

large amount. The British group therefore feels that it is entitled to claim that, during the course of these negotiations and until they have been brought to a conclusion by the issue of the reorganisation loan, His Majesty's Government will not support any other group in making loans or advances to China, but will confine their exclusive support to the British group as signatories of the intergroup agreement.

I trust this will not be considered an unreasonable contention in view of the obligations entered into by the British group, at the instance of His Majesty's Government, *vis-à-vis* the French, German, and American groups. I submit that a distinction must be drawn between a general monopoly and a particular monopoly of support, as applied to a specific negotiation entered upon with the approval of His Majesty's Government. It is certain that our continental friends would regard it as a breach of faith if, under cover of negotiations recognised by the four Powers, support were given to any group which is not a party to the intergroup agreement.

An embarrassing and even dangerous situation would be created, and great difficulty might be experienced in maintaining the agreement between the groups.

I am, &c.

C. S. ADDIS.

No. 6.

*Foreign Office to Hong Kong and Shanghai Bank.*

Sir,

*Foreign Office, March 14, 1912.*

AS you already know, I submitted to Sir E. Grey your letter of the 6th instant, in which you set forth the contention of your bank that it is entitled to claim that, during the course of the present loan negotiations and until they have been brought to a conclusion by the issue of the reorganisation loan, His Majesty's Government will not support any other group in making loans or advances to China, but will confine their exclusive support to the British group as signatory of the inter-group agreement.

Sir E. Grey has already explained to you at the interview which you had with him on the 9th instant his view in regard to the point raised in your letter, and he now directs me to inform you in writing that, while disclaiming any intention of giving a monopoly of support to the Hong Kong and Shanghai Bank in regard to loans in China, His Majesty's Government will not for the moment support negotiations for a loan which might interfere with the temporary arrangements made for financing the Chinese Provisional Government, or which might conflict with the terms or weaken the security of the large loan for reorganisation purposes which your bank and the allied French, German, and American groups are negotiating, with the full knowledge of their Governments, and in regard to which advances have already been made to the Chinese Government with the approval of the four Governments. In view of the fact that these advances, made without proper security, have been authorised by the four Governments, under the conviction that the moment had come when it was politically expedient to strengthen the hands of the *de facto* administration in China against the forces of anarchy, His Majesty's Government recognise that they are under obligation not only to the Hong Kong and Shanghai Bank, but also to the Governments and groups concerned in these advances, not to give their support to any other group in negotiating with the Chinese Government any loan as described above until the large loan out of which these advances and the expenses of reorganisation are to be covered has been successfully negotiated, and, above all, until the security on which it is to be issued has been definitely settled.

At the same time, I am to confirm what Sir E. Grey said to you on Saturday, that, in his opinion, the best method of obviating the difficulties in regard to your future business in China likely to arise out of the competition of other British firms and the obvious impossibility of granting exclusive Government support to one British bank is the formation of a British group somewhat on the lines of the French and German groups, and further, to remind you that Sir E. Grey expects that, in view of the assurance now given to you, your bank will be able to arrange for the participation of competing British houses in the issue of the large loan, provided that such participation would really fall to British capital.

I am, &c.

W. LANGLEY.