

I am to add that, as a matter of principle, His Majesty's Government would not feel justified in ordinary circumstances in giving their support to any loan which did not, in their opinion and in the opinion of the other Governments concerned, offer adequate guarantees for the proper and useful expenditure of the proceeds, and satisfactory security for the payment of principal and interest.

I am, &c.

W. LANGLEY.

No. 8.

*Eastern Bank to Foreign Office.—(Received March 16.)*

Sir,

4, Crosby Square, London, March 15, 1912.

WITH reference to my letter of the 29th ultimo, I am instructed by my board to inform you that the Peking agents of the Eastern Bank (Limited), and of Messrs. J. Henry Schröder and Co., Mr. H. Lawson, and Major Menzies have, in conjunction with our Belgian and French associates, arranged a loan for 1,000,000*l.* in one year Treasury bills at 5 per cent. at 97 to the Chinese Government against the security of the Peking-Kalgan Railway. The object of this loan is to render a temporary advance to the Chinese Government, pending the negotiation of a larger loan which the Chinese Government have undertaken to offer us upon equal terms to those of any other groups.

The contract has been signed by the President of China and the Finance Minister, and I venture to ask you to instruct Sir J. Jordan to receive the customary notification of the Chinese Government.

I have, &c.

F. H. SUTTON.

No. 9.

*Eastern Bank, Messrs. J. H. Schröder and Co., Messrs. E. D. Sassoon and Co., and Messrs. Brown, Shipley, and Co. to Foreign Office.—(Received March 19.)*

Sir,

4, Crosby Square, London, March 18, 1912.

WE have the honour to acknowledge receipt of the Foreign Office letter of the 14th instant, addressed to Lord Balfour of Burleigh, as chairman of the Eastern Bank.

The letter of the 15th instant from the manager of that bank had been written before the receipt of the Foreign Office letter now under reply. We have now had an opportunity of considering your letter of the 14th instant, and we are writing to express our regret at the attitude now adopted, and to say that it does not seem wholly consistent with the position taken up in the earlier letters of the Foreign Office.

We venture to remind you that, in the letter of the Eastern Bank of the 24th January last, the Foreign Office were advised that a syndicate had been formed for the purpose of financing loans to the Chinese Government, and the Foreign Office were invited to be good enough to note this fact.

The Foreign Office replied on the 3rd February that a copy of the letter referred to would be forwarded to His Majesty's Minister at Peking, who would be directed to furnish our representative with such assistance as he could properly give. At the same time the probability was pointed out that the Chinese Government would apply in the first instance for any assistance they might require to the four international banking groups.

In reply it was stated that our syndicate were quite ready to compete for such loans in the ordinary way, and having regard to the intimation which had been received from the Foreign Office in their letter of the 3rd February, we proceeded with our negotiations with the Chinese Government, which, as we advised the Foreign Office on the 15th instant, have now resulted in a loan being arranged on the terms there stated.

In the letter of the 14th instant, the Foreign Office for the first time take exception to the policy of competition for these loans. It was also stated that His Majesty's Government feel that they are under obligations to the Hong Kong and Shanghai Bank not to give their support to any other group in negotiating loans with the Chinese Government until the four international banking groups, of which the Hong Kong and Shanghai Bank forms one, have completed their negotiations for the large loan, in anticipation of which they have already, without any definite security, made advances to the Chinese Government.