

No. 13.

Foreign Office to Eastern Bank.

Sir,

Foreign Office, March 27, 1912.

I AM directed by Secretary Sir E. Grey to acknowledge the receipt of your letter of the 22nd instant, requesting that he may reconsider his decision, conveyed to you on the 19th instant, as to instructing His Majesty's Minister at Peking to receive the notification of your loan from the Chinese Government.

Sir E. Grey assumes that your letter crossed the letter from this Office of the 22nd, which was sent in reply to your communication of the 15th, and which amplified the reasons previously transmitted to you for the attitude taken up by His Majesty's Government towards financial groups making loans to China.

The matter has now been fully considered in all its aspects by Sir E. Grey, and he regrets that he is not in a position to do otherwise than adhere to his original decision.

I am, &c.

W. LANGLEY.

No. 14.

Eastern Bank to Foreign Office.—(Received March 29.)

Sir,

4, Crosby Square, London, March 28, 1912.

I HAVE the honour to acknowledge receipt of your letter of the 22nd instant, which has been submitted to my board and to the syndicate, and I am directed to say that, after what passed in the earlier steps of the correspondence, they are unable to understand the position now taken up by His Majesty's Government.

My board and those interested in the syndicate have again carefully studied the contents of your letter of the 3rd February to which you refer them. It is no doubt the case that you mentioned therein the probability of the Chinese Government applying in the first instance to the four international banking groups, but there was no suggestion in the letter that Sir E. Grey was already pledged to support them to the exclusion of all others. On the contrary, the Foreign Office wrote as follows:—

"I am instructed 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 instructed 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.

On the 8th February we furnished you with the particulars asked for, and on the 15th instant gave details of the 1,000,000*l.* loan arranged by our representatives for one year on the security of the Peking-Kalgan Railway, and payments have already been made to China in respect thereof.

It is the case, as stated in our letter of the 8th February, that German banks are not yet officially interested in our syndicate. French bankers, however, are interested, and so also is the Russo-Asiatic Bank with the full knowledge of the Russian Government. We have had many applications from English, German, American, and French bankers to join us, but at the present moment we have no desire to enlarge our syndicate.

The loan which we have arranged was not made until after we had informed the Foreign Office of our intention, and in view of the fact that during the negotiations there was nothing to indicate that His Majesty's Minister at Peking would not be authorised to receive the customary notification of the Chinese Government, we proceeded in fact on the promise of support contained in your letter of the 3rd February, and it is difficult for us to understand why His Majesty's Government should now shut the door against us.

As regards the larger loans to follow, we are willing and ready to submit to the Foreign Office all details, and to co-operate with other groups, but as the Hong Kong and Shanghai Bank Syndicate are aware that His Majesty's Government is pledged