2000年第1期，頁45-52。

¹¹⁴ 李玉，《北洋政府時期企業制度結構史論》（北京：社會科學文獻出版社，2007），頁557-644。

¹¹⁵ 勒克西著，鄔志陶譯，《落後國家的資本形成》，頁86-88。

¹¹⁶ C. R. Remer, *Foreign Investments in China*, p.333.

¹¹⁷ 季立剛，《民國商事立法研究》（上海：復旦大學出版社，2006），頁153；國民政府「公司法」全文見《上海檔案史料匯編 舊中國的股份制(1872年-1949年)》（北京：中國檔案出版社，1996），頁282-309。

¹¹⁸ 〈行政院抄發關於政府利用外資提案及投資方式給工商部密令〉（1930年4月10日），中國第二歷史檔案館編，《中華民國史檔案資料匯編》第五輯第一編，頁123-6；曹成建，〈試論近代中國公司法規對外資及中外合資公司之規範〉，《四川大學學報(哲學社會科學版)》（1998年第3期），頁101-106。

Yatsen, who established the Chinese Railway Corporation in 1912 to elicit foreign investment for the railway establishment in China.¹¹⁹ Partially due to his bad relationship with local capitalists in Shanghai, Sun Ke advocated for foreign investment. In contrast, Chang Jen-chieh took great advantage of the Shanghai capitalists for his development scheme.¹²⁰ Regarding the US strategies, American manager of China Airways, W. Langhorne Bond pointed out in his senior years that Keys failed to invest successfully in the Chinese market because of his personal experience in the mainland US, which led him to cooperate with the Ministry of Railways, without considering the importance of the Ministry of Transportation.¹²¹ The management by cooperation with foreign investors ended up with supplemented US airplanes flying within the territory of Chinese boundaries. Therefore, it can be concluded that based on historical experience it is overly optimistic to expect state modernisation merely by securing foreign investment.¹²²

¹¹⁹ 《國父有關鐵路建設遺教輯要》(臺北：國民黨臺灣區鐵路黨部，1974)。

¹²⁰ 陳志昌，〈蔣中正四次下野前後之財務運作〉，頁 41-51；劉公昭，〈張人傑與中國革命建設〉(國立臺灣大學三民主義研究所碩士論文，1987)，第 4 及第 5 章。

¹²¹ W. Langhorne Bond; edited by James E. Ellis, *Wings for an Embattled China* (Bethlehem: Lehigh University Press, 2001), pp.23-4.

¹²² 王樹槐，〈清末鐵路人才問題〉，國立台灣大學歷史學報第 9 期(1981)；勒克西著，鄔志陶譯，〈落後國家的資本形成〉，頁 89。