

In view of our chairman's letter of the 24th January last, bringing our syndicate to your notice, and your reply of the 3rd February, in which you wrote:—

"I am directed by Secretary Sir E. Grey to inform you that a copy of your letter will be forwarded to His Majesty's Minister at Peking, who will be directed to furnish your local representative with such assistance as he properly can. In issuing these instructions to Sir J. Jordan, Sir E. Grey would be glad to be in a position to give the names of the foreign firms with whom your bank is associated, and I am to request that this information may be supplied":

we think we were not unreasonable in considering that we had the concurrence and support of His Majesty's Government, and we had no hesitation in concluding the loan, of which we advised you in our letter of the 15th instant.

The contract has been ratified by the National Assembly, and we venture to hope that, after consideration of the facts set forth in our syndicate's letter of the 18th instant, our request may meet with a more favourable response from His Majesty's Government, and that the necessary instructions may be sent to His Majesty's Minister at Peking.

I have, &c.

F. H. SUTTON, *Manager.*

No. 12.

*Foreign Office to Eastern Bank, Messrs. J. H. Schröder and Co., Messrs. E. D. Sassoon and Co., and Messrs. Brown, Shipley, and Co.*

Sir,

*Foreign Office, March 22, 1912.*

I AM directed by Secretary Sir E. Grey to acknowledge the receipt of your letter of the 18th instant, replying to the views of Sir E. Grey as to the attitude of His Majesty's Government towards financial groups making loans to China, as set forth in the letter to you from this Office of the 14th.

You state that the attitude now adopted does not seem wholly consistent with the position taken up in the earlier letters of the Foreign Office.

In reply to this statement, I am to refer you to the Foreign Office letter of the 3rd ultimo, in which, as you observe in your letter now under consideration, you were warned that the Chinese Government would probably, in the first instance, apply for financial assistance to the groups of the four-nation combine. This is the course which in the event the Chinese Government actually adopted, and when you applied to Sir E. Grey in regard to the Anglo-Belgian loan he was already pledged to support another loan, with the conditions of which, in the opinion of His Majesty's Government and the other Governments interested, the Anglo-Belgian loan was in conflict.

It appears to Sir E. Grey that you are under a misapprehension in attributing to him a statement that the policy suggested by you was in conflict with that of the internationalisation of loans in China. You were informed that your request appeared to conflict with your protest against the internationalisation of loans in China, which is obviously a quite different statement to that now attributed by you to Sir E. Grey.

I am further to point out to you that His Majesty's Government are acting in accord with both the German and French Governments in this matter. The German market has been closed to this loan, and the French Government refuse to support it. Moreover, the conditions of the loan are unknown to His Majesty's Government, and it is very doubtful whether the four Governments interested would find that it offered what they would consider "adequate guarantees for the proper and useful expenditure of the proceeds and satisfactory security for the payment of principal and interest."

Sir E. Grey notes with pleasure that you have no desire to embarrass His Majesty's Government, and are prepared to discuss matters with the Hong Kong and Shanghai Bank; but I am to point out that it is for you to approach that bank, as suggested in the previous letter from this Office.

I am, &c.

W. LANGLEY.